NEW FINANCE
BE WITH EVERY FAMILY

中国建设银行
China Construction Bank

China Construction Bank Corporation

Annual Report 2021

CORPORATE INTRODUCTION

China Construction Bank Corporation, headquartered in Beijing, is a leading large-scale commercial bank in China. Its predecessor, China Construction Bank, was established in October 1954. It was listed on Hong Kong Stock Exchange in October 2005 (stock code: 939) and the Shanghai Stock Exchange in September 2007 (stock code: 601939). At the end of 2021, the Bank's market capitalisation reached US$175,302 million, ranking sixth among all listed banks in the world. The Group ranks second among global banks by Tier 1 capital.

The Bank provides customers with comprehensive financial services, including personal banking, corporate banking, investment and wealth management. With 14,510 banking outlets and 351,252 staff members, the Bank serves hundreds of millions of personal and corporate customers. The Bank has subsidiaries in various sectors, including fund management, financial leasing, trust, insurance, futures, pension and investment banking, and has nearly 200 overseas entities covering 31 countries and regions.

The Bank proactively practices "New Finance", and fully promotes the implementation of the "Three Major Strategies" of house rental, inclusive finance and FinTech. By adhering to the digitalised operation strategy of "building ecologies, setting up scenarios and expanding user base", the Bank strives to achieve a breakthrough at the Customer Community with its root deeply planted among the general public so as to serve as a "warm and cosy" bank for the ordinary people. Moreover, the Bank focuses on empowering the Business Community, so as to create an ecology featuring co-existence and co-prosperity and become a lifetime partner of its corporate customers. Furthermore, the Bank promotes its connection with the Government Community, striving to support social governance so as to become a national trusted financial pillar.

Adhering to the "market-oriented, customer-centric" business concept, the Bank is committed to developing itself into a world class banking group with top value creation capability. The Bank strives to achieve the integration of short-term and long-term benefits, and the synthesis of business goals and social responsibilities objectives, so as to maximise the value for its stakeholders including customers, shareholders, associates and society.

VISION

Build a world class banking group with top value creation capability

MISSIONS

Provide better services to our customers, create higher value to our shareholders, build up broader career path for our associates, and assume full social responsibilities as a corporate citizen.

CORE VALUES

Integrity, Impartiality, Prudence, Creation

For further information, please visit
www.ccb.com

CONTENTS

IMPORTANT NOTICE

The Board, the board of supervisors, directors, supervisors and senior management of the Bank warrant that the information in this report is truthful, accurate and complete and contains no false presentations, misleading statements or material omissions, and they assume several and joint legal liability for such contents.

This annual report and results announcement have been reviewed and approved at the Board meeting of the Bank held on 29 March 2022. All 13 directors of the Bank attended the meeting in person.

The Board proposed a cash dividend of RMB0.364 per share (including tax) for 2021 to all shareholders.

The financial statements of the Group prepared in accordance with PRC GAAP for the year of 2021 have been audited by Ernst & Young Hua Ming LLP, and the financial statements prepared in accordance with IFRS have been audited by Ernst & Young. Both auditors have provided audit report with unqualified audit opinion.

Mr. Xu Jiandong, non-executive director of the Bank, Mr. Kenneth Patrick Chung and Mr. Michel Madelain, independent non-executive directors of the Bank, hereby warrant the truthfulness, accuracy and completeness of the financial statements in this annual report.

We have included in this report certain forward-looking statements with respect to our financial position, operating results and business development. These statements are based on current plans, estimates and projections. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements do not constitute a substantive commitment to investors. Please be fully aware of the risks and understand the differences between plans, projections and commitments.

The main risks faced by the Group include credit risk, market risk, operational risk, liquidity risk, reputational risk and country risk. We proactively took measures to manage various risks effectively. For more information, please refer to “Risk Management” in the “Management Discussion and Analysis”.

This report is prepared in both Chinese and English. In the case of discrepancy between the two versions, the Chinese version shall prevail.

CORPORATE INFORMATION

Legal name and abbreviation in Chinese	中國建設銀行股份有限公司(abbreviated as "中國建設銀行")
Legal name and abbreviation in English	CHINA CONSTRUCTION BANK CORPORATION (abbreviated as "CCB")
Legal representative	Tian Guoli
Authorised representative	Ma Chan Chi
Secretary to the Board	Hu Changmiao
Contact address	No. 25, Financial Street, Xicheng District, Beijing
Company secretary	Ma Chan Chi
Principal place of business in Hong Kong	28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
Registered address and office address	No. 25, Financial Street, Xicheng District, Beijing Postcode:100033 Telephone: 86-10-67597114
Website	www.ccb.com
Hotline for customer service and complaints	95533
Contact information for investors	Telephone: 86-10-66215533 Facsimile: 86-10-66218888 Email: ir@ccb.com
Media and websites for information disclosure	China Securities Journal, www.cs.com.cn Shanghai Securities News, www.cnstock.com Securities Times, www.stcn.com Securities Daily, www.zqrb.cn
Website of the Shanghai Stock Exchange for publishing the annual report prepared in accordance with PRC GAAP	www.sse.com.cn
HKEXnews website of Hong Kong Exchanges and Clearing Limited for publishing the annual report prepared in accordance with IFRS	www.hkexnews.hk
Place where copies of this annual report are kept	Board of Directors Office of the Bank
Listing stock exchanges, stock abbreviations and stock codes	A-share: Shanghai Stock Exchange Stock abbreviation: 建設銀行 Stock code: 601939 H-share: The Stock Exchange of Hong Kong Limited Stock abbreviation: CCB Stock code: 939 Domestic preference share: Shanghai Stock Exchange Stock abbreviation: 建行優1 Stock code: 360030
Certified public accountants	Ernst & Young Hua Ming LLP Address: 16/F, Ernst & Young Tower, Oriental Plaza, No.1 East Changan Avenue, Dongcheng District, Beijing Signing accountants: Wang Pengcheng, Tian Zhiyong and Feng Suoteng Ernst & Young Address: 27/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
Legal advisor as to PRC laws	Commerce & Finance Law Offices Address: 12-14/F, China World Office 2, No.1 Jianguomenwai Avenue, Beijing
Legal advisor as to Hong Kong laws	Clifford Chance Address: 27/F, Jardine House, One Connaught Place, Central, Hong Kong
A-share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch Address: No. 188 Yanggaonan Road, Pudong New District, Shanghai
H-share registrar	Computershare Hong Kong Investor Services Limited Address: Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Rating information	Standard & Poor's: long-term "A"/short-term "A-1"/stable outlook Moody's: long-term "A1"/short-term "P-1"/stable outlook Fitch: long-term "A"/short-term "F1+"/stable outlook ESG rating of MSCI: A

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below.

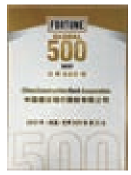
Abbreviations of organisations

"ABC"	Agricultural Bank of China Limited
"Bank"	China Construction Bank Corporation
"Baowu Steel Group"	China Baowu Steel Group Corporation Limited
"Board"	Board of directors
"BOC"	Bank of China Limited
"CBIRC"	China Banking and Insurance Regulatory Commission
"CCB" or "Group"	China Construction Bank Corporation and its subsidiaries
"CCB Asia"	China Construction Bank (Asia) Corporation Limited
"CCB Brasil"	China Construction Bank (Brasil) Banco Múltiplo S/A
"CCB Europe"	China Construction Bank (Europe) S.A.
"CCB Financial Leasing"	CCB Financial Leasing Co., Ltd.
"CCB Futures"	CCB Futures Co., Ltd.
"CCB Indonesia"	PT Bank China Construction Bank Indonesia Tbk
"CCB International"	CCB International (Holdings) Limited
"CCB Investment"	CCB Financial Asset Investment Co., Ltd.
"CCB Life"	CCB Life Insurance Co., Ltd.
"CCB London"	China Construction Bank (London) Limited
"CCB Malaysia"	China Construction Bank (Malaysia) Berhad
"CCB New Zealand"	China Construction Bank (New Zealand) Limited
"CCB Pension"	CCB Pension Management Co., Ltd.
"CCB Principal Asset Management"	CCB Principal Asset Management Co., Ltd.
"CCB Property & Casualty"	CCB Property & Casualty Insurance Co., Ltd.
"CCB Russia"	China Construction Bank (Russia) Limited
"CCB Trust"	CCB Trust Co., Ltd.
"CCB Wealth Management"	CCB Wealth Management Co., Ltd.
"China CITIC Bank"	China CITIC Bank Corporation Limited
"CSRC"	China Securities Regulatory Commission
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huijin"	Central Huijin Investment Ltd.
"ICBC"	Industrial and Commercial Bank of China Limited
"MOF"	Ministry of Finance of the People's Republic of China
"PBC"	The People's Bank of China

"SAFE"	State Administration of Foreign Exchange
"Sino-German Bausparkasse"	Sino-German Bausparkasse Co., Ltd.
"State Council"	State Council of the People's Republic of China
"State Grid"	State Grid Corporation of China
"Yangtze Power"	China Yangtze Power Co., Limited
Platforms, products and services	
"Blockchain Trade (BCTrade) Finance Platform"	An online platform integrating technologies such as blockchain, artificial intelligence, Internet of Things with trade finance to provide diversified trade finance services for market players such as financial institutions and corporate customers
"CCB Huidongni"	A one-stop mobile finance service platform built by the Bank for inclusive finance customers by using the Internet, big data, artificial intelligence and biometric technologies
"CCB Match Plus"	An open platform leveraging FinTech to provide corporate customers with cross-border smart matchmaking services and a full range of financial solutions in cross-border transaction scenarios
"CCB Start-up Station"	A one-stop online and offline comprehensive service platform featuring "Finance + Incubation + Industry + Education" for startups and innovative enterprises, established by the Bank in cooperation with government departments, venture capital companies, core enterprises, research institutions and incubators with internal and external high-quality resources
"CCB Yunongtong"	A comprehensive service brand for rural revitalisation by implementing New Finance through offline inclusive finance service outlets and online comprehensive service platform of the Bank
"Cross-border Quick Loan"	An online unsecured credit trade financing service provided by the Bank for small and micro cross-border trade enterprises
"FITS®"	Financial Total Solutions, a comprehensive investment banking brand of the Bank incorporating a host of financial products and instruments
"Long Pay"	An internet-based enterprise-level mobile digital payment brand of the Bank, which includes a group of comprehensive integrated payment and settlement products and services
"WMPs"	Wealth management products
"Yudao – Treasury Cloud"	A comprehensive service platform for multi-bank fund management provided by the Bank for corporate customers
"Yunong Quick Loan"	A loan service provided by the Bank to agriculture-related small and micro businesses, individual businesses, new agricultural business entities and farmers based on data of agricultural production and operation
"Zhangbutong"	A fund classification management product provided by the Bank for corporate customers
Others	
"AML"	Anti-money laundering
"ESG"	Environment, society and governance
"IFRS"	International Financial Reporting Standards
"Listing Rules of Hong Kong Stock Exchange"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"New financial instruments standard" or "IFRS 9"	*International Financial Reporting Standard No. 9 – Financial Instruments* issued by International Accounting Standards Board, which came into effect on 1 January 2019
"PRC Company Law"	The Company Law of the People's Republic of China
"PRC GAAP"	*Accounting Standards for Business Enterprises* and other relevant requirements promulgated by the MOF on 15 February 2006 and afterwards

UK magazine The Banker

Second in Top 1000 World Banks Ranking 2021



US magazine FORTUNE

25th in Fortune Global 500 2021

US magazine GLOBAL FINANCE

Best Domestic Bank for Renminbi Internationalization 2021

Singapore magazine THE ASIAN BANKER

Achievement in Enterprise Risk Management Award 2021

Best Mega Retail Bank in China 2021

Hong Kong Commercial Daily

Most Socially Responsible Financial Institutions 2021

CHINA BUSINESS JOURNAL

Highly Competitive Digital Retail Bank 2021

FINANCIAL NEWS

Best Bank in Integration of Industry and Finance 2021

Southern Weekly

Annual Responsibility Case Award 2021

International Finance Forum

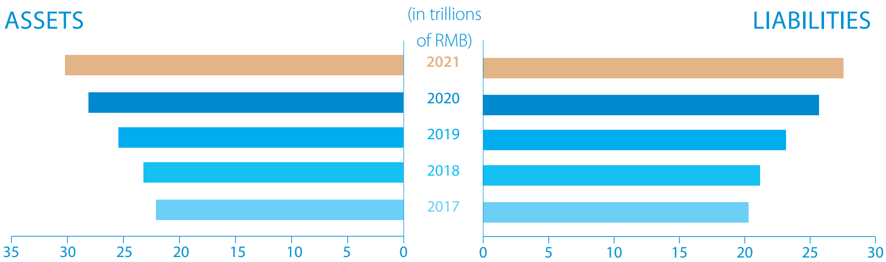
2021 IFF Global Green Finance Innovation Award

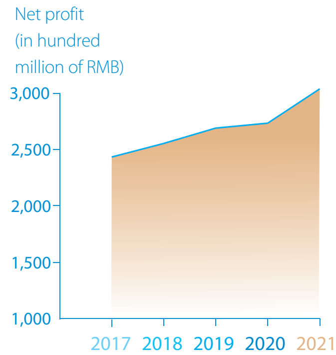
DIRECTORS & BOARDS

Best Board

FINANCIAL AND OPERATIONAL HIGHLIGHTS

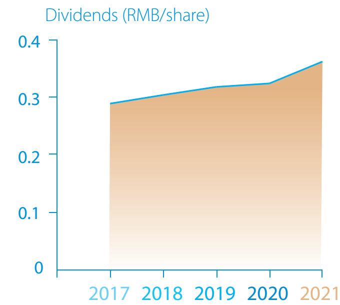
STABLE AND BALANCED CORE INDICATORS



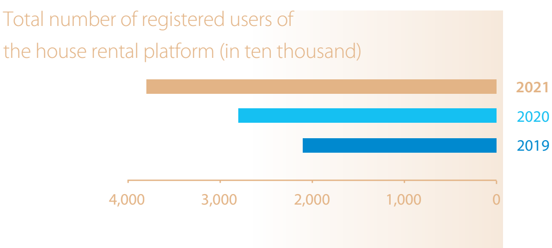


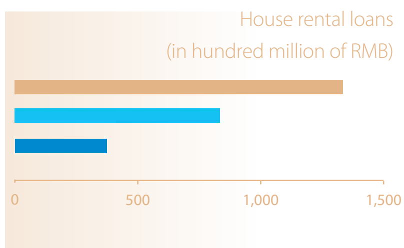
ROE	NIM	NPL Ratio
12.55%	2.13%	1.42%

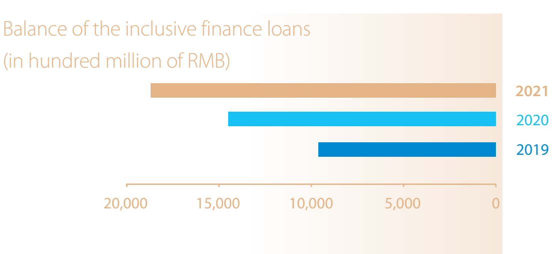
ROA	Cost-to-income Ratio	Liquidity Coverage Ratio
1.04%	27.64%	134.70%

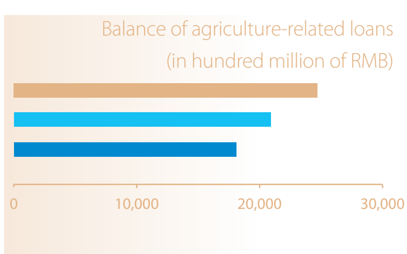


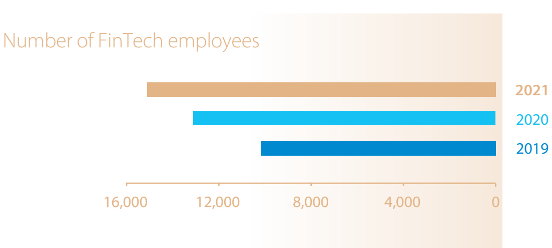
COLLABORATIVE PROMOTION OF THREE MAJOR STRATEGIES

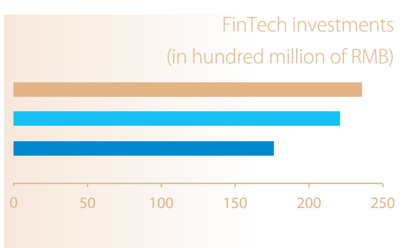






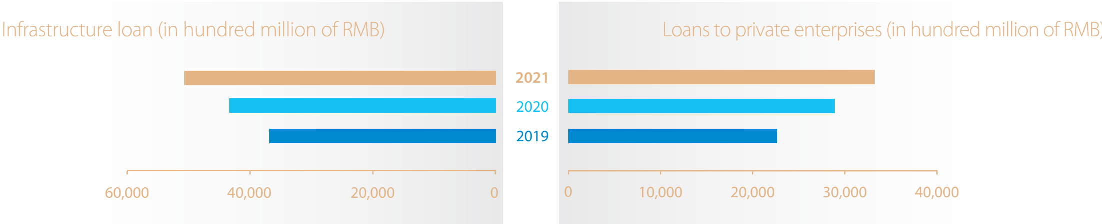




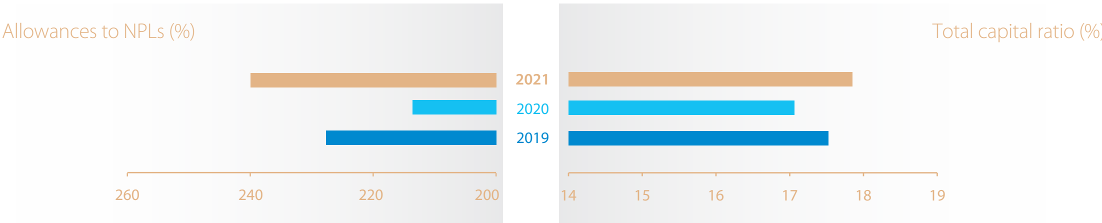


CONTINUAL IMPROVEMENT IN THREE CAPABILITIES

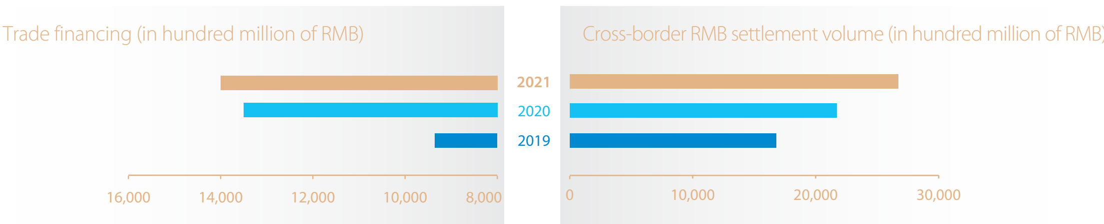
SERVING NATIONAL CONSTRUCTION CAPACITY



FINANCIAL RISK PREVENTION CAPABILITY



INTERNATIONAL COMPETITIVENESS



SOLID PROGRESS IN DIGITALISED OPERATION

Registered users of "CCB Lifestyle"

Over **3,400** (in ten thousand)

Cumulative number of e-CNY transactions

Over **8,475** (in ten thousand)

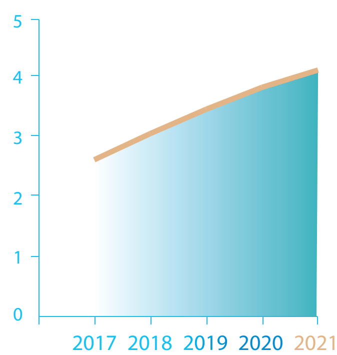
Monthly average number of active users of the Bank's personal mobile banking

1.49 (in hundred million)

Cumulative e-CNY transaction amount

435 (in hundred million of RMB)

The number of personal mobile banking users (in hundred million)



FULFILLING ESG RESPONSIBILITIES AS A LARGE BANK

Balance of green loans

1.96 trillion of RMB

ESG rating of MSCI

Maintained A Grade

Public welfare donations

1.19 hundred million of RMB

FINANCIAL HIGHLIGHTS

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

(Expressed in millions of RMB unless otherwise stated)	2021	2020	Change (%)	2019	2018	2017
For the year						
Net interest income	605,420	575,909	5.12	537,066	508,842	459,607
Net fee and commission income	121,492	114,582	6.03	110,898	100,471	101,119
Other net non-interest income	37,794	23,733	59.25	30,037	24,459	33,305
Operating income	764,706	714,224	7.07	678,001	633,772	594,031
Operating expenses	(219,182)	(188,574)	16.23	(188,132)	(174,764)	(167,043)
Credit impairment losses	(167,949)	(193,491)	(13.20)	(163,000)	(151,109)	N/A
Other impairment losses	(766)	3,562	N/A	(521)	121	N/A
Profit before tax	378,412	336,616	12.42	326,597	308,160	299,787
Net profit	303,928	273,579	11.09	269,222	255,626	243,615
Net profit attributable to equity shareholders of the Bank	302,513	271,050	11.61	266,733	254,655	242,264
Net profit attributable to common shareholders of the Bank	297,975	265,426	12.26	262,771	250,719	241,219
As at 31 December						
Net loans and advances to customers	18,170,492	16,231,369	11.95	14,542,001	13,366,492	12,574,473
Total assets	30,253,979	28,132,254	7.54	25,436,261	23,222,693	22,124,383
Deposits from customers	22,378,814	20,614,976	8.56	18,366,293	17,108,678	16,363,754
Total liabilities	27,639,857	25,742,901	7.37	23,201,134	21,231,099	20,328,556
Total equity	2,614,122	2,389,353	9.41	2,235,127	1,991,594	1,795,827
Total equity attributable to equity shareholders of the Bank	2,588,231	2,364,808	9.45	2,216,257	1,976,463	1,779,760
Share capital	250,011	250,011	–	250,011	250,011	250,011
Common Equity Tier 1 capital after regulatory adjustments[1]	2,475,462	2,261,449	9.46	2,089,976	1,889,390	1,691,332
Additional Tier 1 capital after regulatory adjustments[1]	100,066	100,068	–	119,716	79,720	79,788
Tier 2 capital after regulatory adjustments[1]	676,754	471,164	43.63	427,896	379,536	231,952
Total capital after regulatory adjustments[1]	3,252,282	2,832,681	14.81	2,637,588	2,348,646	2,003,072
Risk-weighted assets[1]	18,215,893	16,604,591	9.70	15,053,291	13,659,497	12,919,980

1. Calculated in accordance with the relevant regulations of the *Capital Rules for Commercial Banks (Provisional)*, the advanced capital measurement approaches, and applicable rules for the transitional period.

	2021	2020	Change +/(-)	2019	2018	2017
Profitability indicators (%)						
Return on average assets[1]	1.04	1.02	0.02	1.11	1.13	1.13
Return on average equity	12.55	12.12	0.43	13.18	14.04	14.80
Net interest spread	1.94	2.04	(0.10)	2.16	2.22	2.11
Net interest margin	2.13	2.19	(0.06)	2.32	2.36	2.23
Net fee and commission income to operating income	15.89	16.04	(0.15)	16.36	15.85	17.02
Cost-to-income ratio[2]	27.64	25.38	2.26	26.75	26.61	27.15
Capital adequacy indicators (%)						
Common Equity Tier 1 ratio[3]	13.59	13.62	(0.03)	13.88	13.83	13.09
Tier 1 ratio[3]	14.14	14.22	(0.08)	14.68	14.42	13.71
Total capital ratio[3]	17.85	17.06	0.79	17.52	17.19	15.50
Total equity to total assets	8.64	8.49	0.15	8.79	8.58	8.12
Asset quality indicators (%)						
Non-performing loan (NPL) ratio	1.42	1.56	(0.14)	1.42	1.46	1.49
Allowances to NPLs[4]	239.96	213.59	26.37	227.69	208.37	171.08
Allowances to total loans[4]	3.40	3.33	0.07	3.23	3.04	2.55
Per share (In RMB)			Change (%)			
Basic and diluted earnings per share	1.19	1.06	12.26	1.05	1.00	0.96
Final cash dividend proposed after the reporting period	0.364	0.326	11.66	0.320	0.306	0.291
Net assets per share attributable to ordinary shareholders of the Bank	9.95	9.06	9.82	8.39	7.59	6.80

1. Adjusted by dividing net profit by the average of total assets at the beginning and end of the year.
2. Operating expenses (after deduction of taxes and surcharges) divided by operating income.
3. Calculated in accordance with the relevant regulations of the *Capital Rules for Commercial Banks (Provisional)*, the advanced capital measurement approaches, and applicable rules for the transitional period.
4. Allowances for impairment losses on loans include the allowances for impairment losses on discounted bills measured at fair value through other comprehensive income, and both total loans and NPLs do not include the accrued interest.

The following table sets forth the main quarterly financial indicators of the Group during the respective periods.

	2021				2020			
(In millions of RMB)	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	195,350	185,557	191,632	192,167	186,405	173,519	176,030	178,270
Net profit attributable to equity shareholders of the Bank	83,115	70,185	78,853	70,360	80,855	56,771	68,206	65,218
Net cash received from operating activities	253,365	(81,206)	301,066	(36,507)	495,018	(432,318)	547,978	(29,993)

CHAIRMAN'S STATEMENT

Tian Guoli Chairman

Dear shareholders,

2021 marked a milestone in China's new march of modernisation drive. CCB remained committed to the new development philosophy, applying new way of financial thinking to guiding more financial resources towards key areas and weak links in economic and social development. By doing this, CCB contributed to the building of new development pattern, and the promotion of high-quality development and common prosperity of the country, while also made a good start for itself in the "14th Five-Year Plan" period. At the end of 2021, the Group recorded total assets of more than RMB30 trillion and a net profit of RMB303,928 million, representing an increase of 7.54% and 11.09% over 2020 respectively. Return on average assets and return on average equity were 1.04% and 12.55% respectively, and both indicators ranked top among peers. The NPL ratio was 1.42%, down 0.14 percentage points over 2020. We delivered remarkable results to our shareholders and stakeholders across different parts of the society. The Board proposed to distribute an annual cash dividend of RMB0.364 per share (including tax), subject to the consideration and approval of the shareholders at the Annual General Meeting.

In this year, we calmly responded to intricate domestic and international situations and challenges. Sticking to the "people-centric" concept, we continuously furthered New Finance practices together with our hundreds of millions of customers, forging ahead with the undertaking for a better society.

"Three Major Strategies" continuously lead vibrant New Finance practices.

We adhered to promote the idea of "settling a home on long-term rental" by implementing the house rental strategy, getting houses to return to their original function of living. To fully support the construction of subsidised rental houses, we created "CCB Home" and new homes for "villages in cities" by rejuvenating unoccupied house resources along with urban upgrade, providing decent and comfortable living conditions for new residents. In Guangzhou, we cooperated with the team of academician Zhong Nanshan, to help researchers solve housing problems, which strengthened our belief in facilitating house rental. Moreover, we actively integrated resources to jointly build the industry alliance, connecting house rental with external scenarios such as home lifestyles, housekeeping and community services. We accelerated the implementation of public REITs and expanded multiple financing channels, making efforts to transform house rental into a rein to pull up the "grey rhino" of property market.

We reinforced our lead in inclusive finance and continued to prioritise small and micro businesses and private businesses, warming the dream-catchers with the flowing water of finance. With the upgraded "Huidongni" App and the acceleration of integration of the three advantageous service tools, the service effectiveness and risk control capabilities were further enhanced. The ever-growing number of financial products under the brand name "Yunongtong" significantly expanded the service scope of inclusive finance. Innovations in technology enabled "livestock" to be used as collateral and being converted into digital assets, enhancing the credit of farmers. Meanwhile, more than 2,500 "Yunong Classrooms" were rooted in villages, providing professional training for village officials and rural entrepreneurs. More than 30,000 young students' trips to the countryside were sponsored, sowing the seeds of hope in the fields.

Finance and technology are inseparable, as we become increasingly proficient in empowering our own business, our customers and the communities at large with technology and data. Internally, we reshaped the operational model, relocating the business from the counters up to the cloud, and projecting the financial resources to the places most in need. Meanwhile, many frontline staff were liberated from the vicious cycle of involution, and were empowered to serve the customers, attend to customers' pain points and expand the business with new methodologies and tools. We accelerated the process of Fintech self-reliance, being the first to realise full-stack group-wide single-track operation of the domestic office automation system. Externally, Fintech was employed to assist social governance. We established cooperation with 29 provincial governments, and built the "cross-provincial government service platforms" that carried more than 1,000 government service functions, boosting transparency and convenience. Meanwhile, we continued to export banking systems and risk management capabilities to other financial institutions and made progress in co-developing of service scenarios, sharing of technology and R&D results.

The "First Curve" and the "Second Curve" advanced together and integrated with services to the society and people's livelihood

We brought into play our traditional edges, focused on our main business and responsibility, firmly implemented the national strategies, and adopted dedicated measures to support key sectors and regions. The balance of our loans to the infrastructure sector reached over RMB5 trillion, loans to strategic emerging industries increased over RMB300 billion or an increase of 50%, the growth rates of green loans and loans to manufacturing industry, private enterprises and industrial chains, etc. were higher than the average growth rate. The increase of RMB loans to corporate customers in the Beijing-Tianjin-Hebei region, the Yangtze River Delta, and the Guangdong-Hong Kong-Macao Greater Bay Area accounted for more than half of the total increase of the bank. We played an active role in serving the Belt and Road and the RCEP regional integration, supported 212 major "going global" projects cumulatively, built the "logistics digitalisation platform" for the CHINA RAILWAY Express, and expanded the functions of our cross-border matchmaking platform. With financial cooperation as the bridge, we have exerted ourselves with our actual work in elucidating the profound connotation of building a community with a shared future for mankind.

We were geared to the needs of the "specialised, refined, peculiar and new" SMEs, took the lead in building a "technology oriented" credit assessment and evaluation system that values patents more than fixed assets, and served 277 thousand new and hi-tech enterprises across the country. Through "CCB Start-up Station", we did our part in the integration and innovation of intelligent services and financing with over RMB30 billion loans provided to 9 thousand enterprises that have joined the "Station". We gave full play to the advantage of the group's full-coverage financial licenses, and coordinated multiple resources to support the industrial clusters of sci-tech innovation SMEs to stabilise the foundation for economic recovery.

We held the perspective of mega wealth, continuously expanded our services boundary, improved the service efficacy, and accompanied and helped more customers in wealth planning and wealth growth. We increased support to quick loans for consumption, strengthened the development of the credit card business, and successfully made breakthroughs in mega retail services and mega wealth management. As of the end of 2021, the assets managed by CCB Wealth Management was near RMB2.2 trillion, private banking customers' assets under management exceeded RMB2 trillion, and the profits from retail banking accounted for over 50% of the total profits.

We explored to apply platform thinking and launched a scenario-based App called "CCB Lifestyle", providing services including house rental and inclusive finance. We strived to expand accessibility to Key Opinion Customers within deeply interwoven financial and non-financial scenarios so as to serve our customers a brand-new digital lifestyle in an all-round way. Since the pilot program of "CCB Lifestyle" was fully launched in Zhejiang Province, registered users of the App exceeded 34 million and MAU (Monthly Active Users) exceeded 15 million, seeing an exponential growth in six months. Together with our Mobile Banking App, it formed a "Gemini" service model, with exciting value creation abilities. We expect they will become our new value generators and CCB storytellers.

Upholding justice while pursuing interests, taking responsivities and overcoming difficulties.

We adapt to the normalisation of COVID-19 epidemic prevention and control, continuously implemented tax cuts and refunds so as to reduce comprehensive funding cost of medium, small and micro enterprises to shore up extensive fundamentals of the real economy. Integrated financial facilitation solutions were tailored for key prefectures to improve rural governance and credit ecology and to lay a more solid foundation for poverty alleviation. We donated money and resources at utmost urgency to Henan Province which was severely stricken by huge flood. We developed and granted special loan product for emergent flood rescue and relief in this region to offer timely help and support to customers against such natural disasters.

Integrated green development concept in corporate governance and business operation, we continued to extend our green finance eco maps and promote resolution on climate change and biodiversity protection in synergy. Our MSCI ESG ratings remained A level for two consecutive years. Our "Workers' Harbour" persisted to operate in an open and sharing manner, providing elderly-oriented service, anti-fraud promotion, judicial assistance and others, revitalising over 14,000 CCB outlets.

One of the most important things of operating a bank is to prevent risks as resolute as ever. Through deploying strategic transformation, we have guided more financial resources flowing to the general public, green and low carbon industries, high-end scientific and technological enterprises as well as rural revitalisation, and effectively avoided long-term risks. We further perfected top-level design and realised a leap towards precise, automatic and intelligent risk management. We conducted multi-dimensional stress tests and proactively combating crises in real-estate sector and implicit local government debt while we successfully completed rectification of wealth management business. We attach great importance to the prevention and control of emerging risks in relation to environment, climate, technology and data. We also keep a close eye on anti-money laundering and risks brought by sanctions. All these approaches have strengthened a moderate and compliant risk culture cultivation.

Looking back into 2021, we were blessed to have many touching moments. In Heilongjiang Province, "Yunong Quick Loan" enabled farmers not to worry about spring ploughing preparation; in Henan Province, "Workers' Harbour" provided shelter for people trapped in the heavy storm; in Shanghai, our sharing banking outlets handled government administrative affairs, facilitating New Citizens' certificate procedures away from travelling afar; in Yunnan Province, we rendered financing support for the trail building in Xishuangbanna wild elephant valley, restoring a lyric home for those lovely animals... Our efforts brought warmth to the society, and meanwhile, lighted up our path, making our steps more affirm and determined.

The wonderful cause carried forward with a hopeful future

There is no fixed model for New Finance. It would be boundless but not mysterious, by everywhere and anywhere around the people. We are keeping a patient and inclusive mind, focusing on the mid-and-long term, systematic and sustainable issues in economic and social development, aiming to find solutions by jumping out of the financial perspective, ensuring a fairer and more justice financial resource allocation.

The pandemic nowadays has accelerated the evolution of the century, accompanied with changing international and geo-political relations. China's economy faced with three-folded pressure, whereas uncertainties and risk challenges in the financial market further intensified. Nevertheless, the long term prospect of China's economy remains unchanged, technology improvement, digitalisation and green-low-carbon transformation integrated with traditional economic development, ushering into a new era for modern finance. Among all these complicated situations, stability is the top priority. We will consolidate resources alongside the new finance roadmap, continue to innovate and self-reform through technology and data, and by means of digital operations. Consistent endeavors will be made in strategic areas such as house leasing, inclusive finance and rural rejuvenation, and also in emerging fields of green finance, science and technology innovation and wealth management. We constantly respect and respond to market concerns in a candid manner, forget about being "banking smart", yet being even "silly" instead, to do more in customer experience and consumer rights protection, to better balance the relationship between development and security, and safeguard the bottom line against systematic financial risk, living up to the support from our shareholders and society of all sectors.

Fortunate to be in this gorgeous time, individuals and the whole generation share the same impulse. Although there may be toughness ahead, nothing could change our determination. We, go where the heart goes!

Tian Guoli
Chairman
29 March 2022

Wang Yongqing Chairman of the board of supervisors

Dear shareholders,

The year 2021 was a milestone year in the history of our country. Faced with the challenging and complex operating environment, the Bank adhered to new development concept and thoroughly implemented the decisions and arrangements of the Central Committee of the CPC, promoted New Finance initiatives in depth and continuously enhanced the ability, quality and efficiency of serving the real economy. During 2021, the board of supervisors, in accordance with the laws, regulations, and the Articles of Association of the Bank, duly performed its duties and took proactive actions. Further focusing on serving national strategies, deepening internal reforms, and preventing and controlling systemic risks of the Bank, the board of supervisors strengthened supervision over strategic and comprehensive matters relating to the development of the Bank, continuously fulfilled the duties of supervision, improved the effectiveness of supervision, and jointly promoted the high-quality development of the Bank with all parties related to corporate governance to form concerted forces and achieve a good start of the 14th Five-Year Plan.

The board of supervisors has always been committed to returning to the essence of finance and urging the Bank to better serve the real economy. Focusing on the effectiveness of the Bank's support to innovative technology enterprises and the building of relevant capabilities, the board of supervisors suggested establishing an enterprise-wide work system, attaching greater importance to industry research and enriching product supply, in order to help achieve a virtuous circulation between technology, finance and industry. Through studying and discussing about the development of supply chain finance, the board of supervisors proposed to build a decentralised and chain-oriented credit model, and enhance the operation and maintenance of the service platform. The board of supervisors promoted the Bank to continuously increase its support for the real economy, guided the Bank to change the traditional development path, raised the tolerance of private enterprises and strengthened the financing support for small and micro businesses so as to build a co-existence relationship which allows banks and enterprises to flourish together in the new era.

Implementing the new development philosophy, the board of supervisors focused on promoting New Finance initiatives in depth. It focused on the exploration of a sustainable business model for house rental and suggested that experience should be distilled in a timely manner and relevant systems and mechanisms should be constantly improved so as to promote the sustainable and healthy development of the strategy. With continuous attention to the implementation and promotion of the Fintech strategy, the board of supervisors stated that the "people-centred" development philosophy shall be adhered to and more IT support shall be given to financial services for customers, empowering the front line branches and risks prevention. The board of supervisors attached great importance to the development of green finance. It proposed to plan ahead proactively, actively follow up on the changes in external environment and policies, and duly make relevant development plans. To support rural revitalisation with financial services, it suggested that the Bank should develop relevant businesses with focus on technologies and industries, and improve the "precision" and "depth" of financial services.

The board of supervisors adhered to the bottom line of risk compliance and promoted the improvement of the ability to prevent and mitigate financial risks. With respect to the construction of long-term risk management and internal control mechanism, it strengthened supervision on the formulation and review of risk appetite, liquidity risk management, technology risk management, stress tests, employee behaviour and case prevention. The board of supervisors promoted the Bank to enhance the forward-looking capability of risk management and control, suggested the Bank to strengthen the active analysis, management and control over the real estate market, hidden local government debts, key industries involved in achieving carbon peak and neutrality goals, and rectification of existing WMPs, and continuously improved the Banks' capability of risk management. The board of supervisors paid close attention to the impact of changes in internal and external environment, and followed up on key areas such as management and control of risks of overseas institutions and anti-money laundering.

The board of supervisors firmly established a systematic concept, promoted and improved the development of systems and mechanisms. The board of supervisors focused on important aspects including the top-level design and fundamental management, carried out investigation and research on the key matters related to the transformation and development of the Bank. It actively adapted to the development trend of the digital economy and the digital transformation of commercial banks, carried out researches on the operation of the platform, and suggested the Bank to focus on the construction of the platform system and the reform of management, and to promote the integration of online and offline operations, carry out comprehensive process reinvention and reshape offline organisations based on the internal functions of the platform. The board of supervisors strengthened supervision over the whole process of the credit business, promoted the Bank to achieve effectiveness from risk management. It carried out researches on the operation and disposal of non-performing assets, and gave suggestions from the aspects of promoting fundamental management capabilities, improving operation and disposal mechanism, and strengthening the refined management of written-off assets, to continuously improve its ability of value-creation.

The board of supervisors strengthened self-improvement and strived to promote the quality and efficiency of corporate governance. Capitalising on the procedures of the meetings, it focused on supervisory priorities, deepened researches and discussions, improved the efficiency of operation, and put forward targeted and operational suggestions to promote problem solving. The board of supervisors constantly improved the coordination mechanism with all parties related to corporate governance and enhanced communication, proactively integrated itself into business and operation practice, and adopted various methods to enhance coordination, form concerted forces and improve the efficiency of work. Based on the reality of China and the nature of finance, the board of supervisors paid attention to the linkage with internal and external supervision bodies, to better play an effective role in terms of its duties of supervision and continuously improve the overall efficiency.

Seek challenging opportunities and overcome obstacles firmly can one progress and achieve success. Looking forward to 2022, the board of supervisors will apply itself to the overall strategic situations, keep the nation's development priorities in mind, and take on bigger responsibilities as needed. It would strive to implement the new development concept completely, accurately and comprehensively, better grasp key supervisory areas, and focus on important aspects including top-level design, system and mechanism, implementation of strategies and risk prevention. The board of supervisors would further improve its supervisory effectiveness, work together with all parties related to corporate governance, and create more magnificent chapters for New Finance.

Wang Yongqing
Chairman of the board of supervisors
29 March 2022

The Bank provided targeted services to the development of key national fields, industries, and areas. The balance of loans to infrastructure sector exceeded RMB5 trillion, and the balance of loans to strategic emerging industries was RMB921,979 million. The increase of RMB corporate loans in three key areas, Beijing-Tianjin-Hebei region, the Guangdong-Hong Kong-Macao Greater Bay Area, and the Yangtze River Delta, accounted for more than half of the total increase in RMB corporate loans of the Bank. The Bank cumulatively supported 212 major "going global" projects.

Xiong'an New Area under construction in Hebei Province.

In Hebei Province, we collectively provided funds of RMB28.5 billion for nearly 3,000 enterprises of 63 industries in 8 major sectors, including low-carbon environmental protection, infrastructure and strategic emerging industries, in Xiong'an New Area in 2021.

FINANCIAL REVIEW

In 2021, COVID-19 staged a comeback, disrupting the global economic recovery. Major developed economies accelerated their monetary policy shifts, released signals of tightened monetary policies to varying degrees, while certain emerging economies repeatedly raised interest rates in response to pressures such as inflation, capital outflows and currency depreciation. China continued to see steady recovery of its economy, made new achievements in high-quality development and witnessed a good start on its 14th Five-Year Plan, with constant improvement in investment and consumption, rapid growth in imports and exports, basically balanced international payments, overall stable employment, moderate increase in consumer prices, and lower growth of production prices from high levels. China's GDP and consumer price index increased by 8.1% and 0.9% year on year respectively.

China's financial markets were overall stable in 2021. Transactions in money market were active, with stable market interest rates. Bond issuance increased, with a lower interest rate in general. The stock market index rose, with transaction volume and proceeds increasing year on year. Domestic regulators attached more importance to the improvement in the quality and efficiency of financial services for the real economy, continued to deepen financial reforms, increased financial support in key areas, improved corporate governance of banking institutions, consolidated the foundation for FinTech development, advanced the transformation of wealth management business, and innovated systems and mechanisms to drive the high-quality development of the financial industry. The banking industry resumed a good development momentum, with stable pickup of operating income, refined credit structure, steady growth of assets, higher asset quality, and overall adequate capitals, so as to play a better role in supporting the real economy. Affected by efforts in surrendering profits to support the real economy, the reduction of LPR, and the high cost of liabilities, interest spread of the banking sector narrowed, and income from interest margin declined, bringing pressure on profitability. The wealth management business continued to grow, and the proportion of non-interest income rose, improving the stability of profitability. The situation of risk prevention and control improved, but the real estate and certain industries were still under pressure.

In 2021, the Group enhanced the quality and efficiency in serving the real economy and made new progress in its high-quality development. The Group's total assets and liabilities steadily increased. Total assets reached RMB30.25 trillion, an increase of 7.54%, of which net loans and advances to customers were RMB18.17 trillion, an increase of 11.95%. Total liabilities amounted to RMB27.64 trillion, an increase of 7.37%, of which deposits from customers totalled RMB22.38 trillion, an increase of 8.56%. Net interest income increased by 5.12%, and net fee and commission income rose by 6.03%. Operating income rose by 7.07% over 2020 to RMB764,706 million. The Group's NPL ratio was 1.42%, down 0.14 percentage points from 2020. The Group's net profit was RMB303,928 million, up 11.09% over 2020. Return on average assets was 1.04%, return on average equity was 12.55%, and total capital ratio was 17.85%.

STATEMENT OF COMPREHENSIVE INCOME ANALYSIS

In 2021, the Group continued to improve the quality and efficiency of operation and development. The profitability of the Group achieved steady growth with profit before tax of RMB378,412 million, an increase of 12.42% over 2020. Net profit was RMB303,928 million, an increase of 11.09% over 2020. Key factors affecting the Group's profitability are as follows. Firstly, net interest income increased by RMB29,511 million, or 5.12% over 2020, mainly due to increase in interest-earning assets. Secondly, net fee and commission income increased by RMB6,910 million, or 6.03% over 2020. Thirdly, operating expenses increased by 16.23% over 2020, mainly due to the lower base last year in the wake of COVID-19. Cost-to-income ratio was 27.64%, 2.26 percentage points higher than that in 2020, staying at a sound level. Fourthly, provision for losses was made based on substantive risk judgement, with total impairment losses of RMB168,715 million, a decrease of 11.17% over 2020.

The following table sets forth the composition of the Group's statement of comprehensive income and the changes during the respective periods.

(In millions of RMB, except percentages)	2021	2020	Change (%)	2019
Net interest income	605,420	575,909	5.12	537,066
Net non-interest income	159,286	138,315	15.16	140,935
– Net fee and commission income	121,492	114,582	6.03	110,898
Operating income	764,706	714,224	7.07	678,001
Operating expenses	(219,182)	(188,574)	16.23	(188,132)
Credit impairment losses	(167,949)	(193,491)	(13.20)	(163,000)
Other impairment losses	(766)	3,562	N/A	(521)
Share of profits of associates and joint ventures	1,603	895	79.11	249
Profit before tax	378,412	336,616	12.42	326,597
Income tax expense	(74,484)	(63,037)	18.16	(57,375)
Net profit	303,928	273,579	11.09	269,222

Net interest income

In 2021, the Group's net interest income amounted to RMB605,420 million, an increase of RMB29,511 million, or 5.12% over 2020. The net interest income accounted for 79.17% of the operating income.

The following table sets forth the Group's average balances of assets and liabilities, related interest income or expense, and average yields or costs during the respective periods.

	2021			2020		
(In millions of RMB, except percentages)	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
Assets						
Gross loans and advances to customers	18,028,304	767,061	4.25	16,191,067	710,531	4.39
Financial investments	6,609,659	225,706	3.41	5,946,763	209,803	3.53
Deposits with central banks	2,530,647	36,775	1.45	2,454,146	35,537	1.45
Deposits and placements with banks and non-bank financial institutions	726,819	14,898	2.05	1,075,685	21,672	2.01
Financial assets held under resale agreements	587,768	12,894	2.19	604,669	11,966	1.98
Total interest-earning assets	28,483,197	1,057,334	3.71	26,272,330	989,509	3.77
Total allowances for impairment losses	(626,618)			(542,594)		
Non-interest-earning assets	1,757,377			1,817,863		
Total assets	29,613,956	1,057,334		27,547,599	989,509	
Liabilities						
Deposits from customers	21,397,697	358,241	1.67	19,718,339	313,852	1.59
Deposits and placements from banks and non-bank financial institutions	2,313,948	40,989	1.77	2,478,450	48,577	1.96
Debt securities issued	1,043,395	31,483	3.02	982,516	30,827	3.14
Borrowings from central banks	708,601	20,384	2.88	638,280	19,406	3.04
Financial assets sold under repurchase agreements	40,121	817	2.04	49,312	938	1.90
Total interest-bearing liabilities	25,503,762	451,914	1.77	23,866,897	413,600	1.73
Non-interest-bearing liabilities	1,653,036			1,326,591		
Total liabilities	27,156,798	451,914		25,193,488	413,600	
Net interest income		605,420			575,909	
Net interest spread			1.94			2.04
Net interest margin			2.13			2.19

In 2021, the Group continued to increase its support for the real economy and dynamically adjusted its business strategy and asset and liability structure. Loan yield declined due to factors such as the conversion of pricing basis to loan prime rate upon loan repricing and increased efforts in surrendering profits to support the real economy. The yield of debt securities was lower than that of last year due to market interest rates decline, and cost of deposits was higher than that of last year due to more intense market competition. As a result, net interest spread fell to 1.94%, down ten basis points from 2020; net interest margin was 2.13%, down six basis points from 2020.

The following table sets forth the effects of the movement of average balances and average interest rates of the Group's assets and liabilities on the change in interest income and expense for 2021 versus 2020.

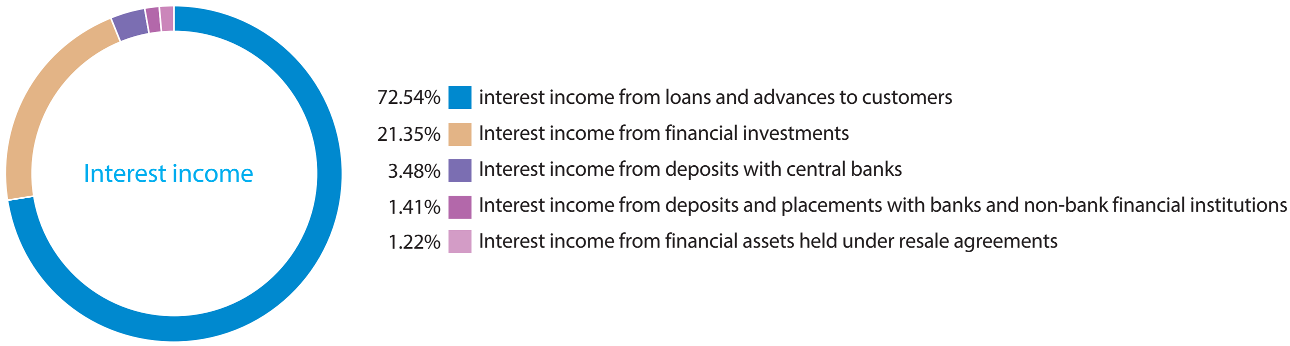
(In millions of RMB)	Volume factor[1]	Interest rate factor[1]	Change in interest income/expense
Assets			
Gross loans and advances to customers	79,517	(22,987)	56,530
Financial investments	23,124	(7,221)	15,903
Deposits with central banks	1,238	–	1,238
Deposits and placements with banks and non-bank financial institutions	(7,193)	419	(6,774)
Financial assets held under resale agreements	(336)	1,264	928
Change in interest income	96,350	(28,525)	67,825
Liabilities			
Deposits from customers	27,904	16,485	44,389
Deposits and placements from banks and non-bank financial institutions	(3,084)	(4,504)	(7,588)
Debt securities issued	1,864	(1,208)	656
Borrowings from central banks	2,044	(1,066)	978
Financial assets sold under repurchase agreements	(186)	65	(121)
Change in interest expense	28,542	9,772	38,314
Change in net interest income	67,808	(38,297)	29,511

1. Changes caused by both average balances and average interest rates were allocated to the volume factor and interest rate factor respectively based on the respective proportions of absolute values of volume factor and interest rate factor.

Net interest income increased by RMB29,511 million over 2020. In this amount, an increase of RMB67,808 million was due to the movements of average balances of assets and liabilities, and a decrease of RMB38,297 million was due to the movements of average yields and costs.

Interest income

In 2021, the Group realised interest income of RMB1.06 trillion, an increase of RMB67,825 million or 6.85% over 2020. In this amount, interest income from loans and advances to customers, financial investments, deposits with central banks, deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements accounted for 72.54%, 21.35%, 3.48%, 1.41% and 1.22%, respectively.



The following table sets forth the average balance, interest income and average yield of each component of the Group's loans and advances to customers during the respective periods.

	2021			2020		
(In millions of RMB, except percentages)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	9,162,756	365,293	3.99	7,859,715	324,205	4.12
Short-term loans	2,743,696	97,861	3.57	2,564,049	103,083	4.02
Medium to long-term loans	6,419,060	267,432	4.17	5,295,666	221,122	4.18
Personal loans and advances	7,547,245	362,742	4.81	6,840,063	336,587	4.92
Short-term loans	1,253,168	56,424	4.50	1,066,718	58,979	5.53
Medium to long-term loans	6,294,077	306,318	4.87	5,773,345	277,608	4.81
Discounted bills	250,861	6,424	2.56	390,714	9,930	2.54
Overseas operations and subsidiaries	1,067,442	32,602	3.05	1,100,575	39,809	3.62
Gross loans and advances to customers	18,028,304	767,061	4.25	16,191,067	710,531	4.39

Interest income from loans and advances to customers amounted to RMB767,061 million, an increase of RMB56,530 million or 7.96% over 2020, mainly driven by the 11.35% increase in the average balance of loans and advances to customers over 2020.

Interest income from financial investments amounted to RMB225,706 million, an increase of RMB15,903 million or 7.58% over 2020, mainly due to the 11.15% increase in the average balance of financial investments over 2020.

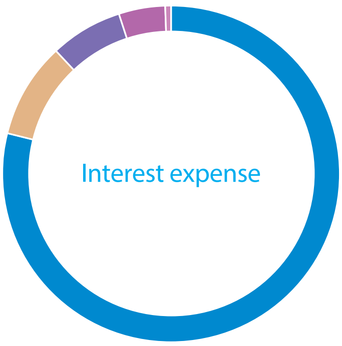
Interest income from deposits with central banks amounted to RMB36,775 million, an increase of RMB1,238 million or 3.48% over 2020, mainly due to the 3.12% increase in the average balance of deposits with central banks over 2020.

Interest income from deposits and placements with banks and non-bank financial institutions amounted to RMB14,898 million, a decrease of RMB6,774 million or 31.26% over 2020, mainly due to the 32.43% decrease in the average balance of deposits and placements with banks and non-bank financial institutions over 2020.

Interest income from financial assets held under resale agreements amounted to RMB12,894 million, an increase of RMB928 million or 7.76% over 2020, mainly due to the 21 basis points increase in the average yield on financial assets held under resale agreements over 2020.

Interest expense

In 2021, the Group's interest expense reached RMB451,914 million, an increase of RMB38,314 million or 9.26% over 2020. In this amount, interest expense on deposits from customers accounted for 79.27%, that on deposits and placements from banks and non-bank financial institutions accounted for 9.07%, that on debt securities issued accounted for 6.97%, that on borrowings from central banks accounted for 4.51%, and that on financial assets sold under repurchase agreements accounted for 0.18% of the total.



The following table sets forth the average balance, interest expense and average cost of each component of the Group's deposits from customers during the respective periods.

	2021			2020		
(In millions of RMB, except percentages)	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits	10,153,188	153,660	1.51	9,645,218	139,189	1.44
Demand deposits	6,356,409	55,117	0.87	6,076,943	50,260	0.83
Time deposits	3,796,779	98,543	2.60	3,568,275	88,929	2.49
Personal deposits	10,816,186	201,090	1.86	9,571,844	167,353	1.75
Demand deposits	4,643,984	14,505	0.31	4,406,735	13,792	0.31
Time deposits	6,172,202	186,585	3.02	5,165,109	153,561	2.97
Overseas operations and subsidiaries	428,323	3,491	0.82	501,277	7,310	1.46
Total deposits from customers	21,397,697	358,241	1.67	19,718,339	313,852	1.59

Interest expense on deposits from customers was RMB358,241 million, an increase of RMB44,389 million or 14.14% over 2020, mainly because the average balance of deposits from customers increased by 8.52% and the average cost rose by eight basis points over 2020.

Interest expense on deposits and placements from banks and non-bank financial institutions decreased by RMB7,588 million or 15.62% over 2020 to RMB40,989 million, mainly because the average balance of deposits and placements from banks and non-bank financial institutions decreased by 6.64%, and the average cost fell by 19 basis points over 2020.

Interest expense on debt securities issued increased by RMB656 million or 2.13% over 2020 to RMB31,483 million, mainly because the average balance of debt securities issued increased by 6.20% over 2020.

Interest expense on borrowings from central banks increased by RMB978 million or 5.04% to RMB20,384 million over 2020, mainly because the average balance of borrowings from central banks increased by 11.02% over 2020.

Interest expense on financial assets sold under repurchase agreements decreased by RMB121 million or 12.90% over 2020 to RMB817 million, mainly because the average balance of financial assets sold under repurchase agreements decreased by 18.64% over 2020.

Net non-interest income

The following table sets forth the composition and change of the Group's net non-interest income during the respective periods.

(In millions of RMB, except percentages)	2021	2020	Change (%)
Fee and commission income	138,637	131,512	5.42
Fee and commission expense	(17,145)	(16,930)	1.27
Net fee and commission income	121,492	114,582	6.03
Other net non-interest income	37,794	23,733	59.25
Total other net non-interest income	159,286	138,315	15.16

In 2021, the Group's net non-interest income reached RMB159,286 million, an increase of RMB20,971 million or 15.16% over 2020. Net non-interest income accounted for 20.83% of operating income, an increase of 1.46 percentage points over 2020, mainly driven by the growth of other net non-interest income.

Net fee and commission income

The following table sets forth the composition and change of the Group's net fee and commission income during the respective periods.

(In millions of RMB, except percentages)	2021	2020	Change (%)	2019
Fee and commission income	138,637	131,512	5.42	126,667
Electronic banking service fees	28,942	29,007	(0.22)	25,666
Bank card fees	21,148	21,374	(1.06)	24,025
Agency service fees	19,283	17,366	11.04	16,894
Wealth management service fees	18,550	15,574	19.11	12,899
Commission on trust and fiduciary activities	17,284	15,593	10.84	14,194
Settlement and clearing fees	13,220	12,542	5.41	12,267
Consultancy and advisory fees	11,658	11,577	0.70	10,331
Guarantee fees	3,981	3,917	1.63	3,633
Credit commitment fees	1,358	1,309	3.74	1,449
Others	3,213	3,253	(1.23)	5,309
Fee and commission expense	(17,145)	(16,930)	1.27	(15,769)
Net fee and commission income	121,492	114,582	6.03	110,898

In 2021, the Group seized market opportunities, focused on customer needs, continued to optimise products and increase innovation, and improved financial service capabilities. As a result, net fee and commission income was RMB121,492 million, an increase of 6.03% over 2020. The ratio of net fee and commission income to operating income was 15.89%, down 0.15 percentage points over 2020.

Electronic banking service fees, bank card fees, agency service fees, wealth management service fees, commissions on trust and fiduciary activities accounted for 75.89% of the fee and commission income. Specifically, electronic banking service fees were RMB28,942 million, a slight decrease mainly due to the decline of SMS service fees; bank card fees were RMB21,148 million, a slight decrease of 1.06% mainly due to the slowdown in the growth of offline consumer transactions; agency service fees reached RMB19,283 million, an increase of 11.04%, mainly due to the rapid growth of sales of agency business for insurance and funds; wealth management service fees increased by 19.11% to RMB18,550 million, mainly due to the solid growth of WMPs as the Group continued to drive forward the construction of its new asset management system and accelerated the transformation and innovation of the asset management business model; commission on trust and fiduciary activities rose by 10.84% to RMB17,284 million, mainly due to the rapid growth of assets under custody as the Group strengthened business expansion in key areas.

Other net non-interest income

The following table sets forth the composition and change of the Group's other net non-interest income during the respective periods.

(In millions of RMB, except percentages)	2021	2020	Change (%)	2019
Net gain arising from investment securities	10,498	5,765	82.10	9,093
Net trading gain	7,816	4,313	81.22	9,120
Dividend income	5,921	3,182	86.08	1,184
Net gain on derecognition of financial assets measured at amortised cost	4,634	4,649	(0.32)	3,359
Other net operating income	8,925	5,824	53.25	7,281
Other net non-interest income	37,794	23,733	59.25	30,037

Other net non-interest income of the Group was RMB37,794 million, an increase of RMB14,061 million, or 59.25% over 2020. Specifically, net gain arising from investment securities was RMB10,498 million, an increase of RMB4,733 million over 2020, mainly due to the significant increase in gains on revaluation of stocks held by domestic branches taken as repossessed assets previously; net trading gain was RMB7,816 million, an increase of RMB3,503 million over 2020, mainly due to increases in valuation gains and trading gains on trading debt securities from falling yields in bond market; dividend income was RMB5,921 million, an increase of RMB2,739 million over 2020, mainly due to the substantial increase in dividends of equity investments held by certain subsidiaries; other net operating income was RMB8,925 million, an increase of RMB3,101 million over 2020, mainly due to the year-on-year increase in foreign exchange gains.

Operating expenses

The following table sets forth the composition of the Group's operating expenses during the respective periods.

(In millions of RMB, except percentages)	2021	2020	Change (%)	2019
Staff costs	118,238	104,353	13.31	105,784
Premises and equipment expenses	35,542	34,929	1.75	33,675
Taxes and surcharges	7,791	7,325	6.36	6,777
Others	57,611	41,967	37.28	41,896
Total operating expenses	219,182	188,574	16.23	188,132
Cost-to-income ratio (%)	27.64	25.38	2.26	26.75

In 2021, the Group continuously strengthened cost management and optimised expenses structure. Cost-to-income ratio increased by 2.26 percentage points over 2020 to 27.64%, continuing to stay at a sound level. Operating expenses were RMB219,182 million, an increase of RMB30,608 million or 16.23% over 2020. In this amount, staff costs were RMB118,238 million, an increase of RMB13,885 million or 13.31% over 2020, mainly due to the lower bases for five types of insurance expenditures following a temporary social security exemption in 2020; premises and equipment expenses were RMB35,542 million, an increase of RMB613 million or 1.75% over 2020; taxes and surcharges were RMB7,791 million, an increase of RMB466 million or 6.36% over 2020. Meanwhile, the Group proactively supported the implementation of its strategies and digitalised operation, and the investment in FinTech and marketing expenses increased rapidly.

Impairment losses

The following table sets forth the composition of the Group's impairment losses during the respective periods.

(In millions of RMB, except percentages)	2021	2020	Change (%)	2019
Loans and advances to customers	160,324	167,139	(4.08)	148,942
Financial investments	16,298	7,675	112.35	7,286
Financial assets measured at amortised cost	15,830	7,919	99.90	5,789
Financial assets measured at fair value through other comprehensive income	468	(244)	N/A	1,497
Others	(7,907)	15,115	(152.31)	7,293
Total impairment losses	168,715	189,929	(11.17)	163,521

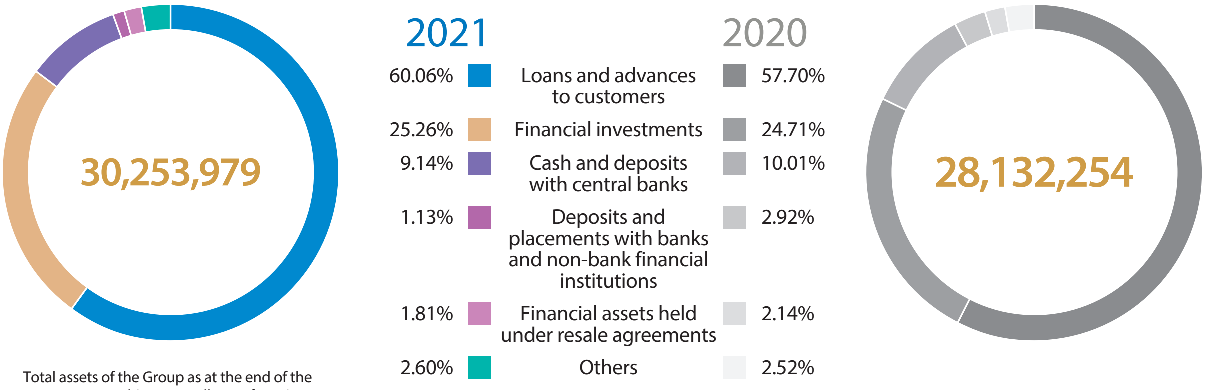
In 2021, the Group's impairment losses were RMB168,715 million, a decrease of RMB21,214 million or 11.17% over 2020. This was mainly because impairment losses on loans and advances to customers decreased by RMB6,815 million and other impairment losses decreased by RMB23,022 million over 2020. Impairment losses on financial investments increased by RMB8,623 million. Specifically, impairment losses on financial assets measured at amortised cost increased by RMB7,911 million or 99.90% over 2020.

Income tax expense

In 2021, the Group's income tax expense was RMB74,484 million, an increase of RMB11,447 million over 2020. The effective income tax rate was 19.68%, lower than the statutory rate of 25%. This was mainly because interest income from the PRC treasury bonds and local government bonds was non-taxable in accordance with the tax law.

STATEMENT OF FINANCIAL POSITION ANALYSIS

Assets



Total assets of the Group as at the end of the reporting period (unit: in millions of RMB)

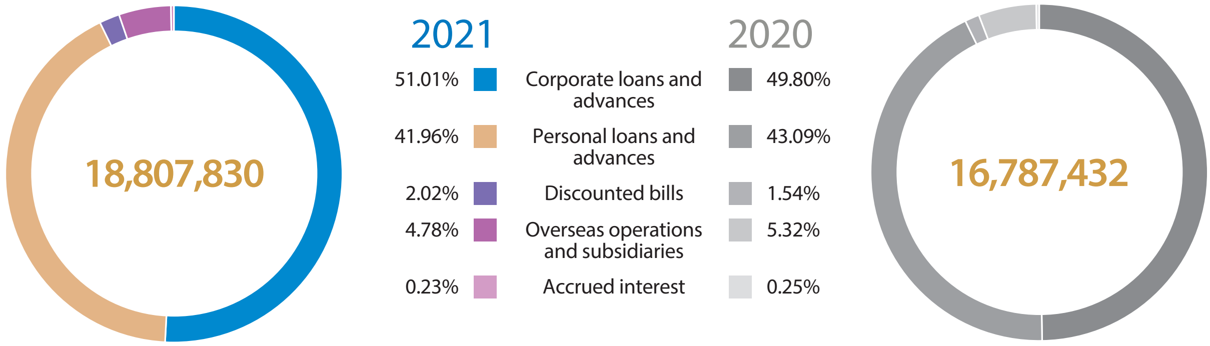
The following table sets forth the composition of the Group's total assets as at the dates indicated.

	As at 31 December 2021		As at 31 December 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total	Amount	% of total
Loans and advances to customers	18,170,492	60.06	16,231,369	57.70	14,542,001	57.17
Loans and advances to customers measured at amortised cost	18,380,916	60.76	16,476,817	58.57	14,479,931	56.93
Allowances for impairment losses on loans	(637,338)	(2.11)	(556,063)	(1.98)	(482,158)	(1.90)
Book values of loans and advances to customers at fair value through other comprehensive income	379,469	1.25	259,061	0.92	492,693	1.94
Book values of loans and advances to customers at fair value through profit or loss	3,761	0.01	9,890	0.04	15,282	0.06
Accrued interest	43,684	0.15	41,664	0.15	36,253	0.14
Financial investments	7,641,919	25.26	6,950,653	24.71	6,213,241	24.43
Cash and deposits with central banks	2,763,892	9.14	2,816,164	10.01	2,621,010	10.30
Deposits and placements with banks and non-bank financial institutions	343,269	1.13	821,637	2.92	950,807	3.74
Financial assets held under resale agreements	549,078	1.81	602,239	2.14	557,809	2.19
Others[1]	785,329	2.60	710,192	2.52	551,393	2.17
Total assets	30,253,979	100.00	28,132,254	100.00	25,436,261	100.00

1. These comprise precious metals, positive fair value of derivatives, long-term equity investments, fixed assets, land use rights, intangible assets, goodwill, deferred tax assets and other assets.

At the end of 2021, the Group's total assets stood at RMB30.25 trillion, an increase of RMB2.12 trillion or 7.54% over 2020. The Group increased credit supply in areas such as inclusive finance, advanced manufacturing, strategic emerging industries and green finance with a higher proportion of core assets, so as to promote the development of the real economy. Loans and advances to customers increased by RMB1.94 trillion or 11.95% over 2020; financial investments increased by RMB691,266 million or 9.95% over 2020. The proportion of net loans and advances to customers to total assets increased by 2.36 percentage points to 60.06%; the proportion of financial investments rose by 0.55 percentage points to 25.26%. The Group reduced the use of short-term funds in compliance with the needs of the source and use of funds. As a result, cash and deposits with central bank decreased by RMB52,272 million or 1.86% over 2020; deposits and placements with banks and non-bank financial institutions decreased by RMB478,368 million or 58.22% over 2020; financial assets held under resale agreements decreased by RMB53,161 million or 8.83% over 2020. The proportion of cash and deposits with central banks decreased by 0.87 percentage points to 9.14%; that of deposits and placements with banks and non-bank financial institutions decreased by 1.79 percentage points to 1.13%; and that of financial assets held under resale agreements decreased by 0.33 percentage points to 1.81%.

Loans and advances to customers



Gross loans and advances to customers of the Group as at the end of the reporting period (unit: in millions of RMB)

The following table sets forth the composition of the Group's gross loans and advances to customers as at the dates indicated.

	As at 31 December 2021		As at 31 December 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loans and advances	9,593,526	51.01	8,360,221	49.80	6,959,844	46.33
Short-term loans	2,683,402	14.27	2,593,677	15.45	2,205,697	14.68
Medium to long-term loans	6,910,124	36.74	5,766,544	34.35	4,754,147	31.65
Personal loans and advances	7,891,928	41.96	7,233,869	43.09	6,477,352	43.11
Residential mortgages	6,386,583	33.96	5,830,859	34.73	5,305,095	35.31
Credit card loans	896,222	4.76	825,710	4.92	741,197	4.93
Personal consumer loans	232,979	1.24	264,581	1.58	189,588	1.26
Personal business loans[1]	226,463	1.20	138,481	0.82	48,053	0.32
Other loans[2]	149,681	0.80	174,238	1.04	193,419	1.29
Discounted bills	379,469	2.02	259,061	1.54	492,693	3.28
Overseas operations and subsidiaries	899,223	4.78	892,617	5.32	1,058,017	7.04
Accrued interest	43,684	0.23	41,664	0.25	36,253	0.24
Gross loans and advances to customers	18,807,830	100.00	16,787,432	100.00	15,024,159	100.00

1. These comprise personal loans for production and operation and online business loans.
2. These comprise personal commercial property mortgage loans and home equity loans, etc.

At the end of 2021, the Group's gross loans and advances to customers stood at RMB18.81 trillion, an increase of RMB2.02 trillion or 12.04% over 2020, mainly due to the increase in domestic loans and advances of the Bank.

Domestic corporate loans and advances of the Bank reached RMB9.59 trillion, an increase of RMB1.23 trillion or 14.75% over 2020, mainly extended to sectors such as infrastructure-related industries and manufacturing. In this amount, short-term loans and medium to long-term loans were RMB2.68 trillion and RMB6.91 trillion, respectively.

Domestic personal loans and advances of the Bank reached RMB7.89 trillion, an increase of RMB658,059 million or 9.10% over 2020. In this amount, residential mortgages increased by RMB555,724 million or 9.53% to RMB6.39 trillion; credit card loans were RMB896,222 million, an increase of RMB70,512 million or 8.54%; personal consumer loans decreased by RMB31,602 million or 11.94% to RMB232,979 million; personal business loans were RMB226,463 million, an increase of RMB87,982 million or 63.53%.

Discounted bills amounted to RMB379,469 million, an increase of RMB120,408 million over 2020.

Loans and advances made by overseas operations and subsidiaries were RMB899,223 million, an increase of RMB6,606 million over 2020.

Distribution of loans by type of collateral

The following table sets forth the distribution of loans and advances by type of collateral as at the dates indicated.

	As at 31 December 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Unsecured loans	6,295,609	33.47	5,397,481	32.15
Guaranteed loans	2,361,221	12.56	2,222,110	13.24
Loans secured by property and other immovable assets	8,589,061	45.67	7,703,618	45.89
Other pledged loans	1,518,255	8.07	1,422,559	8.47
Accrued interest	43,684	0.23	41,664	0.25
Gross loans and advances to customers	18,807,830	100.00	16,787,432	100.00

Allowances for impairment losses on loans and advances to customers

	2021			
(In millions of RMB)	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	275,428	108,099	172,536	556,063
Transfers:				
Transfers in/(out) to Stage 1	9,277	(8,793)	(484)	–
Transfers in/(out) to Stage 2	(10,303)	12,817	(2,514)	–
Transfers in/(out) to Stage 3	(2,551)	(21,749)	24,300	–
Newly originated or purchased financial assets	153,274	–	–	153,274
Transfer out/repayment	(107,775)	(19,250)	(47,119)	(174,144)
Remeasurements	(7,143)	83,341	72,186	148,384
Write-off	–	–	(59,999)	(59,999)
Recoveries of loans and advances previously written off	–	–	13,760	13,760
As at 31 December 2021	310,207	154,465	172,666	637,338

The Group made provisions for impairment losses on loans in line with factors such as macro economy and credit asset quality as required by the New financial instruments standard. At the end of 2021, the allowances for impairment losses on loans and advances measured at amortised cost were RMB637,338 million. In addition, the allowances for impairment losses on discounted bills measured at fair value through other comprehensive income were RMB1,116 million. The Group's allowances to NPLs and allowances to total loans were 239.96% and 3.40%, respectively.

The Group adopts a "three-stage" model for impairment based on changes in credit risk since initial recognition or by determining whether the financial instruments are credit-impaired, to estimate the expected credit losses (ECL). For stage one, financial instruments with no significant increase in credit risk since initial recognition, ECL in the next 12 months is recognised. For stage two, financial instruments with significant increase in credit risk since initial recognition, but with no objective evidence of impairment, lifetime ECL is recognised. For stage three, financial instruments with objective evidence of impairment on the balance sheet date, lifetime ECL is recognised. The Group continued to make judgement based on substantive risk assessment and comprehensively considered regulatory and business environment, internal and external credit rating of customers, customer repayment ability, customer operation capacity, contract terms of loans, asset price, market interest rate, customer repayment behaviours, and forward-looking information, to assess whether the credit risk of relevant financial instruments had increased significantly since initial recognition. For borrowers who were eligible for temporary deferral in principal repayment and interest payment in the wake of COVID-19, the Group, by reference to guidelines issued by relevant regulators, did not consider these support measures as an automatic trigger of a significant increase in credit risk. The assessment of significant increase in credit risk and the measurement of ECL both incorporated forward-looking information. The Group developed scenarios specifically tailored for ECL measurement by reference to forecast results of authoritative institutions at home and abroad and leveraging on the capability of internal experts. The Group calculates expected credit loss as weighted average of the products of probability of defaults (PD), loss given defaults (LGD) and exposure at default (EAD) under the optimistic, baseline and pessimistic scenarios, having considered the discount factor. Please refer to Note "Loans and advances to customers" to the financial statements for details of allowances for impairment losses on loans.

Financial investments

The following table sets forth the composition of the Group's financial investments by measurement as at the dates indicated.

	As at 31 December 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Financial assets measured at fair value through profit or loss	545,273	7.13	577,952	8.31
Financial assets measured at amortised cost	5,155,168	67.46	4,505,243	64.82
Financial assets measured at fair value through other comprehensive income	1,941,478	25.41	1,867,458	26.87
Total financial investments	7,641,919	100.00	6,950,653	100.00

For further details on the financial instruments measured at fair value, please refer to Note "Risk Management-Fair Value of Financial Instruments" to the financial statements.

The following table sets forth the composition of the Group's financial investments by nature as at the dates indicated.

	As at 31 December 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Debt securities	7,369,446	96.43	6,665,884	95.90
Equity instruments and funds	272,473	3.57	223,589	3.22
Other debt instruments	–	–	61,180	0.88
Total financial investments	7,641,919	100.00	6,950,653	100.00

At the end of 2021, the Group's financial investments totalled RMB7.64 trillion, an increase of RMB691,266 million or 9.95% over 2020. In this amount, debt securities increased by RMB703,562 million or 10.55%, and accounted for 96.43% of total financial investments, up 0.53 percentage points over 2020; equity instruments and funds increased by RMB48,884 million, and accounted for 3.57% of total financial investments, up 0.35 percentage points over 2020.

Debt securities

The following table sets forth the composition of the Group's debt instruments by currency as at the dates indicated.

	As at 31 December 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
RMB	7,133,288	96.80	6,438,835	96.60
USD	139,793	1.90	138,028	2.07
HKD	31,730	0.43	33,495	0.50
Other foreign currencies	64,635	0.87	55,526	0.83
Total debt securities	7,369,446	100.00	6,665,884	100.00

At the end of 2021, total investments in RMB debt securities were RMB7.13 trillion, an increase of RMB694,453 million or 10.79% over 2020. Total investments in foreign-currency debt securities were RMB236,158 million, an increase of RMB9,109 million or 4.01% over 2020.

The following table sets forth the composition of the Group's debt instruments by issuer as at the dates indicated.

	As at 31 December 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Government	5,763,166	78.20	5,095,677	76.45
Central banks	43,088	0.58	39,619	0.59
Policy banks	774,286	10.51	781,313	11.72
Banks and non-bank financial institutions	404,472	5.49	363,852	5.46
Others	384,434	5.22	385,423	5.78
Total debt securities	7,369,446	100.00	6,665,884	100.00

At the end of 2021, government bonds held by the Group increased by RMB667,489 million or 13.10% over 2020 to RMB5.76 trillion. Central bank bonds increased by RMB3,469 million or 8.76% over 2020 to RMB43,088 million. Financial debt securities increased by RMB33,593 million or 2.93% over 2020 to RMB1.18 trillion. Specifically, RMB774,286 million was issued by policy banks and RMB404,472 million was issued by banks and non-bank financial institutions, accounting for 65.69% and 34.31%, respectively.

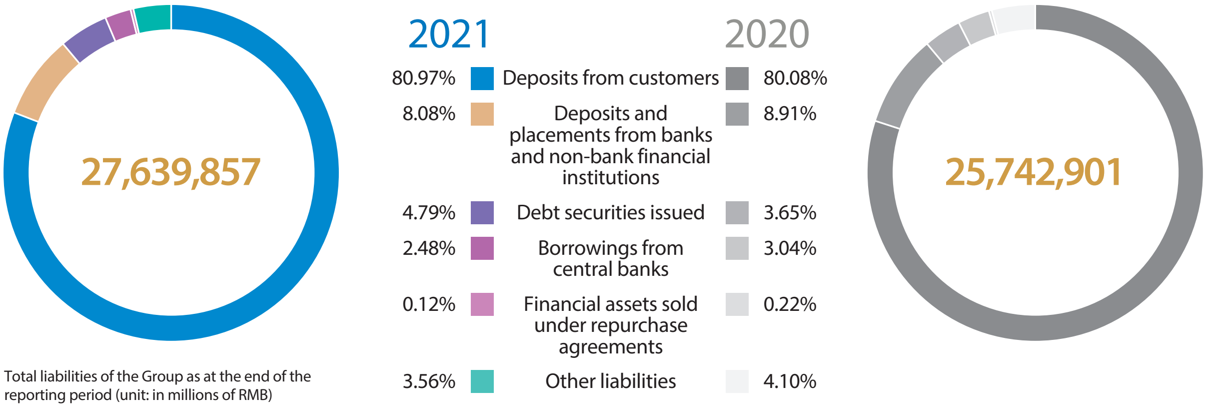
The following table sets forth the top ten financial debt securities held by the Group by par value at the end of the reporting period.

(In millions of RMB, except percentages)	Par value	Annual interest rate (%)	Maturity date	Allowances for impairment losses
Policy bank bond issued in 2019	17,440	3.75	2029-01-25	4.54
Policy bank bond issued in 2020	16,400	3.74	2030-11-16	1.30
Policy bank bond issued in 2019	16,120	3.86	2029-05-20	2.82
Policy bank bond issued in 2020	15,980	3.23	2030-03-23	8.19
Policy bank bond issued in 2020	15,510	2.96	2030-04-17	2.89
Policy bank bond issued in 2021	14,270	3.52	2031-05-24	1.20
Commercial bank bond issued in 2021	13,780	3.48	2028-02-04	1.46
Policy bank bond issued in 2019	13,100	3.48	2029-01-08	2.04
Policy bank bond issued in 2018	12,850	4.00	2025-11-12	5.21
Policy bank bond issued in 2020	12,660	3.34	2025-07-14	0.70

Repossessed assets

As part of its effort to recover impaired loans and advances to customers, the Group may obtain the title of the collateral, through legal actions or voluntary transfer from the borrowers, as compensation for the losses on loans and advances and interest receivable. At the end of 2021, the Group's repossessed assets were RMB1,648 million, and the impairment allowances for repossessed assets were RMB980 million. Please refer to "Other assets" in the notes to the financial statements for details.

Liabilities



Total liabilities of the Group as at the end of the reporting period (unit: in millions of RMB)

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

	As at 31 December 2021		As at 31 December 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total	Amount	% of total
Deposits from customers	22,378,814	80.97	20,614,976	80.08	18,366,293	79.16
Deposits and placements from banks and non-bank financial institutions	2,232,201	8.08	2,293,272	8.91	2,194,251	9.46
Debt securities issued	1,323,377	4.79	940,197	3.65	1,076,575	4.64
Borrowings from central banks	685,033	2.48	781,170	3.04	549,433	2.37
Financial assets sold under repurchase agreements	33,900	0.12	56,725	0.22	114,658	0.49
Other liabilities[1]	986,532	3.56	1,056,561	4.10	899,924	3.88
Total liabilities	27,639,857	100.00	25,742,901	100.00	23,201,134	100.00

1. These comprise financial liabilities measured at fair value through profit or loss, negative fair value of derivatives, accrued staff costs, taxes payable, provisions, deferred tax liabilities and other liabilities.

The Group establishes a liability quality management system commensurate with the size and complexity of its liabilities, clarifies the governance system and organisational structure for liability quality management, and formulates and implements the whole-process liability quality management strategy and rules covering planning, monitoring, measurement, assessment, control, and reporting. It establishes a liability management indicator system that meets regulatory requirements and the Group's risk appetite, to continuously improve the Group's liability quality management level.

In 2021, the Group adhered to the principle of prudent operation, continued to consolidate the foundation for business development, and promoted high-quality development of the liability business. It built a management system for funds raised from all channels, established a multi-level and high-frequency liability monitoring and analysis system, paid close attention to changes in the form of customer funds and the size and structure of its own liabilities, continuously improved market competitiveness of core liabilities, and maintained stable sources of liabilities. It continued to optimise liability structure and established diversified financing channels and a decentralised and balanced customer structure to increase the diversity of liability structure. It made overall arrangements for total amount and structure of the source and use of funds, actively responded to monetary policy adjustments, re-oriented financial resource allocation, and implemented stable and prudent liquidity management strategy, to achieve stable and coordinated development of assets and liabilities. It actively built the ability to actively assume liabilities, and reasonably determined the size and frequency of issuance of long-term bonds and interbank certificates of deposit based on the strategic arrangement of assets and liabilities and market price trends, to improve market-oriented financing capabilities. It adhered to the principle of balanced development of volume and pricing, established a scientific, effective and dynamically adjusted internal and external fund pricing mechanism, and continuously optimised liability maturities, to ensure the appropriate, reasonable and controllable cost of liability. It adhered to the concept of compliance, and strengthened management and supervision of liability transactions, accounting, and data statistics, to ensure that liability businesses comply with regulatory requirements. During the reporting period, the Group's regulatory indicators, such as liquidity coverage ratio, net stable funding ratio and liquidity ratio constantly met regulatory requirements. For details of the indicators, please refer to "Management Discussion and Analysis – Risk Management – Liquidity Risk Management". Indicators related to the quality of liabilities were kept within the limits, with stable performance. The Group's liability quality management steadily improved.

At the end of 2021, the Group's total liabilities were RMB27.64 trillion, an increase of RMB1.90 trillion or 7.37% over 2020. In this amount, deposits from customers amounted to RMB22.38 trillion, an increase of RMB1.76 trillion or 8.56% over 2020; deposits and placements from banks and non-bank financial institutions were RMB2.23 trillion, a decrease of RMB61,071 million or 2.66% over 2020; debt securities issued were RMB1.32 trillion, an increase of RMB383,180 million or 40.76% over 2020; borrowings from central banks were RMB685,033 million, a decrease of 12.31% over 2020. Accordingly, in the Group's total liabilities, deposits from customers accounted for 80.97% of total liabilities, an increase of 0.89 percentage points over 2020; deposits and placements from banks and non-bank financial institutions accounted for 8.08% of total liabilities, a decrease of 0.83 percentage points over 2020; debt securities issued accounted for 4.79% of total liabilities, an increase of 1.14 percentage points over 2020; borrowings from central banks accounted for 2.48% of total liabilities, a decrease of 0.56 percentage points over 2020.

Deposits from customers

The following table sets forth the Group's deposits from customers by product type as at the dates indicated.

	As at 31 December 2021		As at 31 December 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total	Amount	% of total
Corporate deposits	10,338,734	46.20	9,699,733	47.05	8,941,848	48.69
Demand deposits	6,549,329	29.27	6,274,658	30.44	5,927,636	32.28
Time deposits	3,789,405	16.93	3,425,075	16.61	3,014,212	16.41
Personal deposits	11,278,207	50.40	10,184,904	49.41	8,706,031	47.40
Demand deposits	4,873,992	21.78	4,665,424	22.63	4,100,088	22.32
Time deposits	6,404,215	28.62	5,519,480	26.78	4,605,943	25.08
Overseas operations and subsidiaries	411,682	1.84	453,991	2.20	510,907	2.78
Accrued interest	350,191	1.56	276,348	1.34	207,507	1.13
Total deposits from customers	22,378,814	100.00	20,614,976	100.00	18,366,293	100.00

At the end of 2021, domestic corporate deposits of the Bank were RMB10.34 trillion, an increase of RMB639,001 million or 6.59% over 2020; domestic personal deposits of the Bank were RMB11.28 trillion, an increase of RMB1.09 trillion or 10.73% over 2020, and accounted for 52.17% of domestic deposits from customers, up 0.95 percentage points over 2020; deposits from overseas operations and subsidiaries were RMB411,682 million, a decrease of RMB42,309 million, and accounted for 1.84% of total deposits from customers. Domestic demand deposits were RMB11.42 trillion, an increase of RMB483,239 million or 4.42% over 2020, and accounted for 52.84% of domestic deposits from customers; domestic time deposits were RMB10.19 trillion, an increase of RMB1.25 trillion or 13.96% over 2020, and accounted for 47.16% of domestic deposits, up 2.18 percentage points over 2020.

Shareholder's equity

The following table sets forth the Group's total equity and its composition as at the dates indicated.

(In millions of RMB)	As at 31 December 2021	As at 31 December 2020
Share capital	250,011	250,011
Other equity instruments	99,968	99,968
– preference shares	59,977	59,977
– perpetual bond	39,991	39,991
Capital reserve	134,925	134,263
Other comprehensive income	21,338	15,048
Surplus reserve	305,571	275,995
General reserve	381,621	350,228
Retained earnings	1,394,797	1,239,295
Total equity attributable to equity shareholders of the Bank	2,588,231	2,364,808
Non-controlling interests	25,891	24,545
Total equity	2,614,122	2,389,353

At the end of 2021, the Group's equity was RMB2.61 trillion, an increase of RMB224,769 million or 9.41% over 2020, primarily driven by the increase of RMB155,502 million in retained earnings. As the growth rate of total equity was faster than that of assets, the ratio of total equity to total assets for the Group rose to 8.64%, an increase of 0.15 percentage points over 2020.

Off-balance sheet items

The Group's off-balance sheet items include derivatives, commitments and contingent liabilities. Derivatives mainly include interest rate contracts, exchange rate contracts, precious metals and commodity contracts. Please refer to "Derivatives and hedge accounting" in the notes to the financial statements for details on the nominal amounts and fair value of derivatives. Commitments and contingent liabilities include credit commitments, capital commitments, government bond redemption obligations, and outstanding litigation and disputes. Specifically, credit commitments were the largest component, including undrawn loan facilities which are approved and contracted, unused credit card limits, financial guarantees, and letters of credit. At the end of 2021, the balance of credit commitments was RMB3.37 trillion, a decrease of RMB43,636 million or 1.28% over 2020. Please refer to "Commitments and contingent liabilities" in the notes to the financial statements for details on commitments and contingent liabilities.

ANALYSIS ON CASH FLOW STATEMENTS

Cash from operating activities

Net cash received from operating activities was RMB436,718 million, a decrease of RMB143,967 million over 2020, mainly due to a large decrease in net increase in deposits from customers and from banks and non-bank financial institutions.

Cash used in investing activities

Net cash used in investing activities was RMB518,548 million, a decrease of RMB123,610 million over 2020, mainly due to a large decrease in cash payments for investment activities.

Cash from financing activities

Net cash from financing activities was RMB16,123 million, an increase of RMB106,083 million over 2020, mainly due to the increase of cash proceeds from issue of bonds.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Please refer to "Significant accounting policies and accounting estimates" in the notes to financial statements for details of the Group's significant accounting estimates and judgements; please refer to "Statement of compliance" in the notes to financial statements for details of the significant changes in accounting policies.

DIFFERENCES BETWEEN THE FINANCIAL STATEMENTS PREPARED UNDER PRC GAAP AND THOSE PREPARED UNDER IFRS

There is no difference in net profit for 2021 or total equity as at 31 December 2021 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

We focused on expanding the scope and enhancing the benefits of inclusive finance. At the end of 2021, the balance of inclusive finance loans reached RMB1.87 trillion. Since the launch of the products with new pattern such as “Quick Loan for Small and Micro Business”, the Bank had served a total of 2,524.9 thousand customers, and provided credit support of RMB5.93 trillion.

In Hunan Province, we tailored financial service solutions for merchants in Yangfan Night Market and achieved full coverage of e-CNY.

BUSINESS REVIEW

The Group's major business segments are corporate banking, personal banking, treasury business, and others including overseas business and subsidiaries.

The following table sets forth, for the periods indicated, the operating income, impairment losses, and profit before tax of each major business segment.

	Operating income		Impairment losses		Profit before tax	
(In millions of RMB)	2021	2020	2021	2020	2021	2020
Corporate banking	304,448	284,393	(112,478)	(146,580)	106,324	66,615
Personal banking	350,127	327,136	(33,213)	(30,887)	214,709	206,047
Treasury business	63,373	66,292	(13,503)	108	37,336	55,915
Others	46,758	36,403	(9,521)	(12,570)	20,043	8,039
Total	764,706	714,224	(168,715)	(189,929)	378,412	336,616

In 2021, operating income of the Group's corporate banking business reached RMB304,448 million, up 7.05%; impairment losses were RMB112,478 million, down 23.27%; profit before tax was RMB106,324 million, up 59.61%, accounting for 28.10% of the Group's profit before tax, up 8.31 percentage points over 2020. Operating income of personal banking business reached RMB350,127 million, up 7.03%; impairment losses were RMB33,213 million, up 7.53%; profit before tax totalled RMB214,709 million, up 4.20%, accounting for 56.74% of the total at the group level, down 4.47 percentage points over 2020. Operating income of treasury business totalled RMB63,373 million, down 4.40%; impairment losses were RMB13,503 million; profit before tax totalled RMB37,336 million, down 33.23%, accounting for 9.87% of the total at the group level, down 6.74 percentage points over 2020. Other operating income totalled RMB46,758 million, up 28.45%, and profit before tax totalled RMB20,043 million.

CCB's house rental business can help researchers in the laboratory to concentrate on scientific research without worries, says Academician Zhong Nanshan.

PROMOTION OF THREE MAJOR STRATEGIES

House rental strategy

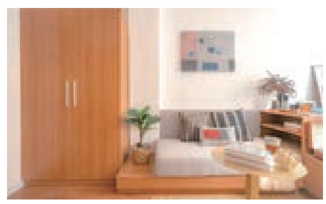
The Group steadily pressed ahead with its house rental strategy. By the end of 2021, the Group's comprehensive house rental service platform had covered 96% administrative regions at prefecture-level or above across the country, providing a transparent trading platform for 15 thousand enterprises and 38 million individual landlords and tenants. More than 10.16 million verified houses and apartments and 7.60 million contracts had been filed with the platform on a cumulative basis, which also provided the government with an effective tool for market supervision. It created the "CCB Home" long-term rental community, incorporating smart communities, public services, financial services and entrepreneurship services, to create a comfortable living environment for blue-collars, white-collars, young entrepreneurs and other tenants. By the end of 2021, the Group had officially operated 179 communities. The Group vigorously supported the construction of indemnificatory housing projects for rental, participated in more than 300 indemnificatory housing projects for rental in major cities across the country, and granted designated loans to increase the supply of small apartments with low rents. It supported system building and launched the indemnificatory rental housing APP in more than 50 cities. The Group proactively promoted the pilot of public REITs for the indemnificatory rental house projects, strengthened the connection with key market entities, and entered into cooperation agreements on public REITs with enterprises in Guangzhou, Nanjing and other cities, so as to smooth the financing cycle of the indemnificatory rental house with financial innovation. The public rental housing APP has been launched in more than 30 cities to enable a convenient mobile device-based business process for qualified applicants. The Group actively explored the integration of its house rental initiatives with policies on urban reconstruction and rural revitalisation and supported the transformation of villages in urban areas and old residential areas in cities such as Beijing and Guangzhou to promote integrated development. At the end of 2021, the Bank's loans for house rental business were RMB133,461 million, an increase of RMB50,060 million or 60.02% from 2020. Specifically, corporate house rental loans totalled RMB82,020 million, an increase of RMB38,221 million or 87.26% from 2020, supporting more than 400 house rental enterprises and projects supported by CCB can provide 500,000 properties to society. Public rental house loans totalled RMB51,441 million, an increase of RMB11,839 million or 29.89% from 2020.

Case story

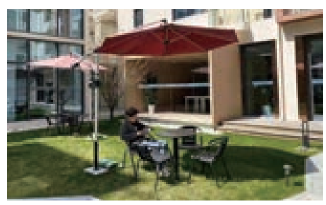
Continuously support the development of indemnificatory rental housing

The Group actively implemented national policies on accelerating the development of indemnificatory rental housing, gave full play to synergies between parent company and subsidiaries, vigorously supported the construction of indemnificatory rental housing projects, and provided financial services adapted to various types of projects and designed to address different financing difficulties.

In Beijing, the Group allocated credit funds to support the construction of indemnificatory rental housing on collectively-owned commercial rural land, cooperated with professional agencies to provide decoration services and operation management, introduced green and low-carbon elements such as environmentally friendly photovoltaic devices, and created a high-quality community of "CCB Home for Start-ups" to solve problems such as difficulties in governance at the urban-rural junction, balance between work and housing for workers in surrounding industrial parks, and insufficient experience in the operation and management of builders, so as to provide high-quality rental houses for white-collars in these parks, new citizens, young people and other groups eligible for basic public services.



In Guangzhou, the Group completed procedures for changing the nature of property use by deepening the cooperation with governments and enterprises, provided loans for housing rental operations, and transformed old factories of state-owned enterprises into a warm and habitable Jiyuandong Community, so as to provide a shelter for new urban youth working in surrounding business districts. It is not only the first project to transform non-residential buildings into rental houses with complete processes and written approvals in Guangdong, but also the first project under the whole-process approval model of reconstruction in terms of construction application, fire protection, and supply of civil water, electricity, and natural gas. It offered a model for future projects.



In Shanghai, the Group customised exclusive solutions for customers, took the lead in syndicated loans, and supported the project of indemnificatory housing on the country's first R4 land for residential rental housing – Shanghai Zhangjiang International Community Talent Apartment Project (Phase I), to meet rental needs of high-end international talents, white-collars of science and technology enterprises, and young entrepreneurs in Zhangjiang Science City.

In Hangzhou, the Group supported the renovation of idle industrial plants with credit funds to create "CCB Home • Pukun Community". As the first local indemnificatory rental housing project, the community has fully furnished apartments, abundant shared space, sound commercial facilities, and considerate services. The rent is 30% lower than the market price of surrounding communities, which effectively addresses the housing issues of many new industrial workers in the industrial park.

Inclusive finance strategy

The Group continued to develop the model of digitalised inclusive finance featuring "batch customer acquisition, accurate profiling, automated approval, intelligent risk control, and integrated services", and pressed steadily ahead with the high-quality development of inclusive finance services. The Group enhanced platform operation with digital technology and other technologies to improve market responsiveness. "CCB Huidongni" APP had attracted over 150 million online user visits and been downloaded more than 19 million times. It had 14,433.4 thousand registered users and 6,396 thousand certified enterprises, an increase of 1,947.3 thousand from 2020. It had 1,260.6 thousand credit customers, and granted RMB989.9 billion loans, an increase of RMB550,050 million from 2020. The Group focused on the diverse needs of inclusive finance groups such as small and micro businesses, individual business owners, agriculture-related customers, as well as upstream and downstream customers in the supply chain, and diversified product lines of "Quick Loan for Small and Micro Businesses", "Quick Loan for Personal Business", "Yunong Quick Loan", and "Quick Loan for Transactions" so as to improve the ability and efficiency to meet customer demands. Loans granted through products with new characteristics such as "Quick Loan for Small and Micro Businesses" totalled RMB5.93 trillion since their launch, benefiting 2,524.9 thousand customers. The Group upgraded "CCB Start-up Station" service models for medium, small and micro businesses engaging in sci-tech innovation and enhanced the service capabilities in technological innovation. By the end of 2021, the Group had launched "CCB Start-up Station" in 19 provinces and cities, granting more than RMB30 billion loans to over 9,000 member enterprises. The Group gave full play to the advantages of outlets and channels and strengthened the integrated development to make its service more accessible to common people online and provide warm and high-quality

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①② Using "Evaluation System for Innovation Capability of Sci-Tech Enterprises" to grant credit to an enterprise for its development, the Bank helped it be rated as a national "specialised, refined, peculiar and new" enterprise. ③ The Bank grants"Yunyi Loan" to help a small business which has encountered difficulties during the epidemic, enabling it to resume growth quickly. ④ Employees of the Bank understand customers' financial needs in the production plant.

offline service. At the end of 2021, the Bank had more than 14,000 outlets that can provide inclusive finance services, and approximately 19,000 inclusive finance specialists. The Bank also established 252 inclusive finance (small business) service centres and small business centres, as well as 2,449 featured inclusive finance outlets. It continuously upgraded the "digital, whole-process, standardised" intelligent risk control and management system for inclusive finance to ensure the stable credit asset quality of inclusive finance. According to the regulatory classification requirements in 2021, the Bank's inclusive finance loans increased by RMB449,944 million or 31.60% over 2020 to RMB1.87 trillion. The number of inclusive finance loan borrowers increased by 241.2 thousand over 2020 to 1,936.7 thousand. The Group increased efforts in surrendering profits to support the real economy, and the interest rate of new inclusive loans granted to small and micro businesses was 4.16%, down 0.20 percentage points from 2020.

By the end of 2021, the Group had established 510,000 "CCB Yunongtong" inclusive finance service sites, covering 80% of towns and administrative villages, and 37% of the service sites were jointly set up with the CPC village committees and villagers' self-governance committees. The Group continued to upgrade financial services, smart village affairs, convenience affairs and e-commerce functions in "CCB Yunongtong" comprehensive service platform for rural revitalisation. The platform served more than 2 million registered users on a cumulative basis, granted RMB5,119 million loans, and completed payments of over RMB180 million. The Group issued 18.53 million "Rural Revitalisation · Yunongtong Cards" mainly targeted at large planting and breeding households and people returning to rural areas for innovation and entrepreneurship, with new customers accounting for more than 80% of the total. The Group focused on the construction of an ecological scenario-based financial service system for six featured agriculture-related industrial chains, including food security, dairy industry revitalisation, beef cattle, vegetables, fruits, and flowers, and built a new business model serving all scenarios, customer groups and industrial chains. At the end of 2021, the balance of agriculture-related loans of the Bank was RMB2.47 trillion, up RMB376,962 million or 18.05% from 2020. Specifically, the balance of agriculture-related corporate loans was RMB1.74 trillion; the balance of agriculture-related personal loans was RMB721,325 million; the balance of agriculture-related inclusive loans (excluding discounted bills) was RMB295,427 million, up RMB70,170 million or 31.15% from 2020; the balance of agriculture-related green loans was RMB406,988 million, up RMB138,820 million or 51.77% from 2020. The number of agriculture-related loan borrowers was 2,351.5 thousand with an interest rate of 4.30% for new agriculture-related loans originated during the year, down 0.07 percentage points from 2020.

Feature article

Establishing an inclusive finance risk control mechanism with two-way synergy between the front and middle offices

The Group explored and established an inclusive finance risk control mechanism with two-way synergy between the front and middle offices, to improve the efficiency of risk control and ensure the high-quality development of key strategic businesses.

The Group refined the two reporting lines and improved the two-way communication mechanism for inclusive finance. It created a reporting channel for front offices to report directly to the chief risk officer on business development and risk profile. It established normal mechanisms such as joint meetings on key businesses, joint approval of new products and risk control models, and risk monitoring information exchange and sharing. It explored to set up an agile, efficient, flexible support team for risk control to further support management's decisions.

The Group created an inclusive finance risk control toolbox with "Policy + Technology". It deployed the intelligent risk control system, integrated polices, systems, data and tools across the front, middle and back offices, established a database of key issues for inclusive finance business, and continuously improved risk control technologies and tools for risk monitoring, early warning and screening, as well as customer scoring and anti-fraud management. In 2021, the coverage ratio of the risk alert and detection (RAD) system on the NPL borrowers of small and micro businesses exceeded 80%; and the risk screening and detection (RSD) system automatically screened 78,971,200 transactions and effectively blocked 357,100 dubious transactions.

The Group advanced the solid implementation of new product evaluation and anti-fraud work. The front and middle offices jointly promoted the innovation of inclusive finance products and carried out risk assessment and scorecard development for new products of "Shan" series inclusive finance loans. The front and middle offices jointly built an anti-fraud system for small and micro business loans based on "Rule + List + Model", optimised and promoted the small and micro business anti-fraud system, integrated multi-dimensional related party relationships of customers, and explored to launch a centralised operation of suspicious fraud verification.




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① Employees of the Bank introduced online financial services to villagers. ② The Bank assisted the revitalization of the dairy industry in Inner Mongolia and created a comprehensive service business model. ③ The Bank used satellite remote sensing technology to measure farmland crops, assisting the release of Yunong Quick Loan. ④ The Bank built smart village platform to provide credit support for grain planting in Heilongjiang Province. ⑤ The Bank developed the Vegetable Intelligent Management Service Platform of Shouguang to create a smart vegetable ecosystem.

Scan for more

FinTech strategy

The Group released the *FinTech Strategic Plan (2021-2025)* to further promote FinTech strategy, improve FinTech system and mechanism, consolidate the construction of digital infrastructure of New Finance, strengthen the abilities of independent controllable technological innovation, ensure the safety and stability of IT operation and maintenance and empower the high-quality development of New Finance.

The Group accelerated the comprehensive cloud-native oriented transformation and promoted "CCB Cloud" to be the preferred cloud service brand for users in the financial industry. Beijing Daoxianghu Park was officially put into use. The Group started national infrastructure layout of financial data centre clusters by changing from three centres across two locations to multiple centres across multiple locations. It continued to build innovative, high-speed, ubiquitous networks, continuously promoted the full deployment of software-defined networking (SDN) and created the first SRv6-based intelligent cloud backbone network in the financial industry in China. It took the lead among peers to realise the CCB Cloud layout of "Multi-Zone, Multi-Region, Multi-Technology Stack and Multi-Chip", deployed more than 200,000 cloud servers with standard computing capacity, and outperformed peers in overall size and service capabilities in China. It also took the lead among peers to provide full-stack, independent, controllable cloud services, and to put into full production of "Collaborative Office System" based on the full-stack innovative technology within the Group, which was shortlisted for the "Ten Major Events of Financial Informatisation across the Mainland of China in 2021". The Group achieved remarkable achievements in the distributed architecture transformation. It was the first large commercial bank to launch and operate the distributed core system for domestic and overseas credit card business and supported multi-technology stack operation. It was the first to complete the cloud-native deployment of the retail loan system, migrate all businesses to the distributed system and to fully use the independent distributed database. It was also the first among peers in the domestic financial industry to complete the architecture transformation of the distributed core system, and to have the ability to completely replace the traditional architecture core system with an open distributed architecture system. The Bank won five key awards in the PBC's 2020 Fintech Development Awards, including the first prize of "Practice on Core Banking System Construction Based on Multi-Technology Stack".

The Group continued to advance the construction of technology middle platform and created a group-level one-stop fundamental technological capability of sharing, agility and collaboration. It was the first among peers in the domestic financial industry to complete the independent development of the container cloud platform at financial level, as well as the cloud-native architecture upgrade of technology platforms, such as big data platform, AI platform, blockchain platform, and mobile internet platform. It independently developed the big data cloud platform, deployed the domestic financial industry's largest MPP database processing cluster with separation between storage and computation, covered 18,000 computing nodes, and migrated all business data into the data lake. It significantly enhanced real-time data collection, analysis and visualisation capabilities, effectively supported more than 100 real-time business scenarios such as customer journey application and realised the cloud-based processing and intensive management of big data analysis and mining at all 37 branches. It upgraded the AI platform to use the cloud-native architecture, and built complete end-to-end capabilities for data annotation, model training, and service deployment. It applied AI services to the five fields of computer vision, intelligent voice, natural language processing, knowledge graph and intelligent decision-making, which supported 617 scenarios on a cumulative basis. It established the knowledge graph system for the review of documents and was the first among peers to implement AI application cases in the letter of credit review scenario. It won the second place in the 16th ICDAR2021, the top international event for AI document image analysis and recognition, with its independent algorithm of OCR/ICR (intelligent character recognition). The Group built a unified blockchain service platform, enabled trusted data exchange and secure and encrypted privacy protection, supported 16 business areas such as trade financing and cross-border payment, launched 40 scenarios, and was shortlisted for the "Forbes BlockChain 50" for three consecutive years. It built an applet-based mass development capability with the mobile internet platform, integrated the applet operation engine for "CCB Lifestyle" platform and mobile banking, and supported the applet ecology construction. It took the lead in completing the construction of 5G messaging platform and was the first to launch the "5G Messaging Bank". It built an enterprise-level secure computing platform for data sharing and implemented the privacy protection computing technology to make data "available yet invisible". It built a smart security operation platform, defended 79,695,000 network attacks and blocked 2.47 million source addresses in 2021, effectively improved the practical, systematic and normal network security operations as well as enhanced the capacity of security defence, maintaining the industry's leading position.

Feature article

FinTech Strategic Plan (2021-2025)

In order to deepen the New Finance initiative and form new advantages in FinTech, the Group released the *China Construction Bank FinTech Strategic Plan (2021-2025)* (TOP+2.0), which sets out the Group's overall goals, priorities and safeguard measures for FinTech development in the next five years. The Group is committed to building new infrastructure, developing new momentums, and advancing the in-depth development of FinTech strategy, so as to build CCB into "the most financial-savvy technology group" and "the most tech-savvy financial group".

During the 14th Five-Year Plan period, the Group will maintain its strategic focus, adhere to a consistent blueprint, continue to allocate more resources in FinTech, improve the layout of FinTech capabilities, cultivate a FinTech ecosystem, strengthen the integration and strategic synergy of the Group, stimulate the Group's innovate vitality and expand the team of technological talents. The Group will adhere to the principles of FinTech upward and for good, independent innovation and green development, system concept, openness and integration, equal emphasis on platform construction and operation, value creation and experience first. It will focus on ecological and intelligent development and take the comprehensive cloud-native oriented transformation as the technological route, so as to consolidate the advanced, reliable and inclusive New Finance digital infrastructure, continue to advance the construction of the three major Middle Platforms, basically build the financial data centre cluster layout with green and energy conservation, and establish a solid enterprise-level network and information security protection system. It will build a high-value brand of "CCB Cloud" and turn it into the preferred financial cloud service brand for users. It will fully empower the high-quality business development of the Group with high-quality FinTech, build an "I-CCB" service brand to realise "Intelligent management, Customised products, Collaborated operation and Boundless channels", and grow into a FinTech leader, a national FinTech strategic force for independent innovation and a New Finance ecosystem pioneer.

The Group improved systems and mechanisms of FinTech and empowered the high-quality development of New Finance. In 2021, it handled 18,000 new business requirements, and implemented 86,000 business requirements with total requirements implemented going up 104.2% over 2020, promoting the development and capacity enhancement across the Bank. The Group established the FinTech and Digital Promotion Committee, improved the organisational structure of FinTech, continued to increase FinTech investments, and enhanced the vitality of technological innovation. It improved the IT business partner (ITBP) cooperation mechanism that deeply integrated business, data and technology, recruited more FinTech talents, and realised a steady growth of the interdisciplinary FinTech talent team with business and technology expertise. At the end of 2021, the number of FinTech personnel of the Group was 15,121, accounting for 4.03% of its total headcount. The investment in FinTech was RMB23,576 million, accounting for 3.08% of its operating income. The Group had been granted a total of 731 patents, an increase of 167 over 2020, including 455 invention patents which topped the domestic banking industry.

CORPORATE BANKING

Corporate financial service

Corporate deposits increased steadily, and the customer base and account base were continuously consolidated. At the end of 2021, domestic corporate deposits of the Bank amounted to RMB6.54 trillion, an increase of RMB267,740 million or 4.27% over 2020. Specifically, demand deposits increased by 2.94% and time deposits increased by 10.50%. The number of the Bank's corporate customers was 8,460 thousand, an increase of 850 thousand from 2020. The Bank had 11,950.9 thousand corporate RMB settlement accounts, an increase of 492.1 thousand over 2020.

Corporate loans maintained a rapid growth, vigorously supported key areas and effectively served the real economy. At the end of 2021, domestic corporate loans of the Bank amounted to RMB9.59 trillion, an increase of RMB1.23 trillion or 14.75% over 2020, with the NPL ratio of 2.27%. Loans to infrastructure sectors reached RMB5.07 trillion, an increase of RMB733,108 million or 16.91% over 2020, accounting for 52.82% of domestic corporate loans and advances, with the NPL ratio of 1.58%. Medium to long-term manufacturing loans amounted to RMB671,741 million, an increase of RMB151,993 million or 29.24% over 2020. Loans to private enterprises amounted to RMB3.32 trillion, an increase of RMB438,749 million or 15.21% over 2020. Loans to strategic emerging industries totalled RMB921,979 million, an increase of RMB306,459 million or 49.79% over 2020. Domestic loans to real estate industry of the Bank amounted to RMB730,087 million, an increase of RMB42,583 million over 2020. The Bank had provided 94.6 thousand customers in 5,952 core enterprise industrial chains with a total of RMB802,387 million supply chain financing support on a cumulative basis.

Feature article

Jointly building a new ecosystem of private economy through comprehensive strategic cooperation

The Group actively responded to the national policy of supporting the development of private economy, deepened strategic cooperation with the All-China Federation of Industry and Commerce ("ACFIC"), and promoted the high-quality development of private economy.

The Group supported the healthy and circulated development of the private economic ecosystem of "Federation of Industry and Commerce + Chamber of Commerce + Enterprise + Bank", jointly built a "Comprehensive Enterprise Service System" with the ACFIC, and deployed eight platforms to meet the lifetime full-factor needs of private enterprises. It formed a region-specific flexible model of "Provincial federation of industry and commerce system + Member management subsystem + Comprehensive Enterprise Service System" that can be effectively connected to each other. It also built a digital middle office of "Digital Engine for Market Entities" simultaneously. By the end of 2021, the system had been launched in 20 entities across the country.

The Group developed exclusive products for the private economy, and worked with federations of industry and commerce and chambers of commerce at all levels to research and formulate product plans. It innovatively developed the "Innovation-Performance-Trust" evaluation system exclusively for "innovative and growth" member enterprises, which can evaluate the competitiveness of enterprises against their peers based on enterprise financial indicators, R&D investment percentage, characteristic labels, and their profiles made by financial institutions. The Group launched the "Chambers of commerce of high-performing teams, solidarity, high-quality services and self-discipline" enterprise credit enhancement evaluation standards and promoted the pilot project to formulate an evaluation plan jointly by branches, local federations of industry and commerce and chambers of commerce to calculate the reasonable credit enhancement limit of the enterprise. The Group set up a flexible team of "Head Office + Branch + Chamber of Commerce + Enterprise", developed industry solutions from a finance perspective, dynamically adjusted the solutions based on market changes, and accurately reached intended customers.

Promoting smart government affairs services Supporting the modernization of social governance

By the end of 2021, the Bank had established cooperative relationships with 29 provincial governments and a total of 16 smart government affairs mobile client applications have been launched.

Institutional business

The Bank continued to implement the smart government affairs services strategy. By the end of 2021, the Bank had established cooperative relationships with 29 provincial governments, and participated in government affairs service and development of supervision platforms and application scenarios. The total number of registered users of the online platforms exceeded 200 million, and the total number of processed government affairs reached more than 2.5 billion. The Group shared outlets and channels to build a "Government Affairs Lobby for the Public". More than 14,000 outlets enabled the government affairs service function, where people could process, make appointments for and inquire about more than 6,000 government affairs items. By the end of 2021, the Bank had processed over 47 million government affairs for more than 20 million users. The Bank was the first among its peers to designate a smart teller machine (STM) service zone for "all-in-one network" model for government affairs in all 31 provinces, autonomous regions, and municipalities, covering 1,593 various government affairs scenarios. The Bank helped launch the "cross-provincial" government affairs service platform in Chongqing, Sichuan, Guizhou, Yunnan, and Tibet to provide convenient cross-region government affairs services for residents. The Bank further integrated government affairs services and banking services, and constantly developed scenarios for government affairs services payment system, covering property transactions, non-tax services, social security contributions, convenience services, litigation fees, tuition payment, and hospital diagnosis and treatment. It had enabled over 12,000 online payment items with total payment exceeding RMB100 billion.

The Bank promoted the comprehensive service platform for the supervision of collective funds, assets and resources in rural areas, the trading of rural property rights and smart village affairs, innovated the credit service system for rural collective economy, and supported customers across the country to achieve common prosperity for the rural areas. The Bank continuously deepened and expanded the cooperative relationship with customers in education and healthcare sectors and was the exclusive sponsor of the "CCB Cup" China International College Students' 'Internet +' Innovation and Entrepreneurship Competition for the seventh consecutive year. It continuously expanded the high-quality development of fiscal business and won first prize in the comprehensive assessment of the national treasury centralised payment business of the MOF for the third consecutive year. It also outperformed peers in terms of the number of budget payment holders and business volume of agency payment business authorised by the central government. The Bank launched the "Smart Payment" to provide finance and tax authorities and the public with comprehensive financial services for inquiring, reporting, non-tax paying, and taxes and fees. In 2021, the platform completed over 200 million transactions.

International business

The Bank made every effort to build a new development pattern of "dual circulation" and steadily enhanced its ability to engage in international competition. It improved the service quality and efficiency of "CCB Match Plus" to help stabilise the global industrial chain and smooth international trade. It also innovated cross-border payment products to provide more convenient, efficient, and low-cost payment and settlement services for Chinese enterprises to participate in global economic activities. The Blockchain Trade (BCTrade) Finance Platform became the first blockchain trading platform in the industry with a transaction volume of over RMB1 trillion. The Bank listed in the "Forbes Blockchain 50" for three consecutive years and was awarded the "Best Blockchain Initiative Application or Programme" by *The Asian Banker* for two consecutive years as a result of its innovative practice. As the first batch of banks directly linked to China International Trade "Single Window", the Bank launched over ten online financial service functions, maintaining a leading advantage among peers. The whole-process online "Cross-border Quick Loan" series products granted approximately RMB20 billion to small- and micro-sized foreign trade enterprises. The Bank innovated and enriched the product line of Credit Insurance Finance, and continued expanding its volume. It has established correspondent banking relationships with more than 600 banks in countries along the Belt and Road and launched all-currency payment products supporting the settlement in more than 140 minor currencies, with over RMB130 billion transactions completed via "Cross-border Easy Payment". Project Factoring (Jiandantong, Jianpiaotong and Jianxintong) had provided financial support to more than 130 projects in 49 countries along the Belt and Road, with a cumulative amount of over RMB13 billion. In 2021, the Bank's trade financing reached RMB1.40 trillion.

The Bank actively contributed to the implementation of RMB liberalisation strategy, continued to promote the use of RMB in key areas, and enhanced the comprehensive capacity to serve overseas institutional investors, and was awarded the title of "Best Domestic Bank for RMB Internationalisation" by *Global Finance*. In 2021, the Bank's cross-border RMB settlement volume reached RMB2.67 trillion, an increase of 23% over 2020, serving 31,400 cross-border RMB settlement customers. The Bank officially became the HK dollar settlement agent of the Cross-border Interbank Payment System (CIPS), actively promoting the stable operation of the "Southbound Bond Connect". Its RMB clearing branch in UK continued to be the largest RMB clearing bank outside Asia, with a cumulative clearing amount of over RMB64 trillion.

Feature article

Committed to cross-border matchmaking to drive global economic, trade and investment cooperation

To facilitate cross-border trade and investment and address difficulties such as information asymmetry and high transaction costs in cross-border transaction scenarios, the Bank launched the B2B cross-border intelligent matchmaking platform "CCB Match Plus" with more than 140,000 registered users. The platform integrated multiple resources to share business opportunities and provide intelligent matching and comprehensive financial service solutions for cross-border trade and investment of domestic and foreign enterprises.

The Bank continued to enrich the scenarios and functions of "CCB Match Plus". The featured section "COVID-19 Prevention" created a green channel for the supply and demand of COVID-19 prevention supplies and supported international cooperation against the pandemic; while other featured sections such as the "Belt and Road", "Greater Bay Area", "China Railway Express" and "Investment China" were provided in line with national development strategies, displaying business opportunities, business environment, policy interpretations, news and financial services. "CCB Match Plus" expanded transaction functions, connected online banking channels for enterprises, organically combined front-end non-financial services such as demand release, supply and procurement matching and transaction matching with back-end financial services such as cross-border payment and settlement and credit financing, and facilitated domestic and foreign enterprises to expand international footprints and integrate into global industrial chains and supply chains.

Relying on "CCB Match Plus", the Bank created a "Digital Exhibition" scenario, supporting organisers, exhibitors, and purchasers to organise, arrange and view exhibitions online in both Chinese and English, providing real-time interactive "virtual site" and meeting rooms, and offering an integrated solution for exhibition and display, exchange and communication, matchmaking, and event operation to realise a flexible, efficient, and integrated exhibition ecology. In 2021, "CCB Match Plus" provided comprehensive service solutions for large-scale exhibitions such as the Canton Fair, China International Consumer Products Expo, Expo Central China, China-CEEC Expo and International Consumer Goods Fair, China-ASEAN Expo, and China-Africa Economic and Trade Expo. It held more than 100 digital exhibitions and online matchmaking activities for 33 countries and regions, built a cloud bridge for cross-border communication for more than 10,000 domestic and foreign enterprises, and helped smooth the flow of industrial chain and supply chain.

The Bank's "3D digital banking exhibition halls" provides customers with "cloud services" such as settlement financing, cross-border matchmaking and financial live broadcasting to facilitate the smooth launch of the Canton Fair.

Asset custody services

The Bank fully promoted the high-quality development of custody services. It successfully won the bid of custody of National Green Development Fund, Beijing-Tianjin-Hebei Synergistic Development Industrial Investment Fund and Guangdong Beautiful Countryside Revitalisation Development Fund, carried out enterprise assets reorganisation service trust custody innovation, and was appointed as the depositary bank of China Depository Receipts (CDR) with the largest issuing amount. It was also awarded the "Best Digital Assets Custodian in China" by The Asian Banker. At the end of 2021, assets under custody of the Bank reached RMB17.7 trillion, an increase of RMB2.45 trillion over 2020. Specifically, insurance assets, assets entrusted to security companies and qualified foreign investors (QFI) assets under the Bank's custody increased by RMB626.2 billion, RMB360.3 billion and RMB65.4 billion respectively, all ranking first in the industry. Income from custody services was RMB6,945 million, an increase of RMB1,412 million or 25.52% over 2020. Specifically, total fees income and incremental income of QFI custody service outperformed its peers.

Settlement and cash management business

The Bank continuously enhanced its capabilities in providing settlement and cash management services. Relying on digital and intelligent means, it coordinated and optimised account service and conducted account life cycle management. By implementing the national deployment on reducing fees for micro and small enterprises and individual business owners, it finished fee reduction of 15 items such as corporate RMB remittance fee to effectively reduce the overall costs of small and micro businesses and other market entities and support high-quality development of the real economy. It continuously enriched the variety of cash management products, launched the "Yudao – Treasury Cloud", a cross-bank treasury management service platform for enterprises and the "Zhangbutong", an innovative fund classification management product. It provided more safe, convenient and efficient collection and payment services to improve customer experience. It also strengthened its overall services to multinational enterprises by providing more cross-border products, including improved integrated cash management services usable both at home and abroad. In terms of gambling and fraud risk management measures, the Bank was capable of intercepting suspicious transactions and controlling customers' accounts timely to reduce the number of misused accounts. At the end of 2021, the Bank had 11,950.9 thousand corporate RMB settlement accounts, an increase of 492.1 thousand over 2020.

"Yongle Wealth Management Room" of CCB Zhejiang branch combined online and offline salons to expand private domain customers in asset allocation.

PERSONAL BANKING

Personal financial service

The Bank adhered to its positioning of "customers' major banking partner", focused on trends of the wealth era, embraced opportunities in the digital era, built a new ecosystem of personal finance, and promoted the high-quality development of retail business. It was awarded the "Best Mega Retail Bank in China" by *the Asian Banker* in 2021. The Bank built a "layered, sub-group and graded" personal customer operation management system. It strengthened the hierarchical management, connected the chain of "Direct operation through scenarios for basic customers – Direct operation through private domain for potential customers – Exclusive operation through outlets for medium- and high-end customers – 1+1+N services for private banking customers", so as to enhance matrix and grid-based customer service capabilities. It upgraded the operation of sub-groups, and focused on meeting the needs of key customer segments in phases based on the quarterly fluctuation pattern. It coordinated graded services, integrated the rights and benefits of various products, and created the path of self-motivated relationship enhancement by customers. The Bank became increasingly sophisticated in digitalised operation. It had a keen grasp of the digital trend and formed the operation logic of "identifying customers based on funds, forming in-depth insights on the right customers, focusing on and exploring prospective customer segments". The Bank fully released the multiplier effect of "Business + Technology" and "People + Digitalisation" and achieved remarkable results in the direct operation to hundreds of millions of long-tail personal customers. It outlined the inclusive, shared, professional, and intelligent mega wealth management blueprint, and built the mega wealth management system with CCB characteristics. Relying on digital means and FinTech, the Bank improved the wealth management capability for all personal customers. It kicked off the mega wealth management transformation with the "Wealth Season" marketing campaign and improved the brand awareness of "CCB Long Fortune". The Bank launched an innovative mega wealth management platform, upgraded the wealth management channel via mobile banking, enhanced the smart service capability, and advanced the "Cross-border Wealth Management" to diversify WMPs and channels for cross-border investment for residents in Guangdong-Hong Kong- Macao Greater Bay Area. At the end of 2021, domestic personal deposits of the Bank increased by RMB1.09 trillion over 2020, to RMB11.28 trillion; and financial assets of personal customers exceeded RMB15 trillion. The number of personal customers reached 726 million, an increase of 22.52 million over 2020; and the number of investment and wealth management customers increased by 22.05 million or 17% over 2020. The profit of personal banking business accounted for 56.74% of the total profit.

The Bank actively implemented national policies on real estate macro-control and prudent management requirements on real estate finance, and strictly implemented differentiated housing credit policies. It carefully selected proper locations, enterprises, projects and customers in granting loans to support the reasonable housing demand of households, and actively practised the whole-process risk prevention and control concept to ensure the sustainable, stable and healthy development of residential mortgages. At the end of 2021, the balance of domestic personal loans amounted to RMB7.89 trillion, up 9.10% over 2020. Specifically, the balance of residential mortgages was RMB6.39 trillion; the balance of personal consumer loans was RMB232,979 million, including RMB209,049 million personal quick loans; and the balance of agriculture-related personal loans "Yunong Loan" was RMB15,874 million.

Entrusted housing finance business

The Bank continued to improve the financial ecology construction of housing reform and promoted the digital transformation of provident housing fund. At the end of 2021, the balance of housing fund pools totalled RMB3.85 trillion, the balance of housing fund deposits was RMB1.06 trillion, and the balance of personal provident housing fund loans was RMB2.78 trillion, maintaining the leading market position. The Bank promoted financial services for the indemnificatory housing market and granted a total of RMB117,613 million indemnificatory housing loans to 600,000 low- and middle-income residents.

Bank card business

The Bank steadily promoted the development of mass consumption ecology. It took outlets as the hub to build the business area around the community, launched the "Business Management Insight" online business platform, and drove traffic between online and offline channels, outlets and business areas. It cooperated with the third-party payment institutions to expand the new track of scenario-based ecology and created a new comprehensive service model of "Card acquiring + Marketing empowerment + Exclusive financial products". It built a flexible and universal scenario-based account service system that extensively connects to external scenarios. It deployed functions, scenarios and rights of "Long Pay" on the "CCB Lifestyle" platform to provide users with a one-stop service experience of consumption scenarios, payment and settlement. It launched a series of activities such as "Long Pay · Joyful Summer Holiday" and cooperated with high-quality merchants to provide customers with multi-scenario and multi-coverage consumption discounts to facilitate active consumption transactions. The Bank further promoted the intensive operation of merchant business. At the end of 2021, the Bank had 4.92 million card acquiring merchants, an increase of 120,000 over 2020, with the transaction volume of RMB4.20 trillion, an increase of 12.22% over 2020.

The Bank accelerated the transformation of credit card innovation to meet the multi-level needs of customers. The Bank built a digital virtual credit card product system with products such as "CCB Lifestyle Card", "Long Card Credit (Daiba)" and "Ultimate Card", innovated and launched new products such as "Rose me Card", "Leader" credit card in its Transformers series and "American Express Red Card", explored to cooperate with and attract traffic from leading internet enterprises and expanded the credit card business to cover young and inclusive finance customers. It created the brand "Long Credit Card Discounts 666", carried out activities such as cashback for spending certain amount of money and bonus point activity "Monthly Gift", and promoted the construction of the ecology and scenario of the preferential business area. It innovated and launched products, such as "Long Green & Low-Carbon Credit Card" and "Long E-Loan Cars" for used car instalment, and further cooperated with new energy automobile brands. The Bank stepped up efforts to promote Yunongtong Credit Card, accelerated the construction of the consumer payment acceptance environment in the county and countryside, and innovated the service of "Easy POS Payment for Xinjiang Cotton Farmers", benefiting more than 200,000 local cotton farmers. The Bank safeguarded the bottom line of wiping out risks, strengthened the control over capital use and fraud risk, complied with the policy that "houses are for living in and not for speculation", and upgraded the source management of real estate transactions. It strengthened the analysis of customers susceptible to telecom fraud clients, their cards and transaction characteristics, and established a long-term merchant risk monitoring mechanism for gambling and fraud risks.

At the end of 2021, the Bank's domestic credit card loans totalled RMB896,222 million, with the NPL ratio of 1.33%. The cumulative number of credit cards issued reached 147 million, an increase of 3.96 million over 2020, with the cumulative number of customers of 105 million and transaction volume of RMB3.04 trillion, ranking the first in the industry in terms of total customers, loan size, instalment transaction volume, instalment loans and income from instalment business. The number of debit cards issued exceeded 1,256 million, with the transaction volume of RMB25.92 trillion, an increase of 10.39% over 2020.

Private banking

The Bank focused on meeting the needs of high net-worth customers for their wealth management, assets allocation and quality services. It implemented a pilot of private banking asset allocation services and provided customised and differentiated wealth planning and asset allocation services. The Bank deepened investment product research, improved product selection, innovated private banking pension services, and diversified open products and services. It issued professional reports on private banking strategy analysis, laws and taxation, launched a "Wealth Management, Creation and Succession" video forum, improved the professional service ability of front-line private banking functions and expanded the brand influence of private banking in the market. It pressed ahead with the building of the whole-process integrated system for smart applications and customer services of private banking and created a high-standard quality service experience for private banking customers. It strengthened comprehensive risk management, and effectively protected the interests of customers. At the end of 2021, the private banking customers' assets under management reached RMB2.02 trillion, an increase of 13.64% over 2020. The Bank had 177,200 private banking customers, an increase of 10.19% over 2020. The balance of assets under management of family trust advisory business was RMB68,510 million, further consolidating the leading position of the Bank.

TREASURY BUSINESS

Financial market business

Adhering to high-quality development, the financial market business of the Bank achieved remarkable results in operation and management, with continuously enhanced profitability and market position, and further consolidated foundation of risk control.

Money market business

The Bank strengthened its proactive management with a combination of money market tools, and maintained reasonable RMB and foreign currency positions, to ensure sound liquidity. It paid close attention to changes in monetary policies with in-depth understanding of market movement pattern to enhance the transaction capacity, investment and research capability and risk prevention capability. With regard to RMB money market business segment, the Bank maintained a high volume of money market transactions, continued to improve portfolio returns, launched the "AI Trader" for money market, improved digitalised operation capabilities, continued to empower small and medium-sized financial institutions, and actively played the role of "transmitter" of monetary policy and "stabiliser" of money market. With regard to foreign currency money market business segment, the Bank tracked changes in global markets and policies in a timely manner, and flexibly adjusted its strategic allocation to ensure reasonable and adequate foreign currency liquidity. The Bank implemented the interest rate benchmark reform, expanded foreign currency bond repo business, and remained among the best in the interbank Foreign Currency Lending (FCL) Quoting Banks.

Debt securities business

The Bank adhered to the principle of value-driven investment and supported the development of the real economy and the implementation of macro-control policies. The Bank continued to predict interest rate movements, adjusted its pace of investment when appropriate, and optimised the portfolio structure to raise the overall return on investments. It paid close attention to interest rate changes in global markets and struck a balance between liquidity and safety within the bank-wide risk appetite to achieve a stable portfolio returns. It increased its investment in high-quality corporate bonds at home and abroad, as well as green bonds, and strictly controlled credit risks.

Customer-based trading business

The Bank continuously implemented refined management and steadily executed the business strategy to constantly promote the high-quality development of its customer-based trading business. It focused on advancing channel optimisation and digitalised operation, consolidated its customer base, actively expanded its overseas institutional investors base, with a steadily increasing number of customers. It actively promoted the concept of interest rate hedging to meet customer needs. It continued to optimise the independently developed "Blue Core Exchange Rate Portfolio Management Platform", taking the lead among its peers in terms of system autonomy and comprehensive function. In 2021, customer-based trading business amounted to US$755.4 billion, and the volume of foreign exchange market-making transactions reached US$5.15 trillion. The Bank maintained its competitive strength in the comprehensive ranking for interbank foreign exchange market makers.

Precious metals and commodities

The Bank was committed to the transformation and development of precious metals and commodities business. It paid close attention to market fluctuations, provided commodity hedging services for industrial chain enterprises to help them operate steadily. It also adjusted its business structure, strengthened digitalised operations and business training, enhanced customer service capabilities in precious metals and commodities business, and improved the protection of customer's rights and interests. In 2021, the total trading volume of precious metals of the Bank reached 63,322 tonnes.

Assets management

The Bank seized opportunities such as wealth management and capital market development, continued to advance the building of the Group's new asset management system, accelerated the transformation and innovation of the asset management business model, and strengthened the integrated and coordinated management within the Group. It continued to step up efforts in key areas, such as investment research, channel sales, asset allocation, internal risk control, investment operation, and asset management technology. It strictly followed regulatory policies to carry out operation and rectification of existing WMPs in a smooth and orderly manner and completed the rectification of outstanding wealth management business in the transition period. At the end of 2021, the Group's WMPs amounted to RMB2,372,279 million. In this amount, those managed by the Bank were RMB183,949 million, and those managed by CCB Wealth Management were RMB2,188,330 million. The Group's net-value WMPs amounted to RMB2,188,330 million, all of which were managed by CCB Wealth Management, accounting for 92.25% of the total, an increase of 47.71 percentage points over 2020.

In 2021, the Bank raised RMB4,230,393 million by issuing WMPs and redeemed RMB5,574,308 million at maturity. At the end of 2021, the balance of WMPs of the Bank was RMB183,949 million, including RMB59,709 million closed-end products and RMB124,240 million open-end products. The balance of WMPs to corporate customers was RMB37,322 million, accounting for 20.29% of the total, and the balance of WMPs to personal customers was RMB146,627 million, accounting for 79.71% of the total. In 2021, CCB Wealth Management raised RMB5,110,426 million by issuing WMPs and redeemed RMB3,619,080 million at maturity. At the end of 2021, the balance of WMPs of CCB Wealth Management was RMB2,188,330 million, including RMB498,489 million closed-end products and RMB1,689,841 million open-end products. The balance of WMPs to corporate customers was RMB367,072 million, accounting for 16.77% of the total, and the balance of WMPs to personal customers was RMB1,821,258 million, accounting for 83.23% of the total.

Information on issuance, maturity and balance of the Group's WMPs during the reporting period is as follows.

	As at 31 December 2020		WMPs issued in 2021		WMPs matured in 2021		As at 31 December 2021	
(In millions of RMB, except batches)	Batches	Amount	Batches	Amount	Batches	Amount	Batches	Amount
The Bank	2,391	1,527,864	981	4,230,393	3,290	5,574,308	82	183,949
Principal guaranteed WMPs	1	56,854	–	574	1	57,428	–	–
Non-principal guaranteed WMPs	2,390	1,471,010	981	4,229,819	3,289	5,516,880	82	183,949
CCB Wealth Management	551	696,984	829	5,110,426	410	3,619,080	970	2,188,330
Total	2,942	2,224,848	1,810	9,340,819	3,700	9,193,388	1,052	2,372,279

The assets in which the Group's WMPs invested directly and indirectly as at the dates indicated are as follows.

	As at 31 December 2021						As at 31 December 2020					
	The Bank		CCB Wealth Management		The Group		The Bank		CCB Wealth Management		The Group	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
Cash, deposits and interbank negotiable certificates of deposit	80,643	39.11	786,897	34.35	867,540	34.74	393,298	24.02	258,541	33.31	651,839	27.01
Debt securities	43,595	21.14	1,222,780	53.38	1,266,375	50.72	688,972	42.08	392,514	50.57	1,081,486	44.81
Non-standardised debt assets	26,138	12.68	132,312	5.78	158,450	6.35	358,187	21.88	82,494	10.63	440,681	18.26
Equity investments	55,804	27.07	15,081	0.66	70,885	2.84	67,515	4.12	18,120	2.33	85,635	3.55
Other assets	–	–	133,720	5.84	133,720	5.36	129,292	7.90	24,478	3.15	153,770	6.37
Total	206,180	100.00	2,290,790	100.00	2,496,970	100.00	1,637,264	100.00	776,147	100.00	2,413,411	100.00

Investment banking business

The Bank continued to optimise the platform ecology and integrate products and processes in the financial advisory business, with its market share increasing continuously. It optimised the structure of bond underwriting business and underwrote a total of 878 batches of bond financing instruments for enterprises with an aggregate financing amount of RMB518.3 billion. It focused on serving the national key strategies, and innovatively undertook the first batch of carbon neutral bond in the market, sustainable development linked bond, rural revitalisation bond, high growth bond, equity contribution bond, and real estate merger and acquisition notes. It continued to improve asset creation and supply and attracted 5,066 new customers to the investor alliance platform. The Bank also increased efforts in investment research and empowerment at group level for 32 industries across five major sectors, including macroeconomics, financial markets, international overview, hot topics, and industry research. At the end of 2021, the Bank had more than 87,000 investment banking customers and its customer access capability improved fundamentally. The Bank steadily improved its ability in serving the real economy, providing RMB1.7 trillion direct financing for enterprises.

Securitisation business

Taking into account factors such as market demand, regulatory requirements, and internal management needs, the Bank dynamically arranged the strategy and plan for securitisation issuance. In 2021, the Bank issued 27 batches of normal assets-backed securities, totalling RMB223,052 million, which included ten batches of trust beneficial right transfer products of Jianrong corporate loans credit assets, amounting to RMB39,571 million; two batches of Jianpu inclusive finance loan assets-backed securities, amounting to RMB14,983 million; 15 batches of Jianyuan residential mortgages-backed securities, amounting to RMB168,498 million. It issued ten batches of non-performing loan assets-backed securities, totalling RMB6,829 million, which included six batches of non-performing loan assets-backed securities backed by non-performing residential mortgages and non-performing personal consumer loans, with a principal of RMB10,349 million and an issuance size of RMB5,295 million. It issued three batches of non-performing credit card assets-backed securities, with a principal of RMB7,423 million and an issuance size of RMB1,303 million; and one batch of non-performing unsecured small and micro business assets-backed securities invested by non-performing quick loan assets, with a principal of RMB1,689 million and an issuance size of RMB231 million.

Financial institutional business

The Bank continued to advance the construction of the interbank cooperation platform, focusing on setting up scenarios such as risk co-governance, interbank finance, smart sharing, and technology empowerment. It actively assisted small and medium-sized financial institutions in capability improvement, governance enhancement, application expansion, and gradually explored new business models for competition and cooperation in the digital age. By the end of 2021, the interbank cooperation platform had attracted 2,916 contracted customers, provided 1,027 financial institutions with the service of "Hui" series risk tools with a cumulative query volume of 58 million, and the transaction volume of the platform had reached RMB579 billion. The Bank performed overall management of online and offline channels to provide convenient, efficient and diversified products and services for cooperative security companies and investors, and outperformed peers with its third-party security custody services in terms of the number of customers and the amount of funds. The Bank signed cooperation agreements with several key financial institution customers and cooperated with several national joint-stock commercial banks, leading city commercial banks, and rural commercial banks in e-CNY. It won multiple awards such as "Leading Institution in Bond Market", "Excellent Financial Bond Issuer", "Excellent ABS Originator" and "Excellent Bond Underwriter" from China Central Depository & Clearing Co., Ltd., and "Excellent Clearing Member", "Excellent Settlement Member", and "Excellent Proprietary Foreign Exchange Clearing Award" from Shanghai Clearing House in 2021. At the end of 2021, the Bank's amounts due to other domestic financial institutions (including insurance companies' deposits) were RMB1.80 trillion, a decrease of RMB12,131 million from 2020. The Bank's assets placed with other domestic financial institutions were RMB308,584 million, a decrease of RMB415,899 million from 2020.

OVERSEAS COMMERCIAL BANKING BUSINESS

The Group steadily expanded its overseas business and its network of institutions to enhance globalised customer service capability and international competitiveness. By the end of 2021, the Group had established overseas commercial banking institutions in 30 countries and regions. The Group had wholly-owned operating subsidiaries including CCB Asia, CCB London, CCB Russia, CCB Europe, CCB New Zealand, CCB Brasil and CCB Malaysia, and held 60% of equity in CCB Indonesia. Net profit of overseas commercial banking institutions of the Group in 2021 was RMB7,524 million, an increase of 29.28% over 2020.

CCB Asia

China Construction Bank (Asia) Corporation Limited is a licensed bank registered in Hong Kong with an issued and fully paid capital of HK$6,511 million and RMB17,600 million.

CCB Asia holds a banking license to engage in multiple lines of business, with its core base in Hong Kong and a wide reach that spreads to Macau, the mainland of China and Southeast Asia. The targeted customers of its wholesale business include local Blue-Chip and large Red-Chip companies, large Chinese conglomerates and multinational corporations, while it also provides quality financial services to premium local customers. CCB Asia has traditional advantages in providing professional financial services such as overseas syndicated loans and structured finance and has rich experience in corporate financial services in international settlement, trade finance, financial market trading, large structured deposits and financial advisory service. CCB Asia is the Group's service platform for retail and small and medium-sized enterprises in Hong Kong, and has 33 branches and outlets. At the end of 2021, total assets of CCB Asia amounted to RMB391,727 million, and shareholders' equity was RMB65,058 million. Net profit in 2021 was RMB2,768 million.

CCB London

China Construction Bank (London) Limited, a wholly-owned subsidiary of the Bank, was established in the UK in 2009, with a registered capital of US$200 million and RMB1.5 billion.

In order to better respond to changes in the external market environment and meet the needs of internal operation and management, the Group gradually promoted the business integration of its London institutions. CCB London's application for termination of business has been approved by domestic and overseas regulators, and the follow-up work has been advancing. At the end of 2021, total assets of CCB London amounted to RMB3,370 million, and shareholders' equity was RMB3,370 million. Net profit in 2021 was RMB917,600.

CCB Russia

China Construction Bank (Russia) Limited, established in Russia in 2013, is a wholly-owned subsidiary of the Bank, with a registered capital of RUB4.2 billion. CCB Russia holds a comprehensive banking license, a precious metal business license and a security market participant license issued by the Central Bank of Russia.

CCB Russia is mainly engaged in corporate deposits and loans, international settlement and trade finance, financial market trading, financial institutional business, etc. At the end of 2021, total assets of CCB Russia amounted to RMB1,705 million, and shareholders' equity was RMB558 million. Net profit in 2021 was RMB1,706,100.

CCB Europe

China Construction Bank (Europe) S.A., established in Luxembourg in 2013, is a wholly-owned subsidiary of the Bank, with a registered capital of EUR550 million. Based in Luxembourg, CCB Europe has established branches in Paris, Amsterdam, Barcelona, Milan, Warsaw and Hungary.

CCB Europe mainly provides services to large and medium-sized enterprises in Europe as well as European multinational enterprises in China. It is mainly engaged in corporate deposits and loans, international settlement, trade finance, and cross-border trading. At the end of 2021, total assets of CCB Europe amounted to RMB19,530 million, and shareholders' equity was RMB3,736 million. Net losses in 2021 were RMB83 million.

CCB New Zealand

China Construction Bank (New Zealand) Limited, a wholly-owned subsidiary of the Bank, was established in New Zealand in 2014, with a registered capital of NZD199 million.

CCB New Zealand holds wholesale and retail business license, and offers all-round and high-quality financial services, including corporate loans, trade finance, RMB clearing and cross-border trading. At the end of 2021, total assets of CCB New Zealand amounted to RMB10,999 million, and shareholders' equity was RMB1,142 million. Net profit in 2021 was RMB101 million.

CCB Brasil

China Construction Bank (Brasil) Banco Múltiplo S/A is a wholly-owned subsidiary acquired by the Bank in Brasil in 2014. The name of its predecessor, Banco Industrial e Comercial S.A., was changed to the present one in 2015.

CCB Brasil provides banking services, including corporate loans, trading and personal lending, as well as non-banking financial services such as leasing. CCB Brasil has eight domestic branches and sub-branches in Brasil, one Cayman branch, and eight subsidiaries. The subsidiaries provide personal loans, credit cards, leasing, factoring and other services. At the end of 2021, total assets of CCB Brasil amounted to RMB22,026 million, and shareholders' equity was RMB1,198 million. Net losses in 2021 were RMB87 million.

CCB Malaysia

China Construction Bank (Malaysia) Berhad, a wholly-owned subsidiary of the Bank, was established in Malaysia in 2016, with a registered capital of MYR822.6 million.

As a licensed commercial bank, CCB Malaysia provides various financial services, including global credit granting, trade finance, supply chain finance, clearing in multiple currencies, and cross-border fund transactions for key projects under the Belt and Road Initiative, enterprises engaging in Sino-Malaysian bilateral trade, and large local infrastructure projects in Malaysia. At the end of 2021, total assets of CCB Malaysia amounted to RMB7,605 million, and shareholders' equity was RMB1,400 million. Net profit in 2021 was RMB85 million.

CCB Indonesia

PT Bank China Construction Bank Indonesia Tbk is a fully licensed commercial bank listed on the Indonesia Stock Exchange, with a registered capital of IDR3.79 trillion. CCB Indonesia is headquartered in Jakarta and has 82 branches and sub-branches in Indonesia. The Bank completed the acquisition of 60% equity in PT Bank Windu Kentjana International Tbk in September 2016 and renamed it PT Bank China Construction Bank Indonesia Tbk in February 2017.

CCB Indonesia is committed to promoting the bilateral investment and trade between China and Indonesia, including providing major support to the Belt and Road Initiative and service to local Blue-Chip companies in Indonesia, and its business priorities include corporate business, small and medium-sized enterprise business, trade finance and infrastructure finance. At the end of 2021, total assets of CCB Indonesia amounted to RMB11,674 million, and shareholders' equity was RMB2,714 million. Net profit in 2021 was RMB36 million.

INTEGRATED OPERATION SUBSIDIARIES

The Group has multiple domestic and overseas subsidiaries, including CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, CCB Life, Sino-German Bausparkasse, CCB Futures, CCB Pension, CCB Property & Casualty, CCB Investment, CCB Wealth Management and CCB International. In 2021, the overall development of integrated operation subsidiaries was robust with steady business growth. At the end of 2021, total assets of integrated operation subsidiaries amounted to RMB778,614 million. Net profit reached RMB12,186 million in 2021.

CCB Principal Asset Management

CCB Principal Asset Management Co., Ltd. was established in 2005, with a registered capital of RMB200 million, to which the Bank, Principal Financial Services, Inc. and China Huadian Capital Holdings Company Limited contribute 65%, 25% and 10%, respectively. It is engaged in the raising and selling of funds, and asset management.

CCB Principal Asset Management made full efforts to promote the development of various businesses, maintained safe and steady operation, and achieved good business performance. At the end of 2021, total assets managed by CCB Principal Asset Management were RMB1.36 trillion. Specifically, mutual funds were RMB676,600 million; separately managed accounts were RMB433,622 million, and assets managed by its subsidiary CCB Principal Capital Management Co., Ltd. reached RMB250,607 million. At the end of 2021, total assets of CCB Principal Asset Management were RMB9,629 million, and shareholders' equity was RMB7,863 million. Net profit in 2021 was RMB1,155 million.

CCB Financial Leasing

CCB Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2007 with a registered capital of RMB11 billion. It is mainly engaged in finance leasing, transfer and purchase of finance lease assets, fixed-income securities investment, etc.

CCB Financial Leasing leveraged its license advantages and refocused on the origin business priority of leasing. It continued to promote green leasing, inclusive leasing and digital transformation to improve the quality and efficiency of serving the real economy; and took multiple measures to prevent and mitigate existing risks and maintained a high asset quality in the industry. At the end of 2021, total assets of CCB Financial Leasing were RMB133,845 million, and shareholders' equity was RMB22,334 million. Net profit in 2021 was RMB1,785 million.

CCB Trust

CCB Trust Co., Ltd. is a trust subsidiary invested and controlled by the Bank in 2009 with a registered capital of RMB10.5 billion. The Bank and Hefei Xingtai Financial Holding (Group) Co., Ltd. hold 67% and 33% of its shares, respectively. It is mainly engaged in trust business, investment banking and proprietary business.

CCB Trust stepped up efforts in improving compliance in its operations, actively engaged in innovation-driven development, and delivered good operating results. At the end of 2021, trust assets under management amounted to RMB1,697,729 million. Total assets of CCB Trust were RMB48,548 million, and shareholders' equity was RMB24,696 million. Net profit in 2021 was RMB2,427 million.

CCB Life

CCB Life Insurance Co., Ltd. is a life insurance subsidiary invested and controlled by the Bank in 2011 with a registered capital of RMB7.12 billion. The Bank, China Life Insurance Co., Ltd. (Taiwan), the National Council for Social Security Fund, Shanghai Jin Jiang International Investment and Management Company Limited, Shanghai China-Sunlight Investment Co., Ltd., and China Jianyin Investment Limited hold 51%, 19.9%, 16.14%, 4.9%, 4.85% and 3.21% of its shares, respectively. It is mainly engaged in personal insurance such as life, health, accidental injury insurance and reinsurance of the above-mentioned offerings.

CCB Life pressed ahead with its business transformation and its financial results continued to improve. At the end of 2021, total assets of CCB Life were RMB271,482 million, and shareholders' equity was RMB22,515 million. Net profit in 2021 was RMB1,188 million. According to the requirements of accounting standard, CCB Life did not implement the New financial instruments standard in 2021.

Sino-German Bausparkasse

Sino-German Bausparkasse Co., Ltd. was established in 2004 with a registered capital of RMB2 billion. The Bank and Bausparkasse Schwaebisch Hall AG hold 75.10% and 24.90% of its shares, respectively. As a specialised commercial bank committed to serving the housing finance sector, Sino-German Bausparkasse is engaged in bauspar deposits, bauspar-related loans, other individual housing loans, and development loans to special projects supported by government policy.

Sino-German Bausparkasse achieved steady business development, and the sales of housing savings products amounted to RMB41,465 million in 2021. At the end of 2021, total assets of Sino-German Bausparkasse were RMB31,229 million, and shareholders' equity was RMB2,901 million. Net profit in 2021 was RMB90 million.

CCB Futures

CCB Futures Co., Ltd. is a futures subsidiary invested and controlled by the Bank in 2014 with a registered capital of RMB936 million. CCB Trust and Shanghai Liangyou (Group) Co., Ltd. hold 80% and 20% of its shares, respectively. It is mainly engaged in commodity futures brokerage, financial futures brokerage, asset management and futures investment advisory business. CCB Trading Company Limited, a wholly-owned subsidiary of CCB Futures, is engaged in pilot risk management operations approved by the CSRC, such as warehouse receipt service and pricing service, and general trade business.

CCB Futures gave full play to its professional strength, strengthened its ability to serve the real economy and maintained steady improvement in all business lines. At the end of 2021, total assets of CCB Futures were RMB18,284 million, and shareholders' equity was RMB1,152 million. Net profit in 2021 was RMB80 million.

CCB Pension

CCB Pension Management Co., Ltd. was established in 2015 with a registered capital of RMB2.3 billion. The Bank and the National Council for Social Security Fund hold 85% and 15% of its shares, respectively. It is mainly engaged in investment and management of national social security funds, businesses related to management of enterprise annuity funds, entrusted management of pension funds, and pension advisory service for the above-mentioned asset management activities.

CCB Pension intensified its efforts in pension finance, supported the development of pension business, strengthened the construction of the "Three Major Systems" of investment management, customer service, risk management and internal control, and further advanced the planning and implementation of the FinTech "Ginkgo Project", achieving stable and high-quality development of various businesses. At the end of 2021, assets under management amounted to RMB528,972 million. Total assets of CCB Pension were RMB3,817 million, and shareholders' equity was RMB2,878 million. Net profit in 2021 was RMB316 million.

CCB Property & Casualty

CCB Property & Casualty Insurance Co., Ltd. was established in 2016 with a registered capital of RMB1 billion. CCB Life, Ningxia Communications Investment Group Co., Ltd. and Yinchuan Tonglian Capital Investment Operation Co., Ltd. hold 90.2%, 4.9% and 4.9% of its shares, respectively. It is mainly engaged in motor vehicle insurance, insurance for business and household property, construction and engineering, liability insurance, hull and cargo insurance, short-term health and accidental injury insurance, and reinsurance of the above-mentioned offerings.

CCB Property & Casualty witnessed a steady business development. At the end of 2021, total assets of CCB Property & Casualty were RMB1,304 million, and shareholders' equity was RMB486 million. Net profit in 2021 was RMB1 million.

CCB Investment

CCB Financial Assets Investment Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2017, with a registered capital of RMB27 billion. It is mainly engaged in debt-for-equity swaps and relevant supporting businesses.

CCB Investment adopted a market-oriented approach and made active efforts to explore opportunities with business innovations. By the end of 2021, it had realised a total contractual amount of RMB937,084 million in terms of framework agreements, and an actual investment amount of RMB382,269 million. At the end of 2021, total assets of CCB Investment were RMB140,178 million, and shareholders' equity was RMB31,712 million. Net profit in 2021 was RMB3,613 million.

CCB Wealth Management

CCB Wealth Management Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2019, with a registered capital of RMB15 billion. It is mainly engaged in the offering of WMPs, investment services of entrusted properties, and wealth management advisory and consulting services to the customers.

In 2021, CCB Wealth Management, BlackRock and Temasek jointly established BlackRock CCB Wealth Management Co., Ltd. with a registered capital of RMB1 billion. BlackRock, CCB Wealth Management and Temasek hold 50.1%, 40% and 9.9% of its shares, respectively, which further enriches the supply of WMPs in the financial market and enhance the exchange of international advanced experience and technology.

CCB Wealth Management persisted in serving the real economy, actively participated in the development of capital market，and continuously improved its proactive management capability on the basis of sound and compliant operations. At the end of 2021, total assets of CCB Wealth Management were RMB18,530 million, and shareholder's equity was RMB17,447 million. The size of WMPs amounted to RMB2,188,330 million. Net profit in 2021 was RMB2,062 million.

CCB International

CCB International (Holdings) Limited, established in 2004 with a registered capital of US$601 million, is one of the Bank's wholly-owned subsidiaries in Hong Kong. It offers through its subsidiaries investment banking related services, including sponsoring and underwriting of public offerings, corporate merger and acquisition and restructuring, direct investment, asset management, securities brokerage and market research.

CCB International maintained stable development in all business lines by continuing to focus on the trend of China concept stocks seeking listings on A-share or H-share market, supporting the development of national strategies and providing innovative services to the real economy. It led the industry in areas of acting as securities sponsor and underwriter as well as M&A financial advisor. At the end of 2021, total assets of CCB International were RMB85,003 million, and shareholders' equity was RMB14,271 million. Net profit in 2021 was RMB679 million.

ANALYSED BY GEOGRAPHICAL SEGMENT

The Group actively implemented national strategies and advanced the coordinated development of different regions. For the three key areas of Beijing-Tianjin-Hebei, Yangtze River Delta, and Guangdong-Hong Kong-Macao Greater Bay Area, it strengthened resource allocation, enhanced the comprehensive contribution of business development in these areas, and advanced business development in areas with regional advantages such as Xiong'an New Area, Guangdong-Macao In-depth Cooperation Zone in Hengqin, Central China in a New Era and Xinjiang.

Case story

CCB assisted in the construction of Xiong'an New Area

In 2021, Xiong'an New Area in Hebei province stepped into an important stage, simultaneously promoting its planning and construction as a major role and taking up another role to relieve Beijing's non-essential capital city functions. The Bank paid close attention to the development of the new area and gave full play to advantages at the group level in new area project construction, function undertaking, investment and financing, to support its high-quality development.

The Bank provided comprehensive services for the construction of key projects in the new area. It implemented differentiated policies for the new area in terms of credit approval process, transfer of authorisation, created a "green channel" for the approval of key projects in the new area, allocated credit resources, and actively formed an external syndicate to support the construction of key projects in the new area. In 2021, it cumulatively provided RMB28,500 million financing for nearly 3,000 companies from 63 industries across eight major sectors, including low-carbon and environmental protection, infrastructure, and strategic emerging industries; drove direct financing in the new area, and took the lead in completing the registration of RMB15 billion medium-term notes of Xiong'an Group and the issuance of first RMB627 million asset-backed notes of the new area; and applied "CCB e Credit" supply chain products to serve the supply chains in Xiong'an. At the end of 2021, the credit balance of network supply chain business was RMB13,336 million, serving 2,674 customers. The Bank actively supported the construction of Xiong'an Free Trade Zone and provided the electronic port card agency business at its outlet. It took advantages in the engineering consulting service to reduce unreasonable expenditures by RMB9 billion for the construction of projects in the new area.

The Bank supported multi-dimensional construction of Digital Xiong'an in all aspects. It cooperated with the Xiong'an New Area Management Committee to promote the construction of the "Internet + Government Affairs Service" platform in the new area, and initially established the online government affairs service system that integrates online and offline development. It assisted the new area in establishing the data governance system and modernised the government investment projects and financial management capabilities. It innovated scenarios of e-CNY to encourage residents in the new area to use e-CNY. It developed the fund management and operation and engineering project management platform based on blockchain technology, to support the construction of key projects. It had 34 projects in operation, with the amount of investment totalling RMB73.2 billion.

The Bank assisted Xiong'an in building a new mechanism for the housing market. It advanced the construction of the "Digital Housing" platform in the new area and built a whole-process smart housing system. It obtained the leasing and operation rights of 1,074 houses in Rongdong, and successfully implemented the house rental projects. It provided services for relocation and resettlement, innovated personal relocation and resettlement loans, and cumulatively granted RMB486 million housing funds for relocated residents. It also innovated the "House Deposit +" business and completed 389 deposits of houses with high-quality decoration.

The following table sets forth, for the periods indicated, the distribution of the Group's profit before tax by geographical segment.

	2021		2020	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Yangtze River Delta	60,469	15.98	57,613	17.12
Pearl River Delta	59,231	15.65	53,160	15.79
Bohai Rim	64,594	17.07	49,667	14.75
Central	64,115	16.94	41,982	12.47
Western	59,008	15.59	55,709	16.55
Northeastern	3,806	1.01	4,365	1.30
Head Office	68,394	18.08	74,704	22.19
Overseas	(1,205)	(0.32)	(584)	(0.17)
Profit before tax	378,412	100.00	336,616	100.00

The following table sets forth, as at the dates indicated, the distribution of the Group's assets by geographical segment.

	As at 31 December 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Yangtze River Delta	5,445,665	13.82	4,874,094	13.05
Pearl River Delta	4,291,896	10.89	3,942,366	10.55
Bohai Rim	6,960,553	17.66	6,671,861	17.86
Central	4,808,874	12.20	4,423,501	11.84
Western	4,272,993	10.84	3,985,433	10.67
Northeastern	1,530,966	3.89	1,451,185	3.88
Head Office	10,691,168	27.13	10,577,145	28.31
Overseas	1,408,594	3.57	1,434,781	3.84
Total assets[1]	39,410,709	100.00	37,360,366	100.00

1. Total assets exclude elimination and deferred tax assets.

The following table sets forth, as at the dates indicated, the distribution of the Group's loans and NPLs by geographical segment.

	As at 31 December 2021				As at 31 December 2020			
(In millions of RMB, except percentages)	Gross loans and advances	% of total	NPLs	NPL ratio (%)	Gross loans and advances	% of total	NPLs	NPL ratio (%)
Yangtze River Delta	3,492,555	18.61	32,286	0.92	3,003,466	17.93	32,932	1.10
Pearl River Delta	3,137,528	16.72	37,532	1.20	2,770,718	16.55	38,323	1.38
Bohai Rim	3,158,558	16.83	41,805	1.32	2,819,557	16.84	43,467	1.54
Central	3,460,768	18.44	70,428	2.04	3,084,244	18.42	65,990	2.14
Western	3,070,704	16.37	36,527	1.19	2,741,336	16.37	39,218	1.43
Northeastern	805,241	4.29	30,672	3.81	766,232	4.57	22,581	2.95
Head Office	900,573	4.80	12,046	1.34	830,609	4.96	11,772	1.42
Overseas	738,219	3.94	4,775	0.65	729,606	4.36	6,446	0.88
Gross loans and advances excluding accrued interest	18,764,146	100.00	266,071	1.42	16,745,768	100.00	260,729	1.56

The following table sets forth, as at the dates indicated, the distribution of the Group's deposits by geographical segment.

	As at 31 December 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Yangtze River Delta	4,057,991	18.13	3,648,098	17.70
Pearl River Delta	3,518,912	15.73	3,213,868	15.59
Bohai Rim	4,192,162	18.73	3,875,480	18.80
Central	4,368,977	19.52	4,018,270	19.49
Western	4,012,622	17.93	3,741,594	18.15
Northeastern	1,473,206	6.58	1,389,559	6.74
Head Office	18,209	0.08	17,164	0.08
Overseas	386,544	1.73	434,595	2.11
Accrued interest	350,191	1.57	276,348	1.34
Total deposits from customers	22,378,814	100.00	20,614,976	100.00

ENTITIES, OUTLETS AND E-CHANNELS

The Group provided its customers with convenient and high-quality financial services through its extensive branches and sub-branches, self-service facilities, specialised service entities at home and abroad as well as electronic banking service platforms. At the end of 2021, the Bank had a total of 14,510 operating entities, consisting of 14,476 domestic entities including the head office, 37 tier-one branches, 362 tier-two branches, 13,960 sub-branches, 115 outlets, a specialised credit card centre at the head office level, and 34 overseas entities. The Bank had 19 major subsidiaries with a total of 597 entities, including 437 domestic ones and 160 overseas ones.

Physical channels

The Bank continued to optimise its outlets layout and ensure resource investment in channel construction in key national strategic planning areas and key cities such as the Beijing-Tianjin-Hebei region, the Yangtze River Delta, and the Guangdong-Hong Kong-Macao Greater Bay Area. It comprehensively promoted the rectification of inefficient outlets and the optimisation of outlets layout, stepped up the withdrawal, merger, or relocation of inefficient and intensive outlets in urban areas, and expanded the outlet coverage to new urban planning areas and counties. The Bank actively explored New Finance service channels and applied mobile financial service vehicles to specific business scenarios in outlet-covered regions. It deployed multiple mobile financial service vehicles in provinces and autonomous regions such as Hebei, Inner Mongolia, Qinghai, and Tibet, to provide financial services such as account opening, money transfer, and cash for underbanked customers. In 2021, the Bank relocated 267 outlets, upgraded 60 outlets, and set up 31 new outlets, including 20 county-level outlets, and expanded into 13 new counties. It supported the consolidation of poverty alleviation achievements and continued to improve its ability to serve rural revitalisation. It set up 3,340 outlets in towns and townships, science and technology cities and parks, agricultural and forestry farms, as well as 942 outlets in the previous 832 state-level impoverished counties, and 129 outlets in 75 out of 160 key counties that needed national assistance in rural revitalisation. The Bank set up 21,513 ATMs and 13,899 smart teller machines at county outlets and deployed 1,387 self-service facilities in 160 key counties that need national assistance in rural revitalisation, to further improve the coverage of financial services at the county level. The Bank continued to improve intelligent services and customer experience in outlets by setting up ten new "5G+ Smart Banks" in areas including Beijing Pilot Free Trade Zone and Chongli Winter Olympic Town in Zhangjiakou. The Bank had 69,030 ATMs, 23,679 self-service banks, including 9,714 off-premise self-service banks, and 49,495 smart teller machines to fully support corporate and personal banking. The Bank had established 252 inclusive finance (small business) service centres and small business centres, and over 1,800 personal loan centres.

The Bank promoted improvement in comprehensive competitiveness of outlets by continuously focusing on customer experience and value creation objectives. It continued to promote its intelligent operation and governance system and improve intelligent business operation. It promoted the centralised operation of overseas entities and helped 14 overseas entities centralise their operations in head office and CCB Europe, with a total of 1.35 million centralised operations conducted in 2021, an increase of 75% over 2020. The Bank fully rolled out the enterprise-level application of Robotic Process Automation (RPA), launched 1,162 scenarios online and saved 2.71 million man-hours, and was awarded "Best Productivity, Efficiency and Automation Project in China" by The Asian Banker. It accelerated the application of Intelligent Character Recognition (ICR) AI technology in operations and launched 11 scenarios such as foreign exchange business audit, saving a total of 950,000 man-hours. The Bank promoted the overall optimisation of end-to-end processes from the perspective of customers and established the ability of monitoring customer journey operation. By means of the branch customer experience management system and the Voice of Experience (VOX) online user forum, the Bank systematically set up a customer experience governance structure suitable for digital age, gradually improved its digital experience management capabilities, and would never relent in pursuing the best user experience for both employees and customers.

Workers from a plush toy manufacturer in the city of Ankang are producing mascot "Wanbao (灣寶)" for "Workers' Harbour"

The Bank opened more than 14,000 "Workers' Harbour" to the public, continued to deepen the "Workers' Harbour +" model, and successively cooperated with 1,456 institutions such as the Party and government organisations at all levels, labour unions, China Disabled Persons' Federation, and charity organisations, to continuously expand the service scope of outlets in fields such as elderly-friendly and barrier-free services, and poverty alleviation, education, and justice services. It comprehensively advanced the interoperability of information, services, and risk controls through online and offline channels, and provided financial services such as appointment, form filling and "CCB Doorstep Service" to 7.09 million users based on WeChat account "CCB Banking Centre". The Bank built characteristic outlets on themes such as inclusive finance, housing rental, Bilibili (a video sharing website), and auto finance, and accelerated the transformation and upgrade of the outlet service function to a scenario-based ecological service function that combines both integrated services and featured services across financial and non-financial sectors. The Bank continued to strengthen its leading role among domestic peers. In 2021, a total of 130 outlets of the Bank were awarded the title of "Top 1000 Demonstration Outlets with Standardised Services in China's Banking Industry" by the China Banking Association, ranking first in terms of quantity in the industry for the first time.

E-channels

The Bank accelerated the pace of digital transformation of online financial services and pressed ahead with the data-driven decision-making management, the agile adjustment of business mechanism, the intelligent restructuring of business model, the collaborative construction of ecosystem and the technology-enabled risk prevention and control, to further promote the high-quality development of online financial business.

Mobile finance

The personal mobile banking activated the operation transformation focusing on wealth management, with a fully revised version of investment and wealth management services such as fund investment and WMPs, to improve wealth management customers experience; launched caring model for special groups such as the elderly and the visually impaired. The Bank was also the first in the industry to launch the mobile provident fund service, providing convenient services such as provident fund account information, transaction details, and transfers. The corporate mobile banking provided high-frequency financial services such as discounted bills, prompt payment, transfer by appointment, as well as non-financial services such as self-service inquiries on utility bills; deployed corporate e-CNY wallet to realise payment collection, transfer and inquiry services; launched "Quick Enterprise Information Check" service to help customers quickly identify their counterparties; and introduced "Smart Bank" for online tutoring and intelligent assistant to provide whole-process and real-time support to customers. The Bank's WeChat account added new message reminder services for the expiration of bonus points, WMPs and fixed-term products, and launched "Pleasant Enjoyment" and "Study Abroad" zones to provide one-stop financial and non-financial services for the elderly and international students. At the end of 2021, the number of personal mobile banking users reached 417 million, an increase of 29,168.2 thousand or 7.52% over 2020, with monthly average number of active users of 149 million, and the number of transactions was 57,353 million, amounting to RMB92.18 trillion. The personal mobile banking of the Bank ranked first among domestic peers in terms of user base, monthly active users, transaction volume, and number of downloads. The number of corporate mobile banking users reached 2,972.1 thousand, an increase of 802.8 thousand over 2020, up massively by 37.01%, and the number of transactions was 20,904.2 thousand, amounting to RMB2.06 trillion. The Bank's WeChat account has 137 million followers, including 113 million users who linked their bank cards with their WeChat accounts. The number of SMS financial service subscribers was 509 million, an increase of 15 million or 3.14% over 2020.

Online banking

Personal online banking completed barrier-free and elderly-friendly renovation and launched new versions of wealth management channel and the featured zone for Guangdong-Hong Kong-Macao Great Bay Area to continuously improve user experience. Corporate online banking introduced pre-filled information mode and connected to third-party platforms to push pre-filled documents to corporate online banking, so as to reduce the burden of enterprise finance staff. The overseas version of corporate online banking promoted direct linkage service between banks and enterprises and enhanced the ability of intensive funds management of cross-border enterprises through open and interconnected channels. At the end of 2021, the number of personal online banking users rose to 392 million, an increase of 20,695.7 thousand or 5.57% over 2020, and the number of transactions was 5,569 million, amounting to RMB17.57 trillion. The number of corporate online banking users rose to 11,245 thousand, an increase of 956.3 thousand or 9.29% over 2020, and the number of active users was 4,800.6 thousand, an increase of 10.38%, and the number of transactions was 1,901 million, amounting to RMB274.72 trillion. The number of users of overseas version of corporate online banking reached 19,250, an increase of 770 over 2020, and the number of transactions was 291 thousand, amounting to RMB261,865 million. The average daily views of CCB's international website reached 150 million, an increase of 34.15% over 2020, and the number of registered members exceeded 100 million.

Online payment

The Bank innovated online payment products and comprehensively enhanced cross-bank, cross-channel and cross-border payment capabilities and merchant service capabilities. At the end of 2021, the volume of online payment transactions was 50,779 million, up 17.55%, amounting to RMB21.97 trillion, up 17.11% over 2020, which ranked first among banking peers in terms of user share in leading enterprises such as Alipay, JD, Meituan, Pinduoduo, and Tik Tok in China. Relying on aggregated payment, the Bank improved the quality and efficiency of merchant business across the whole bank and drove the growth of merchant deposits. The payment transactions amounted to RMB2.07 trillion, up 41.47% over 2020, and the transaction share ranked first among banking peers in both Alipay and WeChat.

E.ccb.com

Relying on e.ccb.com, the Bank developed an innovative model of revitalising agriculture through green technology. It built joint assistance pavilions for 94 institutions including state ministries and departments, state-owned enterprises, the CSRC and its capital market divisions, the All-China Federation of Industry and Commerce and its members, local state-owned enterprises, colleges, universities and social groups, introduced a total of 5,773 merchants of poverty alleviation and agricultural revitalisation, and launched more than 70,000 commodities, with a transaction volume amounting to RMB17,659 million. The pavilion was listed as a demonstration case of green development services at China International Fair for Trade in Services and was awarded the "2021 Model Case of National Consumption-assisted Rural Revitalisation" by the NDRC. The Bank focused on core enterprises in supply chains and used "Shanfutong" to reach upstream and downstream enterprises, self-employed individuals, and other customer groups. By the end of 2021, "Shanfutong" had expanded 317 new external corporate customers, created 1,402 active supply chains, and covered more than 240,000 upstream and downstream active customers with a transaction volume of RMB114,922 million, which included 74 agriculture-related industry chains, with a transaction volume of RMB3,410 million.

Remote intelligent banking

The Bank continuously provided high-quality and efficient remote comprehensive financial services for customers through multimedia, multiple scenarios, and various service functions. It deepened its intelligent applications in many fields, such as voice navigation, consulting services, repayment reminder, and auxiliary marketing. The telephone voice navigation served nearly 660,000 visits per day on average; the intelligent consulting handled over 4 million customer inquiries per day on average; the intelligent repayment reminder service covered six business scenarios, such as credit cards and personal loans; and the intelligent auxiliary marketing made 2.30 million customer contacts. In 2021, the Bank handled 1,808 million customer inquiries with a customer satisfaction rate of 98.70%. The WeChat official account "CCB Customer Service" served more than 20 million visits and had over 12 million followers.

Feature article

Building an enterprise-level mobile ecological operation platform "CCB Lifestyle"

"CCB Lifestyle" is an enterprise-level mobile ecological operation platform built by the Bank, relying on the FinTech online platform mode to echo the trend of online and scenario-based user behaviour in the digital age. "CCB Lifestyle" focuses on non-financial services, supports users with high frequency local life scenarios such as food recommendation and delivery, groceries and supermarkets, account top-up, movie tickets, so as to establish ecological connections with users, gather user traffic, enhance user activeness, and embed scenario-based financial services to realise customer advancement and financial services involvements. "CCB Lifestyle" extends the touch points between the Bank and customers from financial services to all aspects of daily life, and upgrades the relationship with customers from account and fund management to ecological traffic, which is an important upgrade of the Bank's customer operation and service mode to the "Second Curve".

For customers, "CCB Lifestyle" provides them with a unified channel for benefits collection and exchange by integrating marketing activities and incentives across the Bank. For merchants, it adheres to the "no commission" strategy, and supports their operation with platform traffic and operation capabilities. For governments, it supports the issuance of shopping coupons by multiple local governments and cooperates with them to create platform scenarios such as "Low-carbon Travel" and "Beautiful Countryside" to empower the real economy and help implement national strategies. By the end of 2021, "CCB Lifestyle" APP had accumulated registered users of more than 34 million, with 15 million monthly active users, more than 2.1 million daily active users, and over 150,000 merchant stores. Both the platform traffic and the market reputation saw continuous improvement.

"CCB Lifestyle" attracts young consumers. In the above photos are offline activities and promotions in Beijing, Anhui, Xiamen, and Zhejiang.

"CCB Lifestyle", together with mobile banking, will form "binary star" platforms for the Bank's online customer operation. "CCB Lifestyle" provides rich and convenient non-financial scenario-based services, while mobile banking provides professional and secure financial services, both of which jointly provide customers with "Life+Finance" high-quality service experience to promote customer advancement and value enhancement. It is expected that in the future, "CCB Lifestyle" and mobile banking will share users, traffic, and functions to jointly promote the Bank's customer growth.

DIGITALISED OPERATION AND PRODUCT INNOVATION

Digitalised operation

The Bank comprehensively promoted regular digitalised operation, applied the mindset of openness, sharing, collaboration and agility to daily operation activities, and continuously improved its digitalised operation capability. For key business areas such as "Three Major Strategies", smart government affairs, rural revitalisation, green finance, and mega wealth management, it carried out operations with scenario-based platforms to effectively monetise traffic. Steady progress has been made in the construction of the three major middle platforms in terms of business, data and technology, especially in the building scheme for the "3+1" Competence Centres, which takes users, merchants, rights and interests, and payment as the core. Focusing on the digitalised operation logic of "building ecologies, setting up scenarios, and expanding user base", the Bank has established CCB ecological scenario system of multi-channel layout with mobile banking and "CCB Lifestyle" as the core, enterprise-level priority, and featured services as the supplements, and online and offline integration development as the purpose. CCB's ecological scenario-based platform has gradually become an important channel for customer acquisition and reactivation.

Product Innovation

The Bank deepened its New Finance initiative with practices of digitalised product innovation. It further promoted the building of enterprise-level product family tree and created a whole-process online management mechanism for products including functions such as money laundering risk assessment, consumer rights and interests review, comprehensive risk management, and accounting normative review. It innovatively built a multi-dimensional real-time data supply architecture and created a whole-process online innovative project management mechanism. Through the "Mass Innovation Platform", the Bank carried out overall management of innovation ideas of employees, established an innovative ideas collection, processing and feedback mechanism from the primary-level organisations to the head

Scan for more

office, and responded to opinions and suggestions of employees at all levels in a timely manner. It also established an "External Mass Innovation Platform" of openness, cooperation, connection and sharing. The Bank stimulated the innovation vitality of the whole bank by launching the innovation marathon campaign, combining online and offline channels, recommendation by entities and independent participation of employees to attract outstanding talents to participate in innovation practices. The Bank launched more than 2,000 innovation projects, which cumulatively attracted over 230,000 participants.

By the end of 2021, focusing on key business areas such as "Three Major Strategies", rural revitalisation, smart government affairs, green finance, and technology innovation, the Bank had launched a total of 31 head office strategic product innovation projects, completed 72 key head office innovation projects, 1,761 key independent innovation projects and 3,703 product portable innovation projects of branches, and overseas entities and domestic subsidiaries had implemented 22 innovation projects. The mass innovation platform had more than 129,000 active users, launched 787 innovation and creation campaigns in total and collected 68,000 ideas online, of which 27,000 had been approved and adopted and over 5,800 implemented.

Feature article

Building a digital middle platform system and consolidating the foundation for scenario-based operation

The digital middle platform is an enterprise-level capability system which can be shared and reused. It is established in line with the transformation of the digital age and is based on the New Generation Core Banking System. It reconstructs business processes with digitalised operation logics, standardises and visualises universal data and technical services. It is composed of middle platforms in terms of business, data and technology, and acts as an important tool to support the quick and efficient construction and operation of ecological scenarios, improve the FinTech innovation system, empower and reduce the burden of digitalised operation.

The business middle platform focuses on business foundation such as users, rights and interests to create an enterprise-level ecological scenario operation basis. The user centre connects user systems in different ecological scenarios, generates an enterprise-level unified user information picture, supports more accurate profiling of user characteristics, and reduces repeated registration and authentication in the Bank's system. The rights and interests centre builds an enterprise-level rights and interests operation system based on unified users, changing the traditional marketing method with scattered rights and interests and repeated investments. By the end of 2021, the business middle platform had launched a total of 384 standardised capabilities to provide basic capability support for the construction and operation of ecological scenarios.

The data middle platform supports the construction of data system with data fusion in all fields, multi-level interconnection, high-speed supply via all links, availability for multiple users, and whole process iteration in closed loop. It correlates and integrates financial and non-financial ecological data, quickly releases the business value of data assets in the form of data products during the process of digitalised operation and scenario-based platform construction and operation, and fully supports intelligent risk prevention and control, customer's personalised demand insights, product and service innovation, cost decreasing and efficiency improvement of operation system, and customer experience improvement. By the end of 2021, the data middle platform had launched more than 1,600 data services with an average utilisation of more than one million data.

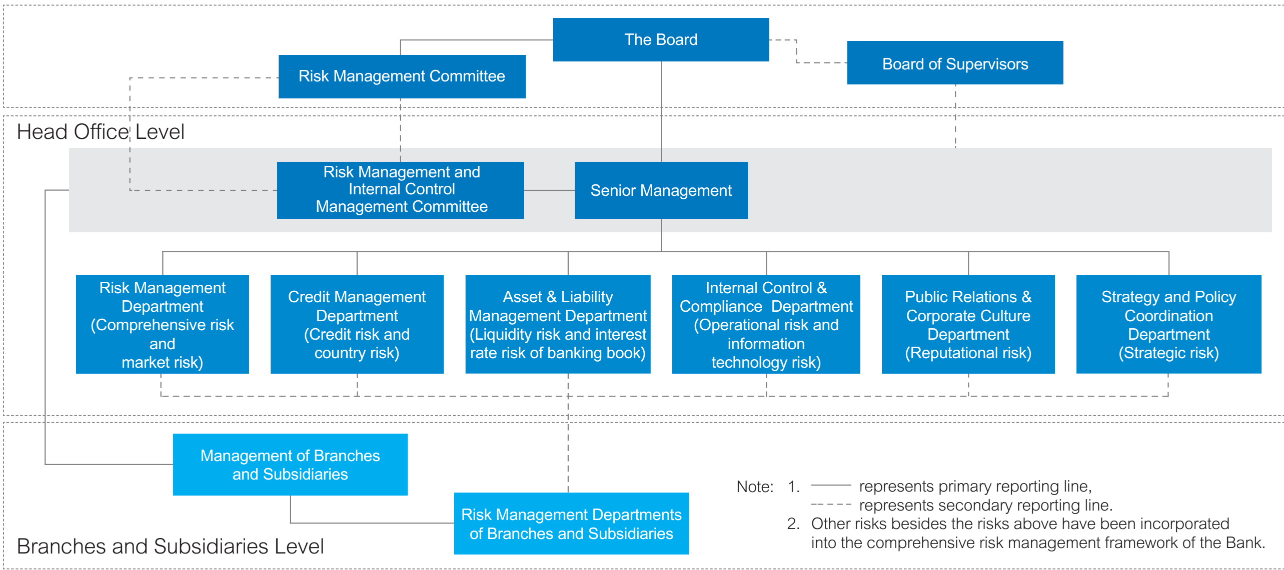
The technology middle platform creates a bank-level unified fundamental technology capability, realises the large-scale and cloud-based supply of fundamental technology and public services, and continues to enhance digitalised and agile delivery capabilities. By the end of 2021, the platform had released 102 technology products and 96 public services for applications, supported the construction of business and data middle platforms, provided shared and reusable technological capability for intelligent finance and ecology, and quickly responded to the needs of digitalised operation.

RISK MANAGEMENT

In 2021, the Group continued to play its role as a major state-owned bank, integrated development and safety, treated risk management as the lifeline of a commercial bank, and strictly held the bottom line of preventing and controlling major financial risks. The Group continued to improve its comprehensive, proactive, intelligent and modern risk management system, improved the horizontal, vertical and well-supervised risk management accountability system, established a two-way inclusive finance risk reporting system for the front and middle offices, improved the working mechanisms for risk appetite, risk evaluation, risk profiling and accountability, and fully promoted compliance of new rules of Basel III. The Group proactively engaged in New Finance practices and the whole process of business development, improved digital and intelligent risk control mechanisms and tools driven by data and models, and supported the improvement of key strategic capabilities. It accelerated the construction of an intelligent risk control system and continuously improved the functions of its comprehensive risk management platform to effectively safeguard the sound operation and innovation-driven development of the Group.

RISK MANAGEMENT STRUCTURE

The risk management organisational structure of the Bank comprises the Board and its special committee, the senior management and its special committees, the risk management departments, etc. The basic structure is as follows.



The Board fulfils the risk management responsibilities pursuant to the Articles of Association of the Bank and related regulatory requirements. The risk management committee under the Board is responsible for developing risk management strategies, supervising the implementation, and assessing the overall risk profile on a regular basis. The Board reviews the statements of risk appetite regularly and transmits risk appetite through relevant policies. The board of supervisors supervises the building of the comprehensive risk management system, as well as the performance of the Board and senior management in delivering their comprehensive risk management responsibilities. Senior management is responsible for implementing the risk strategies developed by the Board and organising the implementation of the comprehensive risk management work across the Group.

Chief Risk Officer of the Bank assists the President with the corresponding risk management work within designated responsibilities. Risk management department is the leading management department responsible for the Group's comprehensive risk management, and its subordinate department, market risk management department, takes the lead in market risk management. Credit management department is the leading management department responsible for the overall credit risk management and country risk management. Asset & liability management department is the leading management department responsible for the management of liquidity risk and interest rate risk of the banking book. Internal control & compliance department is the leading management department responsible for operational risk and information technology risk management. Public relations & corporate culture department is in charge of reputational risk management. Strategy and policy coordination department is the leading management department responsible for strategic risk management. Other specialised departments are responsible for managing other respective risks.

The Bank attaches great importance to the risk management of subsidiaries, implements management requirements of the parent bank through the corporate governance mechanism, continuously improves the quality and efficiency of the performance of the board of directors of the subsidiaries, and urges its subsidiaries to operate steadily and serve the Group's development strategy. It strengthened the transmission of the Group's risk appetite, performed risk profiling of subsidiaries, improved the subsidiary-specific risk control mechanism, and implemented refined and differentiated risk management. It strengthened risk alert management of subsidiaries, reinforced risk segregation between parent and subsidiaries, standardised the reporting system for material risks of subsidiaries and performed comprehensive risk assessment and analysis of key subsidiaries.

CREDIT RISK MANAGEMENT

In 2021, the Group continued to strengthen risk research and judgement, proactively responded to challenges, supported New Finance practices with FinTech, optimised credit structure, and promoted risk mitigation and disposal to maintain stable asset quality.

The Group continuously enhanced its credit management. It optimised and adjusted credit structure, and focused on management of loans to key areas. It advanced the leap-forward development of green finance, further implemented strategies of housing rental and inclusive finance, standardised the management of internet loan business, consolidated development advantages in the infrastructure sector, supported the high-quality development of the manufacturing industry, empowered technology enterprises, increased loans to fields of people's livelihood and loans to the agriculture-related industry, and provided financial services to ensure energy security and supply. It accelerated digital development of credit management and strengthened application of FinTech in key links of the credit process. It continuously improved the level of intelligence in areas such as eligibility review for granting loans and retail collection, further refined post-lending and post-investment operation and unified credit risk monitoring, and further improved whole-process refined management of credit business.

The Group strengthened its credit approval risk management and control. It standardised the implementation of policies on local government debts and reviewed and analysed key businesses such as real estate loans. It strengthened risk screening and management of large exposure customers. In response to the frequent debenture defaults of state-owned enterprises credit debt, it screened potential risks of group customers with comprehensive credit limits. It analysed the potential risks of key overseas businesses in depth and thoroughly screened the risk of overseas customers. The Group reinforced model construction and system optimisation and improved the risk control rules, variables and indicators of the online business risk decision model. It embedded environmental protection requirements into the process, implemented the "veto policy of environmental protection", and adopted differentiated processes for projects meeting green credit standards through the "green channel".

The Group enhanced risk measurement capabilities. It applied an upgraded LGD model for domestic non-retail businesses, which can adapt to changes in the write-off and disposal methods and loan losses. It launched intelligent financial exception identification and financial forecasting models to enhance the intelligence and foresight of risk evaluation for corporate customers; developed the "Supply Chain e Evaluation" statistical model to support the development of supply chain business; and started to build an ESG rating system for corporate customers in response to the national strategy requirement to achieve carbon peak and carbon neutrality and the trend of green and low-carbon development. The Group optimised the scorecard for retail and small and micro businesses to enhance risk identification capability of business model for inclusive finance; strengthened development of measurement tools for rural financial business, explored the use of data with agricultural characteristics, and supported the risk evaluation of rural financial business. It optimised the functions and modules of the risk alert system, improved alert rules for key industries and sectors, and enhanced foresight and effectiveness of risk alert; relied on the unified risk view, improved the enterprise-level panoramic customer profiling, and strengthened information sharing and collaborative risk control across the Group.

The Group strengthened its special assets operation. It continued to focus on risk resolution and value creation, advanced non-performing assets disposal, and improved its operation and disposal capacity comprehensively. It disposed of several non-performing items by coordinating the use of creditors' committee mechanisms and restructuring, market-oriented debt-to-equity swaps and other approaches. It launched the industry's first "Long Market" non-performing assets trading platform and was the first among peers to implement the non-performing assets valuation model, continuously improving its digitalised operation and innovation capability. The Group continued to intensify non-performing assets disposal and optimised disposal structure to provide solid support for bank-wide strategy promotion, asset quality management, structural adjustment and efficiency enhancement.

Feature article

Building the "Evaluation System for Innovation Capability of Sci-Tech Enterprises" to support high-level scientific and technological self-reliance and self-empowerment

The Bank comprehensively built and promoted the "Evaluation System for Innovation Capability of Sci-Tech Enterprises" to increase financial supports for scientific and technological innovation, crack the "bottlenecks" of technical problems, and to help achieve a high-level of scientific and technological self-reliance and self-empowerment. Relying on big data of intellectual property, the evaluation system was designed to evaluate the sustainable innovation and development ability of sci-tech enterprises by classifying them into ten levels by ability. The evaluation system provided differentiated credit policy support to enterprises with strong innovation ability and market potential, to address the problem of "difficult to evaluate and finance" for small and medium-sized sci-tech enterprises. At the end of 2021, the balance of loans to national high-tech enterprises and small and medium-sized sci-tech enterprises was RMB865,370 million.

The evaluation system enables One-Click Evaluation, One-Second Credit Enhancement and One-Package Service. The One-Click Evaluation function covers 277,000 national high-tech enterprises nationwide, allowing account managers for "One-Click Query" of the evaluation results via computer and mobile APP to serve sci-tech enterprises more quickly. The One-Second Credit Enhancement function automatically obtains credit "bonus points" for small and medium-sized sci-tech enterprises with strong innovation ability and market potential, to make them eligible for credit products. The One-Package Service function utilises layered customer management tools and takes the Group's parent-subsidiary synergic advantages to provide a series of financial products and services, such as matching, settlement, investment banking and credit tailored to sci-tech enterprises at different stages of development.

The evaluation system enriches the connotation of credit management. The Bank had gradually shifted its priority in evaluating sci-tech enterprises from "cash flow" alone, to "technology flow" and "cash flow" together, and creatively transformed the intellectual property data of a vast number of sci-tech enterprises into credit, and then turned the credit into tangible financial resources for them. In addition, the Bank used the evaluation system to assist government departments in determining the list of sci-tech awards and subsidies, and in supporting the development of key local industrial clusters.

Distribution of loans by five-category classification

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

	As at 31 December 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Normal	17,993,001	95.89	15,990,401	95.49
Special mention	505,074	2.69	494,638	2.95
Substandard	143,195	0.76	120,731	0.72
Doubtful	80,624	0.43	106,291	0.64
Loss	42,252	0.23	33,707	0.20
Gross loans and advances excluding accrued interest	18,764,146	100.00	16,745,768	100.00
NPLs	266,071		260,729	
NPL ratio		1.42		1.56

In 2021, the Group continuously implemented comprehensive, proactive and intelligent risk management, optimised credit structure, consolidated management foundation, accurately conducted risk classification, and firmly held the bottom line of preventing risk. As a result, the asset quality remained stable. At the end of 2021, the Group's NPLs were RMB266,071 million, an increase of RMB5,342 million over 2020; the NPL ratio stood at 1.42%, a decrease of 0.14 percentage points over 2020. The special mention loans accounted for 2.69%, a decrease of 0.26 percentage points over 2020.

Distribution of loans and NPLs by product type

The following table sets forth the Group's loans and NPLs by product type as at the dates indicated.

	As at 31 December 2021			As at 31 December 2020		
(In millions of RMB, except percentages)	Loans and advances	NPLs	NPL Ratio (%)	Loans and advances	NPLs	NPL Ratio (%)
Corporate loans and advances	9,593,526	217,558	2.27	8,360,221	213,885	2.56
Short-term loans	2,683,402	74,808	2.79	2,593,677	82,260	3.17
Medium to long-term loans	6,910,124	142,750	2.07	5,766,544	131,625	2.28
Personal loans and advances	7,891,928	31,242	0.40	7,233,869	29,451	0.41
Residential mortgages	6,386,583	12,909	0.20	5,830,859	11,320	0.19
Credit card loans	896,222	11,960	1.33	825,710	11,591	1.40
Personal consumer loans	232,979	2,278	0.98	264,581	2,604	0.98
Personal business loans	226,463	1,627	0.72	138,481	1,377	0.99
Other loans	149,681	2,468	1.65	174,238	2,559	1.47
Discounted bills	379,469	–	–	259,061	–	–
Overseas operations and subsidiaries	899,223	17,271	1.92	892,617	17,393	1.95
Gross loans and advances excluding accrued interest	18,764,146	266,071	1.42	16,745,768	260,729	1.56

Distribution of loans and NPLs by industry

The following table sets forth the Group's loans and NPLs by industry as at the dates indicated.

	As at 31 December 2021				As at 31 December 2020			
(In millions of RMB, except percentages)	Loans and advances	% of total	NPLs	NPL ratio (%)	Loans and advances	% of total	NPLs	NPL ratio (%)
Corporate loans and advances	9,593,526	51.13	217,558	2.27	8,360,221	49.92	213,885	2.56
Transportation, storage and postal services	1,760,364	9.38	20,763	1.18	1,582,628	9.45	31,483	1.99
Leasing and commercial services	1,725,682	9.20	40,204	2.33	1,399,735	8.36	26,430	1.89
– Commercial services	1,693,920	9.03	39,766	2.35	1,376,621	8.22	25,468	1.85
Manufacturing	1,402,653	7.48	58,963	4.20	1,294,355	7.73	78,059	6.03
Production and supply of electric power, heat, gas and water	960,869	5.12	10,955	1.14	826,390	4.93	12,511	1.51
Wholesale and retail trade	912,515	4.86	18,129	1.99	727,948	4.35	20,989	2.88
Real estate	730,087	3.89	13,536	1.85	687,504	4.11	9,011	1.31
Water, environment and public utility management	627,875	3.35	7,781	1.24	524,913	3.13	7,052	1.34
Construction	445,952	2.38	8,274	1.86	381,172	2.28	6,732	1.77
Mining	246,338	1.31	24,973	10.14	212,835	1.27	7,132	3.35
– Exploitation of petroleum and natural gas	3,797	0.02	335	8.82	2,092	0.01	427	20.41
Information transmission, software and information technology services	117,615	0.63	2,401	2.04	92,887	0.55	2,181	2.35
– Telecommunications, broadcast and television, and satellite transmission services	20,729	0.11	678	3.27	21,802	0.13	604	2.77
Education	73,272	0.39	114	0.16	70,763	0.42	75	0.11
Others	590,304	3.14	11,465	1.94	559,091	3.34	12,230	2.19
Personal loans and advances	7,891,928	42.06	31,242	0.40	7,233,869	43.20	29,451	0.41
Discounted bills	379,469	2.02	–	–	259,061	1.55	–	–
Overseas operations and subsidiaries	899,223	4.79	17,271	1.92	892,617	5.33	17,393	1.95
Gross loans and advances excluding accrued interest	18,764,146	100.00	266,071	1.42	16,745,768	100.00	260,729	1.56

In 2021, the Group continued to optimise and adjust credit structure, and promoted green transformation to firmly support high quality development of the real economy. The NPL ratios in the manufacturing industry and wholesale and retail trade industry were 4.20% and 1.99%, down 1.83 and 0.89 percentage points, respectively, over 2020.

Rescheduled loans and advances to customers

The following table sets forth the Group's rescheduled loans and advances to customers as at the dates indicated.

	As at 31 December 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	Amount	% of gross loans and advances excluding accrued interest	Amount	% of gross loans and advances excluding accrued interest
Rescheduled loans and advances to customers	9,243	0.05	10,090	0.06

At the end of 2021, the restructured loans and advances to customers were RMB9,243 million, a decrease of RMB847 million over 2020, while its proportion in gross loans and advances excluding accrued interest was 0.05%, down 0.01 percentage points over 2020.

Overdue loans and advances to customers

The following table sets forth the Group's overdue loans and advances to customers by overdue period as at the dates indicated.

	As at 31 December 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	Amount	% of gross loans and advances excluding accrued interest	Amount	% of gross loans and advances excluding accrued interest
Overdue within three months	48,846	0.26	54,299	0.32
Overdue between three months and six months	18,910	0.10	24,664	0.15
Overdue between six months and one year	36,239	0.19	35,801	0.21
Overdue between one and three years	57,633	0.31	59,888	0.36
Overdue for over three years	14,833	0.08	7,571	0.05
Total overdue loans and advances to customers	176,461	0.94	182,223	1.09

At the end of 2021, the balance of overdue loans and advances to customers decreased by RMB5,762 million over 2020 to RMB176,461 million; their proportion in gross loans and advances excluding accrued interest dropped by 0.15 percentage points. Loans and advances overdue for more than three months totalled RMB127,615 million, which were mainly concentrated in Central China and the Pearl River Delta.

Migration rate of loans

(%)	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019
Migration rate of normal loans	1.64	2.29	2.52
Migration rate of special mention loans	14.46	20.02	15.97
Migration rate of substandard loans	33.02	62.62	50.11
Migration rate of doubtful loans	16.44	25.06	20.60

1. The migration rate of loans was calculated according to the relevant regulations of the CBIRC on a consolidated basis.

Large exposures management

The Group continued to strengthen large exposures management. It improved management mechanism, and refined customer-based modes, standards and procedures for large exposures management covering all related information at the group level. It upgraded management methods, improved management efficiency, embedded regulatory requirements, limit early warning rules, and internal management requirements into business systems, and optimised the data reporting function of large exposures of subsidiaries to realise systemised and digitalised management and control.

Concentration of loans

At the end of 2021, the Group's gross loans to the largest single borrower accounted for 4.24% of the total capital after regulatory adjustments, while those to the top ten customers accounted for 12.83% of the total capital after regulatory adjustments.

(%)	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019
Proportion of loans to the largest single customer	4.24	3.55	2.65
Proportion of loans to top ten customers	12.83	11.84	10.82

The Group's top ten single borrowers as at the date indicated are as follows.

		As at 31 December 2021	
(In millions of RMB, except percentages)	Industry	Amount	% of total loans and advances excluding accrued interest
Customer A	Transportation, storage and postal services	137,964	0.73
Customer B	Leasing and commercial services	45,361	0.24
Customer C	Production and supply of electric power, heat, gas and water	35,210	0.19
Customer D	Transportation, storage and postal services	35,150	0.19
Customer E	Transportation, storage and postal services	31,075	0.16
Customer F	Transportation, storage and postal services	30,583	0.16
Customer G	Transportation, storage and postal services	29,546	0.16
Customer H	Transportation, storage and postal services	26,293	0.14
Customer I	Production and supply of electric power, heat, gas and water	24,048	0.13
Customer J	Finance	21,876	0.12
Total		417,106	2.22

MARKET RISK MANAGEMENT

In 2021, the Group continued to improve its risk management system for the trading and investment business, and comprehensively enhance market risk management and control. It strengthened the limit management for investment and trading business and the eligibility management of financial institution customers, established a daily monitoring mechanism for offshore bonds issued by Chinese institutions, and improved the forward-looking response to financial market fluctuations. It established a transaction customer risk screening mechanism, strengthened real-time monitoring and risk alert of transaction business, and improved the risk monitoring and evaluation of key links of the bond business. It optimised the risk control mechanism of the asset management business, advanced the rectification of the asset management business in an orderly manner, strengthened the risk control over assets related to the wealth management business, and established an accountability management system for the asset management business. It advanced the construction of the risk control platform for investment and trading business, realised the independent development of core management functions, and pressed ahead with the implementation of the new standardised approach for market risk, the conversion of international benchmark interest rates and other important functions.

Value at Risk analysis

The Bank divides its on-and off-balance sheet assets and liabilities into trading book and banking book. The Bank performs value at risk (VaR) analysis on its trading portfolio to measure and monitor the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices. The Bank calculates the VaRs of its RMB and foreign currency trading portfolios on a daily basis (at a confidence level of 99% and with a holding period of one trading day).

The VaR analysis on the Bank's trading book as at the balance sheet date and during the respective periods is as follows.

	2021				2020			
(In millions of RMB)	As at 31 December	Average	Maximum	Minimum	As at 31 December	Average	Maximum	Minimum
Risk valuation of trading portfolio	151	160	196	127	141	250	317	137
Interest rate risk	35	53	89	30	87	98	182	46
Foreign exchange risk	155	163	203	110	145	246	298	137
Commodity risk	1	9	45	–	1	9	42	–

Interest rate risk management

The Group established interest rate risk management framework and system in light of its own condition and implemented robust and prudent interest rate risk management strategy. The interest rate risk policy is in line with the Group's development strategy, risk appetite and risk management capability, and seeks to achieve a healthy balance between interest rate risk and profitability, minimise the adverse impact from interest rate changes on net interest income and economic value, and ensure steady profit growth and stable capital structure. The Group employed a range of methods to measure and analyse the interest rate risk on banking book, including repricing gap analysis, sensitivity analysis of net interest income and economic value, duration analysis, stress testing, and economic capital analysis. The Group performed a combination of interest rate risk management and evaluation by utilising balance sheet quantitative tool, internal and external pricing tool, plan and performance appraisal and internal capital evaluation to effectively control the interest rate risk level of business lines, overseas entities and subsidiaries, and ensure that the interest rate risk on banking book is within a reasonable level.

In 2021, the Group paid close attention to the development of COVID-19 at home and abroad, effectively reduced corporate financing costs, reasonably responded to challenges brought by changes in macro policies to operations, strengthened interest rate monitoring and risk prediction, and maintained stable, coordinated and sustainable growth of assets and liabilities. At the same time, it closely monitored the trend of interest rates of deposits, loans and bonds, and changes in asset and liability maturities, optimised internal and external pricing strategies, and completed the reform of deposit pricing mechanism with high quality. It continuously strengthened the interest rate risk control of overseas entities and subsidiaries, optimised the interest risk limit system when appropriate, and strengthened the assessment of interest rate risk management of overseas entities. It reassessed the interest rate risk management system and model, enriched system functions, strengthened forward-looking prediction capabilities, and improved the intelligent management. During the reporting period, the results of the stress testing indicated that the interest rate risk of the Group is under control, with various indicators kept within the limits.

The Group implemented and actively promoted the LIBOR conversion step by step, and had fundamentally completed the relevant work by the end of 2021. In accordance with the system-first strategy, it iterated system updates, comprehensively transformed the processes and modules for front, middle and back offices, and took the lead in launching the new benchmark interest rate system. It introduced a full range of deposit, loan and financial market products supporting the new benchmark interest rate, and issued the first Secured Overnight Financing Rate (SOFR) loan funded by commercial borrowing in China, the SOFR certificates of deposit in Hong Kong, the Sterling Overnight Index Average (SONIA) syndicated loans in London, as well as the USD SOFR floating rate green bonds.

Interest rate sensitivity gap analysis

The analysis of interest rate sensitivity gaps of the Group's assets and liabilities as at the dates indicated by the next expected repricing dates or maturity dates (whichever are earlier) is set out below.

(In millions of RMB)	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
Interest rate sensitivity gap as at 31 December 2021	292,290	(3,954,633)	4,229,630	(1,773,860)	3,820,695	2,614,122
Accumulated interest rate sensitivity gap as at 31 December 2021		(3,954,633)	274,997	(1,498,863)	2,321,832	
Interest rate sensitivity gap as at 31 December 2020	108,331	(2,864,124)	3,641,112	(1,502,646)	3,006,680	2,389,353
Accumulated interest rate sensitivity gap as at 31 December 2020		(2,864,124)	776,988	(725,658)	2,281,022	

At the end of 2021, the repricing gap of the Group's assets and liabilities with maturities of less than one year was RMB274,997 million, a decrease of RMB501,991 million over 2020, mainly because the growth of deposits with maturities of less than one year was faster than that of loans and advances. The positive gap of the assets and liabilities with maturities of more than one year was RMB2,046,835 million, an increase of RMB542,801 million over 2020, mainly because the growth of bonds investment was faster than that of time deposits with maturities of more than one year.

Net interest income sensitivity analysis

The net interest income sensitivity analysis is based on two scenarios. The first assumes that all yield curves rise or fall by 100 basis points in a parallel way, while the interest rates for deposits at the PBC remain the same; the second assumes that the interest rates for deposits at the PBC and the demand deposits remain the same, while all the other yield curves rise or fall by 100 basis points in a parallel way.

The change in net interest income of the Group under different scenarios as at the specified dates is set out below.

	Scenario1:the interest rates for deposits at the PBC being constant		Scenario2: the interest rates for deposits at the PBC and the demand deposits being constant	
(In millions of RMB)	Rise by 100 basis points	Fall by 100 basis points	Rise by 100 basis points	Fall by 100 basis points
As at 31 December 2021	(53,453)	53,453	76,805	(76,805)
As at 31 December 2020	(45,546)	45,546	80,344	(80,344)

Exchange rate risk management

The Group is exposed to exchange rate risk primarily because of the currency mismatch of the assets and liabilities it holds in currencies other than RMB and the positions it takes as a market maker in the financial markets. The Group measures and analyses its exchange rate risk by using a combination of methods such as exchange rate risk exposure and stress testing, and controls and mitigates its risk by matching its assets and liabilities, setting limits, and hedging.

In 2021, the Group adhered to a prudent and sound exchange rate risk management strategy, continued to improve the exchange rate risk management system, and paid close attention to the changes in global economic and financial situation in the wake of COVID-19. It strengthened research on exchange rates of currencies of major economies and emerging markets, dynamically monitored and analysed changes in the Group's exchange rate risk exposure and took various measures to control exposure fluctuations to always ensure a low level exchange rate risk. During the reporting period, the Group's exchange rate risk indicators continued to satisfy regulatory requirements of the CBIRC. The stress testing results showed that the overall risk was under control.

Currency concentrations

The Group's currency concentrations as at the dates indicated are set out below.

	As at 31 December 2021				As at 31 December 2020			
(In millions of RMB)	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	916,669	312,454	335,806	1,564,929	945,417	352,098	376,645	1,674,160
Spot liabilities	(929,333)	(333,522)	(270,104)	(1,532,959)	(1,000,213)	(330,942)	(290,448)	(1,621,603)
Forward purchases	1,528,518	88,234	150,570	1,767,322	1,826,299	75,051	137,233	2,038,583
Forward sales	(1,523,921)	(33,060)	(194,623)	(1,751,604)	(1,758,605)	(60,684)	(203,639)	(2,022,928)
Net options position	6,471	–	156	6,627	(16,261)	(29)	(4)	(16,294)
Net(short)/long position	(1,596)	34,106	21,805	54,315	(3,362)	35,494	19,787	51,919

At the end of 2021, the net exposure of the Group's exchange rate risk was RMB54,315 million, an increase of RMB2,396 million from 2020.

OPERATIONAL RISK MANAGEMENT

In 2021, the Group actively met the implementation requirements of Basel III, deepened operational risk management, improved the business continuity management system, and proactively responded to COVID-19 to ensure continuous business operations.

The Group revised the operational risk management policy, strengthened the loss data management, restructured the operational risk management system, and steadily promoted the implementation of the standardised approach for operational risk under Basel III. It established a financial service management mechanism for emergency response, strengthened the guidance for domestic and foreign entities, and ensured the stable operation of the Group's business in the wake of COVID-19. It optimised business impact analysis, continuously improved emergency plans, strengthened targeted emergency drills, and improved its ability to respond to business continuity emergencies. It strengthened employee behaviour management, effectively implemented the grid management mechanism, and improved the ability to detect defaults by using intelligent approaches.

The Bank formulated the code of conduct and rules for employees, which clarifies requirements for professional ethics, work discipline and performance, to regulate and guide employees' behaviours. It strengthened analysis of abnormal employee behaviours through an intelligent grid management mechanism, and proactively detected and promptly handled employees' malpractices such as violations of business ethics. In line with changes in internal and external environment of business development, the Bank revised the Measures for Handling Employee Violations, which clarifies the principles, methodologies, specific violations, and applicable disciplinary measures for handling employee malpractices, to implement the requirements of strict governance, adapt to the needs of business development and regulate employee behaviours. In 2021, the Bank organised and performed operational risk audits relating to employee behaviours and paid dynamic attention to the risks of material violations of employees and the effectiveness of employee behaviour management.

Anti-money laundering

In 2021, the Group strictly implemented various AML regulatory requirements and thoroughly practised the "risk-based" management approach. It improved AML management structure and the customer identification management mechanism, optimised the construction of the AML system, and strengthened talent team and resource allocation, to effectively improve the level of money laundering risk management and make breakthroughs in the construction of the AML management system.

LIQUIDITY RISK MANAGEMENT

The Board assumes the ultimate responsibility for liquidity risk management, and reviews and approves the liquidity risk strategy and risk appetite. The senior management carries out the liquidity risk strategy set by the Board, and organises the implementation of the liquidity risk management activities. The board of supervisors supervises and evaluates the performance of the Board and the senior management in the liquidity risk management. Asset & liability management department leads in the Bank's daily liquidity risk management, and forms an executive system together with business management departments and branches to perform specific duties in liquidity risk management. Subsidiaries assume the primary responsibility for their own liquidity risk management.

The Group adheres to the liquidity risk management strategy that features prudence, decentralisation, coordination and diversification, so as to establish and improve the liquidity risk management system, fully identify, accurately measure, continuously monitor, and effectively control liquidity risks, and keep balance between profitability and security of funds to ensure the smooth operation of businesses across the bank. In light of the regulatory requirements, external macro environment and the Bank's business development, the head office formulates approaches to liquidity risk identification, measurement and monitoring, sets out risk limit management criteria, carries out daily liquidity management, conducts stress testing at the group level regularly, and reviews and assesses contingency plans.

In 2021, the Group adhered to the principle of robust and prudent liquidity risk management, made forward-looking responses to changes in monetary policies and internal and external funding landscape, appropriately arranged the total volume and structure of funding sources and utilisation, took multiple measures to improve the efficiency of fund use, and maintained solid and steady improvement in fund provisions. It improved the autonomy, intelligence and timeliness of IT systems, increased FinTech support for liquidity management, and fully improved the refined liquidity risk management. It strengthened the coordinated liquidity management at the group level and addressed the liquidity management weakness of subsidiaries to ensure the security in payment and settlement. It proactively fulfilled the obligations of a major bank, and gave play to the role of a market stabliser and a policy transmitter.

Stress testing of liquidity risk

The Group conducts quarterly stress testing on its liquidity risk in order to gauge its risk tolerance in unlikely extreme scenarios and other adverse scenarios. It improves its liquidity risk stress testing methods in accordance with regulatory and internal management requirements. According to the stress testing, liquidity risk arises from such major factors and events as a significant drop in liquidation of current assets, a massive outflow of wholesale and retail deposits, falling availability of wholesale and retail financing, shorter financing periods, increasing financing costs, significant adverse changes in market liquidity and a sudden breakdown of the Bank's payment and settlement system. The results of stress testing showed that under different stress scenarios, the Group's liquidity risk was under control.

Indicators of liquidity risk management

The Group adopted liquidity indicator analysis, remaining maturity analysis and undiscounted cash flow analysis to measure liquidity risk.

The following table sets forth the liquidity ratios and loan-to-deposit ratio of the Group as at the dates indicated.

(%)		Regulatory standard	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019
Liquidity ratio[1]	RMB	≥25	59.32	55.66	51.87
	Foreign currency	≥25	70.58	58.64	68.29
Loan-to-deposit ratio[2]	RMB		82.28	78.49	77.68

1. Calculated by dividing current assets by current liabilities in accordance with the requirements of the CBIRC.
2. Calculated on the basis of domestic legal person in accordance with the requirements of the CBIRC.

In accordance with the requirements of the *Administrative Measures for Liquidity Risk Management of Commercial Banks*, the liquidity coverage ratio equals to high-quality liquid assets divided by net cash outflows in the future 30 days. High-quality liquid assets of the Group mainly include securities guaranteed or issued by sovereign states and central banks with a risk weight of zero or 20%, and central bank reserves that may be used under stress circumstances. The average daily liquidity coverage ratio of the Group in the fourth quarter of 2021 was 134.70%, meeting the regulatory requirements. It decreased by 0.17 percentage points over the previous quarter, mainly due to an increase in net cash outflows as a result of a reduction in inflow from fully performing exposures.

The following table sets forth the liquidity coverage ratio of the Group as at the dates indicated.

(In millions of RMB, except percentages)	Fourth quarter 2021	Third quarter 2021	Second quarter 2021	First quarter 2021	Fourth quarter 2020
High-quality liquid assets	4,756,263	4,669,236	4,696,566	4,667,230	4,719,927
Net cash outflows	3,536,514	3,464,001	3,502,773	3,151,858	2,981,377
Liquidity coverage ratio (%) [1]	134.70	134.87	134.20	148.78	158.53

1. Calculated in accordance with the applicable regulatory requirements, definitions and accounting standards for the period. All figures represent simple arithmetic means of the values for every calendar day in the quarter.

Net stable funding ratio (NSFR) is calculated by dividing available stable funding by the required stable funding. It is used to evaluate whether commercial banks have sufficient and stable funding sources to meet the needs of various assets and off-balance sheet risk exposures. At the end of 2021, the Group's NSFR was 125.75%, meeting the regulatory requirements. It was 0.50 percentage points lower than that as at 30 September mainly due to the increase in the required stable funding as a result of the increase in performing loans and securities. It was 2.20 percentage points higher than that as at 30 June, mainly due to the increase in the available stable funding as a result of the increase in capital and wholesale funding.

The following table sets forth the NSFR of the Group as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2021	As at 30 September 2021	As at 30 June 2021	As at 31 March 2021	As at 31 December 2020
Available stable funding	21,315,282	21,156,350	20,748,109	20,724,535	19,727,180
Required stable funding	16,950,020	16,757,578	16,793,067	16,505,566	15,515,100
NSFR (%)	125.75	126.25	123.55	125.56	127.15

Please refer to "Unaudited Supplementary Financial Information" for details of liquidity coverage ratio and net stable funding ratio.

The analysis of the Group's assets and liabilities by remaining maturity as at the dates indicated is set out below.

(In millions of RMB)	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Net gaps as at 31 December 2021	2,868,925	(11,721,520)	(710,960)	(538,269)	(1,001,397)	2,332,329	11,385,014	2,614,122
Net gaps as at 31 December 2020	2,959,627	(11,562,623)	(491,243)	(131,281)	(362,539)	2,061,094	9,916,318	2,389,353

The Group regularly monitored the maturity gaps between its assets and liabilities for various businesses in order to assess its liquidity risk in different time periods. As at 31 December 2021, the cumulative maturity gap of the Group was RMB2,614,122 million, an increase of RMB224,769 million over 2020. The negative gap for repayment on demand was RMB11,721,520 million, an increase of RMB158,897 million over 2020, mainly due to the relatively fast growth of deposits from its expansive customer base. Considering the low turnover rate of the Group's demand deposits and a steady growth of deposits, the Group expects to enjoy a steady source of funding and maintain a sound liquidity position in the future.

REPUTATIONAL RISK MANAGEMENT

In 2021, the Group continued to improve its reputational risk management system building, optimised its systems and working mechanisms, and enhanced its competence in managing reputational risk. It revised and issued reputational risk management measures and emergency plans, and standardised the emergency reporting and handling process of its branches. It adhered to the forward-looking, comprehensive, proactive and effective management principle, and strengthened the source management and comprehensive governance of reputational risk. It strengthened the professional training and exchanges, raised the awareness of reputational risk prevention and control of all employees, and improved the capability in implementing mitigation measures. It proactively accepted media's supervision, continuously improved its businesses, products, processes, and financial services. During the reporting period, the Group steadily improved its reputational risk management practices and effectively safeguarded its good corporate image and reputation.

COUNTRY RISK MANAGEMENT

In strict compliance with regulatory requirements, the Group incorporated country risk management into the comprehensive risk management system. The Board assumes the ultimate responsibility for monitoring the effectiveness of country risk management. The senior management carries out country risk management policies approved by the Board. The Group used a range of tools to manage country risk, including evaluation and rating, risk limit, exposure monitoring, provisioning, and stress testing.

In 2021, in the context of a complex and severe situation, the Group continued to strengthen country risk management based on business development practices. It dynamically reassessed country risk ratings and limits, closely monitored country risk exposures, issued country risk assessment reports, enhanced country risk mitigation capabilities, and effectively controlled country risk. It upgraded country risk management system and enhanced management of risk identification, measurement, monitoring, control and reporting. The Group's country risk exposure was mainly concentrated in countries or regions with "low" or "relatively low" country risk, and the overall country risk was maintained at a reasonable level.

CONSOLIDATED MANAGEMENT

In 2021, the Bank proactively implemented the latest requirements on consolidated management, improved the Group's consolidated management system, and enhanced the planning and coordination, in order to prevent cross-border and cross-industry operating risks for the Group and strengthen its consolidated management.

The Group improved corporate governance of its subsidiaries and its consolidated management system. It continued to streamline the Group's equity hierarchy and pressed ahead with seeing-through management of subsidiaries. It deepened the parent-subsidiary coordination and enhanced the Group's comprehensive financial services. It prepared the three-year business plans of subsidiaries on a rolling basis and refined strategic management of subsidiaries. It highlighted the core role of subsidiaries' board of directors in their corporate governance and continuously improved the standardisation and effectiveness of their corporate governance.

The Group intensified the comprehensive risk management. It deepened the risk appetite coordination, advanced the construction of the comprehensive risk management system, and improved the capability of proactive risk management. It strengthened the risk limit management and continued to improve large risk exposure management. It optimised the consolidated credit approval rules and strengthened the front-office management and control of the consolidated credit business of subsidiaries to reinforce the unified credit management within the group.

The Group optimised IT systems for consolidated management, built the core fundamental platform of consolidated management, enriched business functions of the platform, promoted the intelligent information management of subsidiaries, and improved the automation level of consolidated management.

INTERNAL AUDIT

The Bank's internal audit department is committed to evaluating and supervising the improvement of risk management, control and governance processes, promoting value creation and improving business operation to help achieve the goal of the Bank. The internal audit department works in a relatively independent manner and is managed vertically. It is responsible to and reports to the Board and the audit committee, and also reports to the board of supervisors and senior management. In addition to the audit department at the head office, the Bank also has 29 audit offices at tier-1 branches and an overseas audit centre in Hong Kong.

Focusing on the goal of "supporting strategy implementation, strengthening governance, preventing risks and promoting development", the internal audit department continues to deepen and improve its audit mechanisms to cover all relevant aspects, highlight key areas, coordinate the overall business with priorities and agility, and tackle similar problems in other areas with a typical audit finding, and covers auditable units of all business segments with its audit procedures. In 2021, the department performed audit procedures on businesses such as loans to large and medium-sized customers, loans to small businesses, private banking, key liability products and services, special assets resolution, foreign exchange, credit cards, channel operation and operational risk management, key financial matters management, compliance management, FinTech, and AML. The department conducted in-depth research and analysis of the underlying causes of problems, advanced the systematic and fundamental rectification by departments and branches based on such problems, and continuously improved management mechanisms, business processes and internal management to effectively promote the stable and healthy development of the Bank's operation and management.

CAPITAL MANAGEMENT

The Group adhered to a robust and prudent capital management strategy, gave full play to the guiding role of capital, and promoted intensive capital management to continuously enhance the efficiency of capital use. The Group relied both on internal capital accumulation and external capital replenishment, and maintained a capital adequacy level that is constantly above the regulatory requirements and among the highest in the industry.

In 2021, the Group actively served the real economy with capital, supported the development of businesses, maintained a stable growth of core businesses such as loans and bond investments, and advanced continuous optimisation of asset structure. It pressed ahead with the intensive management of capital, explored the potential of capital saving with big data, and reduced the inefficient and less efficient capital occupation. It reasonably promoted capital instrument financing and enhanced its capital strength. It actively followed up on the impact of regulatory policies such as the total loss-absorbing capacity ("TLAC") of global systemically important banks ("G-SIBs") and made forward-looking arrangements for compliance.

CAPITAL ADEQUACY RATIOS

Capital adequacy ratios

In accordance with the regulatory requirements, the scope for calculating capital adequacy ratios of the Group includes both the Bank's domestic and overseas branches and sub-branches, and financial subsidiaries (insurance companies excluded). At the end of 2021, given relevant rules during the parallel period, the Group's total capital ratio, Tier 1 ratio and Common Equity Tier 1 ratio, which were calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*, were 17.85%, 14.14% and 13.59% respectively, meeting regulatory requirements. The Group's total capital ratio increased by 0.79 percentage points, and its Tier 1 ratio and Common Equity Tier 1 ratio decreased by 0.08 and 0.03 percentage points respectively from 2020.

Changes in the Group's capital adequacy ratios were mainly due to the following factors: Firstly, the internal capital accumulation capacity was enhanced driven by the growth in net profit in 2021 with an amount of RMB211,603 million retained profits after distributing dividends; Secondly, the Group issued a total of RMB145 billion domestic Tier 2 capital bonds in 2021 by means of capital replenishments through external financing with 0.80 percentage points increase in capital adequacy ratio; Thirdly, the Group supported the development of core businesses such as loans and bond investments to serve the real economy with an amount of RMB1.61 trillion or 9.70% increase in risk weighted assets over 2020.

The following table sets forth, as at the dates indicated, the information related to the capital adequacy ratios of the Group and the Bank.

	As at 31 December 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	The Group	The Bank	The Group	The Bank
Common Equity Tier 1 capital after regulatory adjustments	2,475,462	2,309,534	2,261,449	2,105,934
Tier 1 capital after regulatory adjustments	2,575,528	2,389,615	2,361,517	2,191,258
Total capital after regulatory adjustments	3,252,282	3,059,048	2,832,681	2,649,639
Common Equity Tier 1 ratio (%)	13.59	13.61	13.62	13.63
Tier 1 ratio (%)	14.14	14.09	14.22	14.18
Total capital ratio (%)	17.85	18.03	17.06	17.15

Please refer to Note "Risk management – Capital management" to the financial statements for details of composition of capital.

Risk-weighted assets

Based on the approval for the Group to implement the advanced capital management method in 2014, the CBIRC approved the Group to expand the implementation scope of the advanced capital management method in April 2020. The Group calculated the capital requirements for financial institution credit exposures and corporate credit risk exposures that meet regulatory requirements with the foundation internal ratings-based approach, the capital requirements for retail credit risk exposures with the internal ratings-based approach, the capital requirements for market risk with the internal models approach, and the capital requirements for operational risk with the standardised approach. Pursuant to the regulatory requirements, the Group calculates capital adequacy ratios with both the advanced approach and other approaches to capital measurement, and complies with the relevant requirements for capital floors.

The following table sets forth the information related to the risk-weighted assets of the Group.

(In millions of RMB)	As at 31 December 2021	As at 31 December 2020
Credit risk-weighted assets	16,834,493	15,274,351
Covered by the internal ratings-based approach	11,587,106	10,638,946
Uncovered by the internal ratings-based approach	5,247,387	4,635,405
Market risk-weighted assets	90,057	120,039
Covered by the internal models approach	55,249	69,610
Uncovered by the internal models approach	34,808	50,429
Operational risk-weighted assets	1,291,343	1,210,201
Additional risk-weighted assets due to the application of capital floors	–	–
Total risk-weighted assets	18,215,893	16,604,591

For more details about capital composition, measurement and management, please refer to *Capital Adequacy Ratio Report 2021* issued by the Bank.

LEVERAGE RATIO

From the first quarter of 2015, the Group measures the leverage ratio in accordance with *the Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)*. The leverage ratio refers to the ratio of the net amount of Tier 1 capital to the adjusted balance of on- and off-balance sheet assets. The leverage ratio of commercial banks should be no less than 4%. As at 31 December 2021, the Group's leverage ratio was 8.13%, meeting the regulatory requirements.

The following table sets forth the information related to the Group's leverage ratio.

(In millions of RMB, except percentages)	As at 31 December 2021	As at 30 September 2021	As at 30 June 2021	As at 31 March 2021	As at 31 December 2020
Leverage ratio (%)	8.13	7.96	7.79	7.92	7.99
Tier 1 capital after regulatory adjustments	2,575,528	2,509,963	2,434,940	2,442,723	2,361,517
On and off-balance sheet assets after adjustments	31,670,893	31,514,718	31,263,173	30,826,197	29,548,554

For the details of leverage ratio, please refer to "Unaudited Supplementary Financial statements".

PROSPECTS

Looking forward to 2022, the COVID-19 pandemic is likely to persist around the world, the developed economies are expected to exit from easing economic policies, and with escalated geo-political conflicts, the international financial markets may experience more turbulence. The world economic recovery has slowed down, and the International Monetary Fund and the World Bank have lowered their global economic growth forecasts. As a large economy with strong resilience, China still enjoys the unchanged economic fundamentals with long-term sustainability, but its economic development is facing triple pressures of shrinking demand, supply shocks, and weakening expectations.

The banking industry in China will encounter a more complex and severe operating environment, which presents both challenges and opportunities. On the one hand, internationally, banks will see more risks from potential large fluctuations in international financial markets caused by the lingering impact of COVID-19, slowdown of global economic growth, struggling supply chains, high inflation, moves by central banks to raise interest rates and trim balance sheet in advance, as well as disruptions of capital flows in emerging markets. Domestically, commercial banks may encounter more uncertainties and difficulties in operation and management caused by downward pressures on domestic economy, continuous adjustments to economic policies, and stricter regulation. On the other hand, banking business will gain major support as China accelerates its industrial transformation and upgrades, innovation becomes the driving force of development, and the green transformation provides new momentum for development.

In 2022, the Group will persist in pursuing progress while ensuring stability, fully, accurately, and comprehensively implement new development concepts, focus on "Three Major Tasks", enhance "Three Capabilities", and further implement "Three Major Strategies". The Group will continue to deepen the New Finance initiatives, fully implement the "14th Five-Year Plan", advance the "First Curve" and the "Second Curve" in parallel, accelerate the building of a new development paradigm with high-quality financial services, and create a new picture of high-quality development of the Bank. To this end, firstly, the Group will focus on serving the real economy, facilitate the implementation of major national strategies, support key areas and weak links in the real economy, and improve the Group's comprehensive financial service capabilities. Secondly, the Group will implement new development concepts and promote strategic expansion and upgrading. For house rental services, it will focus on the construction of a comprehensive house rental service system with financial characteristics. For inclusive finance, it will continue to increase the quantity, expand the coverage, and reduce the cost of financing for small and micro businesses. For FinTech, it will strengthen the overall planning of the enterprise-level business structure and enhance the ability to empower businesses. For rural revitalisation, it will improve the service capacity of "Yunongtong". For green finance, it will ensure excellent financial services for energy security and low-carbon transformation. Thirdly, the Group will adhere to sustainable development concept, consolidate the foundation of business capabilities, improve the quality and efficiency of liability business development, maintain a reasonable growth in fee-based business income, and upgrade the product supply system. Fourthly, the Group will adopt a digital mindset to innovate traditional business models, coordinate the construction and operation of platforms, strengthen the layered, grouped, and graded operation, advance the establishment of the middle platform system, and improve the management efficiency of the middle and back offices. Fifthly, the Group will anchor value creativity, strengthen risk control and compliance operations, ensure sound asset quality, improve risk governance, focus on key areas and links, strengthen compliance system building, and deepen consumer rights and interests protection and business integration.

ASSET QUALITY

In 2021, the Group maintained its proactive management of credit risk. It identified risk in a forward-looking manner, conducted scientific and accurate classification, made sufficient provisions, and maintained stable credit asset quality on the whole. At the end of 2021, the Group's NPLs were RMB266,071 million, an increase of RMB5,342 million over 2020; its NPL ratio was 1.42%, a decrease of 0.14 percentage points over 2020. Specifically, the NPL ratios of domestic corporate loans and personal loans were 2.27% and 0.40% respectively, and that for overseas operations and subsidiaries was 1.92%. In 2021, the Group's credit impairment losses on loans and advances to customers were RMB160,324 million, a decrease of RMB6,815 million or 4.08% over 2020. Specifically, provisions for credit impairment losses on domestic corporate loans and discounted bills were RMB128,383 million, a decrease of RMB3,164 million or 2.41% over 2020, while credit impairment losses on domestic personal loans were RMB29,994 million, a decrease of RMB592 million or 1.93% over 2020.

Under the backdrop of complex and severe external environment, the Group will continue to implement new development concept in a full, accurate, and comprehensive manner, persist in taking stability as its priority and pursuing progress while ensuring stability, enhance overall arrangement and coordination, continue to improve the comprehensive, proactive and intelligent risk prevention, monitoring and management system, firmly safeguard the bottom line of wiping out systemic financial risks, and achieve a virtuous circle that supports the high-quality development of both the real economy and the Group.

REAL ESTATE LOANS

In 2021, the Group precisely implemented policies on real estate finance, and was committed to meeting the reasonable needs of the real estate industry for capital and individuals for housing purchases respectively, innovating and exploring feasible paths to support the development of housing rental, and helping build a long-term real estate development mechanism. In terms of corporate real estate loans, the Group comprehensively considered market conditions, customer needs and business objectives, actively met the reasonable financing needs of real estate enterprises, and maintained a stable, balanced, and orderly allocation of real estate development loans. In respect of residential mortgages, the Group strictly implemented regulatory requirements, enforced differentiated housing credit policies, actively supported the reasonable housing needs of residential households, and ensured the sustainable, stable, and healthy development of its residential mortgage loan business. At the end of 2021, the Bank's domestic loans to the real estate industry totalled RMB730,087 million, an increase of RMB42,583 million or 6.19% over 2020; the NPL ratio was 1.85%, up 0.54 percentage points over 2020. The Bank's domestic residential mortgages totalled RMB6.39 trillion, an increase of RMB555,724 million, or 9.53% over 2020; the NPL ratio was 0.20%, up 0.01 percentage points over 2020.

The Group will actively implement the national real estate control policy, adhere to the policy that "houses are for living in and not for speculation", strengthen the concentration management of real estate loans, vigorously advance the housing rental strategy, maintain the stable and healthy development of the real estate market, safeguard the legitimate rights and interests of consumers, and promote the virtuous cycle and healthy development of the real estate industry.

REFORM OF THE DEPOSIT PRICING MECHANISM

In June 2021, after the deliberation and approval at the work conference on the self-regulatory mechanism of interest rate pricing, commercial banks in China jointly decided to reform the deposit pricing mechanism where the price will be determined based on the benchmark deposit rate plus basis points. At the same time, they optimised the self-regulatory upper limits of deposit rates, and reasonably adjusted the maturity premium for deposits. The self-regulatory upper limits of deposit rates for various maturities moved in different directions after the adjustment. The reform is conducive to enhancing the precise transmission efficiency of monetary policies, maintaining a healthy competition order in the deposit market, gradually moderating the pressure of rising deposit interest payment in commercial banks, and enabling banks to support the real economy with assets through reduction and exemption of service fees. The interest rates moved in different directions after the reform, which will guide residents to determine the maturity and principal of deposits reasonably based on their income expectations and liquidity needs.

The Group will take the reform as an opportunity, focus on building the mega wealth management system, enhance its comprehensive customer service capabilities, improve the efficiency of fund undertaking, optimise the deposit maturity structure, and ensure the overall stability of deposit interest payment, so as to further improve its quality and efficiency in serving the real economy.

MANAGEMENT OF TLAC

In October 2021, the PBC, the CBIRC and the MOF officially issued the *Administrative Measures on the Total Loss-absorbing Capacity of Global Systemically Important Banks*, which clarified the regulatory requirements for the total loss-absorbing capacity (TLAC) of global systemically important banks (G-SIBs) in China. As the Bank is a Bucket 2 G-SIB, the capital and total loss capacity requirements shall be no less than 20% from 1 January 2025 (including 2.5% capital conservation buffer requirements and 1.5% capital surcharge requirements for G-SIBs), and no less than 22% from 2028.

To meet the regulatory requirements on TLAC, the Group, considering its actual conditions, will continue to adhere to its steady and prudent capital management strategy, strengthen capital constraints and incentives, further advance intensive capital management, and encourage the asset-lite and capital-lite development. The Group will improve its financial service capabilities such as wealth management and trading business, continuously optimise business structure and income structure, and improve the efficiency of capital use. The Group will also comprehensively consider the balanced development needs of assets and liabilities and the requirements of regulatory policies, issued TLAC instruments in a forward-looking and prudent manner, and steadily and orderly promoted TLAC regulatory compliance.

EMPOWERMENT ON FINANCIAL INSTITUTIONAL BUSINESS WITH FINTECH

In 2021, the Group adhered to the principle of openness and sharing, and actively responded to regulators' requirements of "promoting the export of risk control tools and technologies from large banks to small and medium-sized banks" and "encouraging the export of FinTech products and services from leading banks to financial institutions". It relied on achievements in the construction of the New Generation Core Banking System and the professional technology talent team and adopted logics and mindsets of New Finance to promote the construction of interbank cooperation platform. It was committed to building a new financial pattern of co-working, co-governance and sharing, to maintain financial stability in China, prevent and resolve financial risks, and play its part with CCB solutions. It integrated advantages of enterprise-level architecture capability, used data and technology to empower peers, and assisted financial institutions in capability improvement, governance enhancement, and application expansion. It has successfully rolled out the core system construction and business consulting services in several policy banks, large commercial banks, joint-stock commercial banks, and other types

The exhibition area of the Bank's e-CNY located at the financial services special exhibition of the 2021 China International Fair for Trade in Services

of financial institutions. The well-functioning core system has been recognised by peers. Based on technological advantages and best practices, the Group actively provided independent distributed financial solutions for peers, to enhance the overall IT independence and controllability in the financial sector in China. It created a new profit model based on interbank sharing and empowerment. By the end of 2021, the Group had provided risk tools of "Hui" series to 1,027 small and medium-sized financial institutions, to export intelligent and digital risk control technologies and promote co-governance of risk. The interbank cooperation platform had established cooperative relationships with 2,916 financial institutions, generating economic and social benefits gradually.

The Group will gather strengths across the group, practise the role of a large commercial bank, continue to empower peers by expanding coverage and quantity and improving quality and efficiency, and move firmly towards the direction of "the most financial-savvy technology group".

E-CNY PILOTS AND PROMOTION

Under the leadership of the PBC, the Bank continued to push forward e-CNY pilots in Shenzhen, Suzhou, Xiong'an, Chengdu, Shanghai, Hainan, Changsha, Xi'an, Dalian and Qingdao and scenarios of the 2022 Winter Olympics in accordance with the principles of being steady, secure, manageable, innovative and practical in 2021. The Bank made great efforts to build e-CNY payment scenarios, continuously optimised the e-CNY acceptance environment, and fully covered retail payment fields such as transportation, consumption, fee payment for utilities, catering and accommodation services, education, healthcare, entertainment, government affairs services and online platforms. The Bank was actively engaged in e-CNY red envelope activities in Shenzhen, Suzhou, Xiong'an, Chengdu, Changsha, Hainan and other cities, organised a series of promotion activities, and invited customers to participate in e-CNY pilots. It actively participated in events such as the Digital China Summit, Lujiazui Forum, Western Digital Economy Expo (Shaanxi), China International Consumer Products Expo (Hainan), and vigorously promoted the advantages and characteristics of e-CNY applications. The Bank iteratively strengthened CCB e-CNY system and e-CNY wallet system, continuously improved the e-CNY exchange and circulation service experience, and strived to provide the public with more secure, universal, and inclusive retail payment services. In 2021, the Bank innovatively offered new services such as e-CNY mixed payment, real-time red envelope distribution and automatic redemption of wallet balances to bank accounts. By the end of 2021, the cumulative number of e-CNY transactions of the Bank had been over 84.75 million with a total amount approximating RMB43.5 billion.

In line with the unified arrangement of the PBC, the Bank will further extend e-CNY application scenarios and optimise its service experience in accordance with preliminary pilot practice. Considering the characteristics of e-CNY, the Bank will actively explore and innovate e-CNY products, applications, and models, build CCB e-CNY operation system and risk prevention and control system, and make greater contributions to e-CNY pilots.

CORPORATE GOVERNANCE REPORT

Based on China's actual conditions, industry practices as well as international best practice, the Bank built a corporate governance mechanism with Chinese characteristics, and improved corporate governance continuously so as to enhance the quality and efficiency of its governance effectively.

The Bank is in strict compliance with the PRC Company Law, Law on Commercial Banks and other laws and regulations, as well as the listing rules of the listing venues. The Bank has complied with the code provisions of the *Corporate Governance Code* and *Corporate Governance Report* as set out in Appendix 14 to the Listing Rules of Hong Kong Stock Exchange, and substantially adopted the recommended best practices therein.

SHAREHOLDERS' GENERAL MEETING

Powers of shareholders' general meeting

The shareholders' general meeting is the authoritative body of the Bank and mainly exercises the following functions and powers:

- deciding on the business strategies and investment plans of the Bank;
- electing and changing directors and supervisors (except for employee representative supervisors), and determining the remuneration of relevant directors and supervisors;
- considering and approving the Bank's annual financial budgets, final accounts, profit distribution plans and loss recovery plans;
- adopting resolutions related to matters including the increase or reduction of registered capital, and merger, split, dissolution and liquidation of the Bank;
- adopting resolutions related to the issuance and listing of corporate bonds or other marketable securities;
- adopting resolutions related to material acquisitions and repurchase of the Bank's shares;
- adopting resolutions to engage, dismiss or cease to retain certified public accountants;
- deciding the issuance of preference shares; deciding or authorising the Board to decide the matters relating to the issued preference shares by the Bank, including but not limited to repurchase, conversion and dividend distribution;
- amending the Articles of Association and other basic corporate governance documents of the Bank.

Details of shareholders' general meetings convened

On 26 March 2021, the Bank held the 2021 first extraordinary general meeting, which reviewed and approved proposals including election of executive director, confirming the donations of anti-pandemic materials made in 2020, and additional limit on poverty alleviation donations. The executive directors, namely Mr. Tian Guoli and Mr. Lyu Jiajin, the non-executive directors, namely Mr. Xu Jiandong, Mr. Zhang Qi, Mr. Tian Bo, Mr. Xia Yang, Ms. Shao Min and Ms. Liu Fang, and the independent non-executive directors, namely Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Carl Walter, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler and Mr. Michel Madelain attended the meeting. The directors' attendance rate was 100%. The legal advisors as to PRC laws and Hong Kong laws of the Bank attended the meeting. The convening of this shareholders' general meeting was in compliance with procedures prescribed by relevant laws and regulations. The announcement on the resolutions of the meeting was published on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank on 26 March 2021, and on the Bank's designated newspapers for information disclosure on 27 March 2021.

On 25 June 2021, the Bank held the 2020 annual general meeting, which reviewed and approved proposals including the 2020 report of the board of directors, 2020 report of the board of supervisors, 2020 final financial accounts, 2020 profit distribution plan, 2021 fixed assets investment budget, election of independent non-executive directors, and 2021 appointment of external auditors. The executive directors, namely Mr. Tian Guoli and Mr. Wang Jiang, the non-executive directors, namely Mr. Xu Jiandong, Mr. Zhang Qi, Mr. Tian Bo, Mr. Xia Yang, Ms. Shao Min and Ms. Liu Fang, and the independent non-executive directors, namely Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Carl Walter, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler and Mr. Michel Madelain attended the meeting. The directors' attendance rate was 100%. The domestic and international auditors of the Bank, and the legal advisors as to PRC laws and Hong Kong laws of the Bank attended the meeting. The convening of this shareholders' general meeting was in compliance with procedures prescribed by relevant laws and regulations. The announcement on the resolutions of the meeting was published on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank on 25 June 2021, and on the Bank's designated newspapers for information disclosure on 26 June 2021.

On 20 December 2021, the Bank held the 2021 second extraordinary general meeting, which reviewed and approved proposals including the election of shareholder representative supervisor, remuneration distribution and settlement plan for directors for the year 2020 and remuneration distribution and settlement plan for supervisors for the year 2020, new provisional limit on charitable donations in 2021, issuance of write-down undated capital bonds and issuance of qualified write-down tier 2 capital instruments. The executive directors, namely Mr. Tian Guoli and Mr. Wang Jiang, the non-executive directors, namely Mr. Xu Jiandong, Mr. Zhang Qi, Mr. Tian Bo, Mr. Xia Yang, Ms. Shao Min and Ms. Liu Fang, and independent non-executive directors, namely Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler, Mr. Michel Madelain, Mr. William Coen and Mr. Leung Kam Chung, Antony attended the meeting. The directors' attendance rate was 100%. The legal advisors as to PRC laws and Hong Kong laws of the Bank attended the meeting. The shareholders' general meeting was held in compliance with procedures prescribed by relevant laws and regulations. The announcement on resolutions of the meeting was published on the websites of the Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank on 20 December 2021, and on the designated newspapers on 21 December 2021 for information disclosure.

BOARD OF DIRECTORS

Responsibilities of the Board

The Board is the executive body of and is responsible to the shareholders' general meeting. It performs the following functions in accordance with relevant laws:

- convening the shareholders' general meeting and reporting to the shareholders' general meeting;
- implementing the resolutions of the shareholders' general meeting;
- determining the Bank's development strategies, and supervising the implementation of the development strategies;
- deciding on business plans, investment plans and risk capital allocation plans of the Bank;
- formulating annual financial budget plans, final accounting plans, profit distribution plans and loss recovery plans;
- formulating plans related to the increase or reduction of registered capital, the issuance and listing of convertible bonds, subordinated bonds, corporate bonds or other marketable securities; and plans related to merger, split, dissolution and liquidation of the Bank;
- formulating plans related to material acquisitions and repurchase of the Bank's shares;
- exercising other powers under the Articles of Association of the Bank and as authorised by the shareholders' general meeting.

The Board's implementation of resolutions of the general meetings of shareholders

In 2021, the Board earnestly implemented the resolutions approved by the shareholders' general meetings, including the profit distribution plan for 2020, fixed assets investment budget for 2021, provisional limit on charitable donations for 2021, issuance of write-down undated capital bonds, issuance of qualified write-down tier 2 capital instruments, and appointment of external auditors for 2021.

Composition of the Board

At the end of 2021, the Board consisted of 14 directors, including two executive directors, namely Mr. Tian Guoli and Mr. Wang Jiang; six non-executive directors, namely Mr. Xu Jiandong, Mr. Zhang Qi, Mr. Tian Bo, Mr. Xia Yang, Ms. Shao Min and Ms. Liu Fang; and six independent non-executive directors, namely Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler, Mr. Michel Madelain, Mr. William Coen and Mr. Leung Kam Chung, Antony.

The term of office of directors of the Bank is three years, and directors may be re-elected upon expiration of their terms of office.

In order to diversify the composition of the Board, the Bank formulated the *Diversity Policy for the Board of Directors* in August 2013. For nomination of directors, the Board should consider the diversity requirement for board members as well as professional capabilities and ethics. The candidates selected should be complementary to one another, with diversified backgrounds in terms of gender, age, cultural and educational background, professional experience, skills, knowledge and term of service. The final decision should be based on the candidates' overall competence and possible contributions to the Board. The nomination and remuneration committee is responsible for supervising the implementation of the *Diversity Policy for the Board of Directors*.

The Bank seeks to continuously enhance the Board's professional capabilities and structural reasonableness to achieve optimum combination of board members that matches the development strategies of the Bank, which lays solid foundation for the efficient operation and scientific decision-making of the Board. At the end of 2021, the Board comprised 14 directors, including two executive directors, six non-executive directors, and six independent non-executive directors. The executive directors of the Bank have rich professional experience from long-time financial management and macro views; the non-executive directors have rich experience from holding important positions with major state-owned enterprises, core financial regulators or government departments, and have profound knowledge in enterprise management, finance, accounting and other special fields; the independent non-executive directors come from America, Europe, Oceania, Hong Kong and other major economic regions around the world, and have a deep insight of international political and economic situation and financial industry development trends, and are familiar with international accounting standards and capital market rules. The chairpersons of the audit committee, risk management committee, nomination and remuneration committee and related party transaction, social responsibility and consumer protection committee of the Board of the Bank are all independent non-executive directors. The diversified board structure of the Bank has brought broad views and great expertise together with due independence elements to the Board, ensuring the scientific decision-making of the Board of the Bank.

Chairman and president

Chairman is the legal representative of the Bank and is responsible for business strategies and overall development of the Bank.

President is responsible for the daily management of business operations. The president is appointed by and accountable to the Board, and performs his duties in accordance with provisions of the Articles of Association and authorisation of the Board.

The roles of chairman of the Board and president are separate, each with clearly defined duties.

Operation of the Board

The Board convenes regular meetings, generally no fewer than six times a year; extraordinary meetings are convened if and when necessary. Board meetings may be convened by means of on-site conference or written resolutions. The agenda for regular meetings is scheduled upon consultation with each director. Board meeting papers and relevant materials are usually circulated to all directors and supervisors 14 days in advance of board meetings.

According to the Articles of Association of the Bank, the Board determines risk management policies and internal control policies of the Bank, formulates relevant rules of risk management and internal control, and supervises the implementation of such rules. The Board reviews the overall risk management report of the Group semi-annually, and reviews the internal control evaluation report and the statements of risk appetite of the Group annually, to evaluate the overall risk profile and the effectiveness of internal control system. After the evaluation, the Board held the opinion that the overall risk profile of the Group remained steady, the management and control of the asset quality was in line with expectations and core risk indicators were stable. The Board also believed that the Bank had maintained effective internal control of financial reporting in all the major aspects, in compliance with the requirements of the system of rules for enterprise internal control and other relevant regulations.

All directors keep contact with the secretary to the Board and the company secretary, to ensure compliance with board procedures and all applicable rules and regulations. Detailed minutes of board meetings are kept by the secretary to the Board, and are available for review by directors at any time.

Communication and reporting mechanism has been established between the Board, directors and senior management. The president reports his work to the Board on a regular basis, and is supervised by the Board. Relevant senior management are invited to attend board meetings from time to time to provide explanations or reply to enquiries.

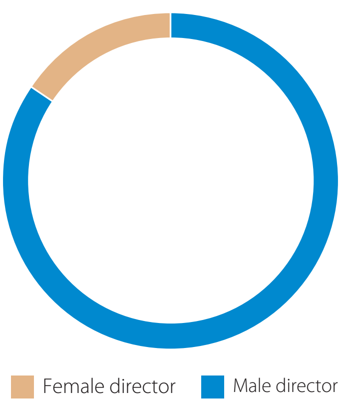
At board meetings, directors can express their opinions freely, and major decisions are made only after thorough discussions. Directors may also engage independent professional institutions at the Bank's expense after going through due procedures, if they deem it necessary to get independent professional opinions. If any director has interests in a proposal to be considered by the Board, he or she should abstain from discussion and voting on the relevant proposal, and will not be counted in the quorum of the relevant proposal.

The Bank effected directors' liability insurance policy for all directors in 2021.

Board meetings

In 2021, the Board of the Bank had eight meetings, held on 5 February, 26 March, 28 April, 25 June, 25 July, 27 August, 29 September and 29 October respectively. At these meetings, the Board reviewed the following proposals: the Bank's outline of the development plan for the 14th Five-Year Plan Period and vision 2035, strategic development plan for Inclusive Finance (2021-2023), FinTech Strategic Plan (2021-2025), annual business plan and fixed assets investment budget, the election of directors, the appointment of senior management, periodic reports, profit distribution plan, the issuance of capital instruments, provisional limit on charitable donations, data centre construction projects, etc. The board members' attendances of board meetings in 2021 are set out as follows.

Board members	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Executive director		
Mr. Tian Guoli	7/8	1/8
Non-executive directors		
Mr. Xu Jiandong	8/8	0/8
Mr. Zhang Qi	8/8	0/8
Mr. Tian Bo	8/8	0/8
Mr. Xia Yang	8/8	0/8
Ms. Shao Min	8/8	0/8
Ms. Liu Fang	8/8	0/8
Independent non-executive directors		
Sir Malcolm Christopher McCarthy	8/8	0/8
Mr. Kenneth Patrick Chung	8/8	0/8
Mr. Graeme Wheeler	7/8	1/8
Mr. Michel Madelain	8/8	0/8
Mr. William Coen	5/5	0/5
Mr. Leung Kam Chung, Antony	1/1	0/1
Resigned directors		
Mr. Wang Jiang	5/7	2/7
Mr. Lyu Jiajin	3/3	0/3
Ms. Feng Bing	0/0	0/0
Ms. Anita Fung Yuen Mei	4/4	0/4
Mr. Carl Walter	4/4	0/4



Duty performance of directors

Facing the regular pandemic prevention and control, the 2021 annual general meeting and the meetings of the Board and its special committees were held with the combination of onsite and online. All directors overcame the impact of time difference and persistent global pandemic, performed duties diligently pursuant to specific requirements of domestic and overseas laws and regulations, regulatory requirements, the Bank's Articles of Association and the Rules of Procedure for the board of directors, and successfully completed their work with high quality. During the year, three shareholders' general meetings were convened, to which the Board proposed 15 proposals, including final financial accounts, profit distribution plan, fixed assets budget, additional limit on poverty alleviation donations, election of directors and other major issues, protecting the legitimate rights and interests of shareholders. During the year, the board of directors held eight meetings, at which the board of directors considered 64 proposals, reviewed 19 written reports, and debriefed 24 committee reports, giving the decision making and the strategic guiding role of the board of directors to full play.

The board members paid close attention to the external situations, strengthened the research on macro situations, studied major issues of the Bank in multiple ways, including symposiums on strategies, special researches, policies interpretation and communication meetings. It focused on supporting national strategies, consolidating traditional advantages, participating in international competition and supporting high-quality development of the economy, on promoting the formulation of the strategic plans for inclusive finance and FinTech of the Bank, supervised the implementation of the Three Major Strategies and digital construction, on improving the development of systems and mechanisms, including remuneration's incentive and restraint system, credit and risk management mechanism and ESG governance mechanism, and provided feasible comments and suggestions. The relevant suggestions have been adopted in the operation and management of the Bank.

Please refer to "Corporate Governance Report – Shareholders' General Meeting" for details of the attendances of directors at the shareholders' general meeting.

Please refer to "Corporate Governance Report – Board of Directors" for details of the attendances of directors at the meetings of the board of directors.

Please refer to "Corporate Governance Report – Committees under the Board "for details of the attendances of directors at meetings of the board committees.

Please refer to the *Work Report of Independent Directors for the Year of 2021* for details of duty performance of independent non-executive directors of the Bank during the reporting period, which would be disclosed by the Bank on the same day of this annual report.

Special statement and independent opinion given by independent non-executive directors regarding the external guarantees provided by the Bank

In accordance with laws and regulations and relevant regulatory requirements and based on the principles of impartiality, fairness, and objectiveness, the independent non-executive directors of the Bank, including Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler, Mr. Michel Madelain, Mr. William Coen and Mr. Leung Kam Chung, Antony made the following statements on external guarantees provided by the Bank:

The external guarantee business provided by the Bank has been approved by the regulators, and is part of the ordinary business of the Bank. With respect to the risks arising from guarantee business, the Bank formulated specific management measures, operation processes and approval procedures, and carried out the business accordingly. The guarantee business of the Bank is mainly in the form of letter of guarantees. As at 31 December 2021, the balance under the letter of guarantees issued by the Group was approximately RMB1,289,600 million.

Accountability of directors in relation to financial statements

The directors are responsible for overseeing the preparation of financial statements for each accounting period to give a true and fair view of the Group's financial position, operating results and cash flows.

During the reporting period, the Bank published annual report 2020, first quarter report of 2021, half-year report 2021, and third quarter report of 2021 in accordance with relevant laws, regulations and listing rules of the listing venues.

Training of directors

All directors of the Bank took part in domestic and overseas anti-corruption laws and regulations training, and directors' compliance training on the US Bank Secrecy Act and AML laws. Mr. Xu Jiandong, Mr. Zhang Qi, Mr. Tian Bo, Mr. Xia Yang, Ms. Shao Min and Ms. Liu Fang attended corporate governance training of China's Banking Association. All independent non-executive directors completed the training required by the Hong Kong Stock Exchange and the Shanghai Stock Exchange, including the role and key duties of independent non-executive directors in the corporate governance structure, the rights and obligations of independent non-executive directors, inside information, related party transactions, notifiable transactions, and main requirements on independent non-executive directors by other applicable laws and regulations. Ms. Shao Min participated in special training including governance experience sharing and compliance operation. Ms. Liu Fang participated in special training covering macro trends, information disclosure and obligations and responsibilities of directors and supervisors, and direct financing. Mr. Kenneth Patrick Chung participated in the trainings including IFRS accounting standards and corporate governance organised by the Hong Kong Institute of Certified Public Accountants, as well as trainings regarding No.17 IFRS and ORSA organised by Hong Kong Insurance Authority.

Training of company secretary

In 2021, Mr. Ma Chan Chi, company secretary of the Bank, participated in several specialised training courses and workshops, which included company secretarial practice training, listed company information disclosure, retention of personal data, ESG reporting, FinTech and innovation, and AML refresher courses. The training totalled over 15 hours, which was in compliance with the requirements of the Listing Rules of Hong Kong Stock Exchange.

Compliance with Model Code for Securities Transactions by Directors

The Bank has adopted a code of practice in relation to securities transactions by directors and supervisors as set out in the Appendix 10 *Model Code for Securities Transactions by Directors of Listed Issuers* to the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors had complied with the provisions of this code for the year ended 31 December 2021.

Independent operating capability

The Bank is independent from Huijin, its controlling shareholder, with respect to business, personnel, assets, institutional and financial matters. The Bank has independent and complete operating assets as well as independent operating capability, and is able to survive in the market on its own.

COMMITTEES UNDER THE BOARD

There are five committees under the Board: strategy development committee, audit committee, risk management committee, nomination and remuneration committee, and related party transaction, social responsibility and consumer protection committee. More than half of the members of the last four committees are independent non-executive directors.

As of the disclosure date, details of the positions of the Bank's directors in committees under the Board are as follows.

Committees under the board of directors	Strategy development committee	Audit committee	Risk management committee	Nomination and remuneration committee	Related party transaction, social responsibility and consumer protection committee
Executive director					
Mr. Tian Guoli	Chairman				
Non-executive directors					
Mr. Xu Jiandong	Member		Member		
Mr. Zhang Qi	Member			Member	
Mr. Tian Bo	Member	Member			
Mr. Xia Yang	Member		Member		
Ms. Shao Min	Member			Member	
Ms. Liu Fang	Member	Member			
Independent non-executive directors					
Sir Malcolm Christopher McCarthy	Member		Member	Chairman	
Mr. Kenneth Patrick Chung	Member	Chairman	Member		Member
Mr. Graeme Wheeler		Member	Member	Member	Chairman
Mr. Michel Madelain		Member	Member	Member	Member
Mr. William Coen		Member	Member		Member
Mr. Leung Kam Chung, Antony	Member		Chairman	Member	

1. From March 2022, Mr. Wang Jiang ceased to serve as vice chairman, executive director, member of the strategy development committee and the risk management committee of the Board.
2. From January 2021, Mr. Xu Jiandong ceased to serve as member of the audit committee of the Board.
3. From January 2021, Ms. Shao Min commenced her position as non-executive director, member of the strategy development committee and the nomination and remuneration committee of the Board.
4. From January 2021, Ms. Liu Fang commenced her position as non-executive director, member of the strategy development committee and the audit committee of the Board.
5. From April 2021, Mr. Michel Madelain commenced his position as member of the related party transaction, social responsibility and consumer protection committee of the Board.
6. From June 2021, Mr. William Coen commenced his position as independent non-executive director, member of the audit committee, the risk management committee and the related party transaction, social responsibility and consumer protection committee of the Board.
7. From October 2021, Mr. Leung Kam Chung, Antony commenced his position as independent non-executive director, chairman of the risk management committee, member of the strategy development committee and the nomination and remuneration committee of the Board.
8. From May 2021, Mr. Lyu Jiajin ceased to serve as executive director, member of the strategy development committee and related party transaction, social responsibility and consumer protection committee of the Board.
9. From January 2021, Ms. Feng Bing ceased to serve as non-executive director, member of the strategy development committee and the nomination and remuneration committee of the Board.
10. From June 2021, Ms. Anita Fung Yuen Mei ceased to serve as independent non-executive director, member of the strategy development committee, the risk management committee and the nomination and remuneration committee of the Board.
11. From June 2021, Mr. Carl Walter ceased to serve as independent non-executive director, chairman of the risk management committee, member of the strategy development committee, the audit committee and the related party transaction, social responsibility and consumer protection committee of the Board.

Strategy development committee

At the end of 2021, the strategy development committee consists of 11 directors. Mr. Tian Guoli, chairman of the Board, serves as chairman of the strategy development committee. Members include Mr. Wang Jiang, Mr. Xu Jiandong, Mr. Zhang Qi, Mr. Tian Bo, Mr. Xia Yang, Ms. Shao Min, Ms. Liu Fang, Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung and Mr. Leung Kam Chung, Antony. Two of these members are executive directors, six are non-executive directors, and three are independent non-executive directors.

The primary responsibilities of the strategy development committee include:

- drafting strategies and development plans, supervising and assessing implementation thereof;
- reviewing annual business plans and fixed assets investment budgets;
- reviewing the implementation of annual business plans and fixed assets investment budgets;
- evaluating the coordinated development of various businesses;
- reviewing material restructuring and re-organisation plans;
- reviewing significant investment and financing projects of the Bank;
- exercising the power over equity investment, IT planning, capital adequacy ratio management and other matters within the scope of the Board's authorisation; and
- other duties authorised by the Board.

In 2021, the strategy development committee held six meetings in total. The committee enhanced research on the macroeconomic situations, analysed in depth the opportunities, risks and challenges faced by the Bank and proposed targeted strategies. Based on the new stage of development, the committee systematically planned for the Bank's 14th Five-Year Development Plan, Inclusive Finance, FinTech and other major strategies, and promoted the implementation of New Finance initiatives so as to enhance the strength of financial services to serve the real economy. The committee supported the issuance of capital instruments to help the Bank replenish capital through multiple channels and reinforce risk resistance ability continuously. The committee actively promoted the Bank to fulfill its social responsibility as a major state-owned bank and provide coordinated support for epidemic prevention and control, flood relief and sustainable economic and social development.

Members of strategy development committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Mr. Tian Guoli	6/6	0/6
Mr. Xu Jiandong	6/6	0/6
Mr. Zhang Qi	6/6	0/6
Mr. Tian Bo	6/6	0/6
Mr. Xia Yang	6/6	0/6
Ms. Shao Min	6/6	0/6
Ms. Liu Fang	6/6	0/6
Sir Malcolm Christopher McCarthy	6/6	0/6
Mr. Kenneth Patrick Chung	6/6	0/6
Mr. Leung Kam Chung, Antony	1/1	0/1
Resigned members		
Mr. Wang Jiang	5/6	1/6
Mr. Lyu Jiajin	3/3	0/3
Ms. Feng Bing	0/0	0/0
Ms. Anita Fung Yuen Mei	4/4	0/4
Mr. Carl Walter	4/4	0/4

In 2022, the strategy development committee will adhere to the principle of seeking progress while maintaining stability, implement the new development concept in a complete, accurate and comprehensive manner, implement the New Finance initiatives in depth and empower high-quality development with New Finance. To give the guiding role of strategies full play, it will strengthen the supervision and evaluation of the implementation of the Bank's 14th Five-Year Plan and other major strategies, so as to ensure the fulfillment of strategic planning goals and tasks. It will proactively integrate into the overall development of green and low-carbon transformation of the economy and society, and implement the country's major strategic deployment for "achieving carbon peak and carbon neutrality". The committee will promote the implementation of capital planning, so as to maintain capital adequacy and enhance the ability to serve the real economy and prevent and mitigate risks.

Audit committee

The audit committee of the Bank consisted of six directors. Mr. Kenneth Patrick Chung, independent non-executive director of the Bank, serves as chairman of the audit committee. Members include Mr. Tian Bo, Ms. Liu Fang, Mr. Graeme Wheeler, Mr. Michel Madelain and Mr. William Coen. Two of these members are non-executive directors and four are independent non-executive directors. The composition of the audit committee meets the requirements of corporate governance and domestic and overseas regulations.

The primary responsibilities of the audit committee include:

- monitoring the financial reports, reviewing the disclosure of accounting information and significant events of the Bank;
- monitoring and assessing the internal controls of the Bank;
- monitoring and assessing the internal auditing work of the Bank;
- monitoring and assessing the external auditing work;
- paying attention to potential misconducts and ensuring appropriate arrangements;
- reporting work to the Board; and
- other duties and powers authorised by the Board.

In 2021, the audit committee convened six formal meetings, one pre-communication meeting for annual report and one for half-year financial report, and two separate meetings with external auditors. The audit committee put forward important opinions and suggestions and support the decision-making process of the Board by paying special attention to the following aspects:

Supervising and reviewing periodic reports. The committee reviewed annual report 2020 and half-year report 2021 and related summaries and results announcements, and the first and third quarter reports of 2021, adhered to the practice of pre-communication before annual and half-year report approval and fully exchanged views with the management and external auditors. The committee paid attention to and promoted the remediation of existing wealth management assets, closely followed the measurement and disclosure of expected credit losses, and urged continuous optimisation of related disclosures in periodic reports. The committee also paid attention to the impact of the COVID-19 pandemic, macroeconomic situation and changes in regulatory policy on the asset quality.

In terms of the annual report, pursuant to requirements of the CSRC and the Bank's annual report working procedures for the audit committee of the Board, the audit committee reviewed the annual financial report of the Bank, and fully communicated with the management and formed written opinions before the commencement of onsite work of external auditors. Based on the initial audit opinions given by the external auditors, the committee strengthened communication with external auditors and reviewed the annual financial report again. After the completion of the audit, the audit committee reviewed and voted on the annual financial report, and submitted it to the Board for deliberation.

Overseeing and evaluating external audit. The committee oversaw the annual assessment of external auditors, which was taken as an important consideration for engaging external auditors. It agreed to continue to engage Ernst & Young as the Bank's external auditor for 2021, submitted the proposal to the Board for review, and reviewed and approved the 2021 external audit service contract. The committee debriefed on the external audit plan and the updates and implementation thereof, and regularly listened to reports on the external audit of the financial reports. It studied the management suggestions from the external auditors, communicated over key audit matters, and accepted regular filings of work summaries of external auditors.

Overseeing and assessing internal control and internal audit. The committee attached importance to internal control, assessed the effectiveness of internal control on a regular basis, issued the assessment report and disclosed to the public. The committee paid attention to internal control defects identified by internal and external auditors and those found in internal control assessment, and promoted the continuous improvement and perfection of the internal control. The committee paid attention to internal audit, debriefed on the internal audit plan and related updates, and ensured that internal audit had sufficient resources for operation. It regularly listened to the summary report on internal audit findings, continued to promote related rectifications, and promoted the coordination between the internal and external audit.

Members of audit committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Mr. Kenneth Patrick Chung	6/6	0/6
Mr. Tian Bo	6/6	0/6
Ms. Liu Fang	6/6	0/6
Mr. Graeme Wheeler	6/6	0/6
Mr. Michel Madelain	6/6	0/6
Mr. William Coen	2/2	0/2
Resigned members		
Mr. Xu Jiandong	0/0	0/0
Mr. Carl Walter	4/4	0/4

In 2022, the audit committee will continue to strengthen the supervision of periodic reports to comply with accounting standards as well as domestic and overseas regulatory requirements, optimise disclosures related to periodic reports, and provide professional advice to the Board. It will monitor and evaluate the external audits, and promote the improvement of service quality of external auditors. It will monitor and guide the internal audits, and urge rectifications related to audit findings. It will enhance the monitoring and evaluation of internal control, urge the continuous improvement of the robustness and effectiveness of the internal control system. The audit committee will also assist the Board in other relevant work as authorised by the Board.

Risk management committee

At the end of 2021, the risk management committee of the Bank consists of nine directors. Mr. Leung Kam Chung, Antony, independent non-executive director of the Bank, serves as chairman of the risk management committee. Members include Mr. Wang Jiang, Mr. Xu Jiandong, Mr. Xia Yang, Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler, Mr. Michel Madelain and Mr. William Coen. One of these members is executive director, two are non-executive directors and six are independent non-executive directors.

The primary responsibilities of the risk management committee include:

- reviewing the risk management policies in accordance with the overall strategy of the Bank, monitoring and assessing their implementation and effectiveness;
- supervising and examining continuously the effectiveness of risk management system;
- providing guidance on the building of risk management system of the Bank;
- monitoring and assessing the establishment, organisational structure, working procedures and effectiveness of risk management departments, and providing suggestions on improvement;
- reviewing the Bank's risk report, conducting periodic assessment of risk profile, and providing suggestions on improvement of risk management of the Bank;
- evaluating the performance of the Bank's senior management members responsible for risk management;
- supervising the compliance of core businesses, management systems and major operation activities of the Bank;
- taking the responsibilities of the US risk management committee as well; and
- other duties and powers authorised by the Board.

In 2021, the risk management committee convened seven meetings in total. The risk management committee guided the management to consolidate the construction of risk management system, improve the quality and effectiveness of rectification of issues identified by regulators and implement regulatory requirements on global systematically important banks. It conducted in-depth thematic studies on the rectification of existing WMPs, online business risks and operational risks, organised research on hotspot issues, including Brexit, ESG-related risk reporting framework, e-CNY and the Evergrande issue and promoted the Group's comprehensive risk management, such as consolidation, compliance and AML. It actively studied and responded to U.S. sanctions risk, fully performed the duties of the U.S. risk management committee and played an important role in supporting the Board's scientific decision-making and overall improvement of the Bank's risk management standard.

Under the framework of overall risk management system, the risk management committee continued to supervise and review the effectiveness of the risk management system of the Bank. The Board and the risk management committee of the Bank heard the management's reports on the overall risk management of the Group on a semi-annual basis. Please refer to "Management Discussion and Analysis – Risk Management" for details of risk management.

Members of risk management committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Mr. Leung Kam Chung, Antony	2/2	0/2
Mr. Xu Jiandong	7/7	0/7
Mr. Xia Yang	6/7	0/7
Sir Malcolm Christopher McCarthy	7/7	0/7
Mr. Kenneth Patrick Chung	6/7	1/7
Mr. Graeme Wheeler	7/7	0/7
Mr. Michel Madelain	7/7	0/7
Mr. William Coen	3/3	0/3
Resigned members		
Mr. Wang Jiang	3/5	2/5
Ms. Anita Fung Yuen Mei	4/4	0/4
Mr. Carl Walter	4/4	0/4

In 2022, the risk management committee will continue to conscientiously perform its duties and improve the comprehensive and proactive intelligent risk management and control system. It will guide the orderly rectification of problems identified in regulatory inspections and strengthen the effectiveness of rectification work. It will continue to promote the fulfillment of the regulatory requirements on global systemically important banks to achieve compliance of capacity indicators. It will carry out in-depth studies on particular risk themes, pay close attention to the risks and challenges arising from the complex economic and financial situation and uncertainties at home and abroad and actively promote the management to strengthen the analysis and prevention and control of ESG-related risks such as climate and environmental risk and new types of risks such as data security, technology and cyber risks. The committee will promote the Group's management of consolidation, compliance and AML and improve the proactive, scientific and forward-looking risk management. It will enhance risk management of combined U.S. operations, and enhance the comprehensive risk management capabilities.

Nomination and remuneration committee

The nomination and remuneration committee consists of six directors. Sir Malcolm Christopher McCarthy, independent non-executive director of the Bank, serves as chairman of the nomination and remuneration committee. Members include Mr. Zhang Qi, Ms. Shao Min, Mr. Graeme Wheeler, Mr. Michel Madelain and Mr. Leung Kam Chung, Antony. Two of these members are non-executive directors and four are independent non-executive directors.

The primary responsibilities of the nomination and remuneration committee include:

- formulating criteria and procedures for the selection and appointment of directors and senior management;
- proposing candidates for directors, president, chief audit officer, secretary to the Board and members of special committees under the Board to the Board;
- reviewing the structure, number of members and composition of the Board (including aspects on expertise, knowledge and experience) and proposing suggestions on the adjustment of the Board to implement the corporate strategies of the Bank;
- evaluating the performance of Board members;
- reviewing candidates for senior management nominated by the president;
- formulating development plans for senior management and key back-up personnel;
- reviewing the remuneration management rules submitted by the president;
- organising the formulation of performance evaluation measures for directors and senior management and submitting the measures to the Board for deliberation;
- organising performance appraisal of directors and senior management; proposing suggestions on the remuneration distribution plan for directors and senior management in accordance with the performance appraisal results and the board of supervisors' performance evaluations and submitting the plan to the Board for deliberation;
- proposing suggestions on the remuneration distribution plan for supervisors in accordance with the performance appraisal of the supervisors by the board of supervisors and submitting the plan to the Board for deliberation;
- monitoring the implementation of the Bank's rules on performance appraisal and remuneration; and
- other duties authorised by the Board.

In 2021, the nomination and remuneration committee convened seven meetings in total. Regarding nomination, the committee proposed to the Board on the re-election of and candidates for executive directors and independent non-executive directors, candidates for members of special committees under the Board and candidates for senior management; and ensured that the nominees were eligible for these positions, complied with laws, administrative regulations, rules and the Articles of Association of the Bank and performed their duties diligently for the Bank. The nomination and remuneration committee held that during the reporting period, the composition of the Board of the Bank was in conformity with the requirements of the *Diversity Policy for the Board of Directors*. Regarding remuneration and performance appraisal, the nomination and remuneration committee studied domestic regulatory policies on remuneration, organised the formulation of the settlement plan of the remuneration for directors, supervisors and senior management of the Bank for 2020, optimised and improved the performance appraisal plans for executive directors and senior management for 2021. The committee attached importance to the development and training of key back-up talents and the development of the Training Centre and paid attention to the employee remuneration. It guided the optimisation of the renewal plan of liability insurance for directors, supervisors and the senior management. It also put forward opinions and suggestions on continuously improving the quality and efficiency of operations of the Board, promoting the diversity of the board members, improving the performance appraisal plans for the executive directors and senior management, improving the remuneration incentive system and enhancing talent development and training.

Members of nomination and remuneration committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Sir Malcolm Christopher McCarthy	7/7	0/7
Mr. Zhang Qi	7/7	0/7
Ms. Shao Min	7/7	0/7
Mr. Graeme Wheeler	7/7	0/7
Mr. Michel Madelain	7/7	0/7
Mr. Leung Kam Chung, Antony	1/1	0/1
Resigned members		
Ms. Feng Bing	0/0	0/0
Ms. Anita Fung Yuen Mei	4/4	0/4

In 2022, the nomination and remuneration committee will strengthen self-improvement, continue to accomplish the work in relation to nomination, review the structure, number of members and composition of the Board and supervise the performance of the board members. It will further refine the remuneration and performance appraisal measures for the directors and senior management in accordance with the national remuneration regulatory policies. It will put forward the remuneration settlement plan for directors, supervisors and senior management for 2021 and pay attention to the remuneration system and the personnel training of the Bank.

Related party transaction, social responsibility and consumer protection committee

The related party transaction, social responsibility and consumer protection committee of the Bank consists of four directors. Mr. Graeme Wheeler, independent non-executive director of the Bank, serves as chairman of the related party transaction, social responsibility and consumer protection committee. Members include Mr. Kenneth Patrick Chung, Mr. Michel Madelain and Mr. William Coen. All of the members are independent non-executive directors.

The primary responsibilities of the related party transaction, social responsibility and consumer protection committee include:

- designing and proposing measurement standards for material related party transactions and the policies for related party transaction management and policies for internal approval and filing of the Bank according to the requirements of rules, regulations and the Articles of Association of the Bank, and submitting the same to the Board of Directors for approval;
- identifying the related parties of the Bank, reporting them to the Board of Directors and the Board of Supervisors, and making them public towards relevant personnel of the Bank;
- accepting the filing for general related party transactions, or approving general related party transactions when necessary;
- reviewing material related party transactions, submitting them to the Board of Directors for approval, and reporting them to the Board of Supervisors;
- studying and formulating the social responsibility strategy and policy of the Bank;
- monitoring, inspecting and assessing the Bank's fulfillment of social responsibilities, guiding and overseeing the production of the corporate social responsibility report;
- studying and formulating the ESG management guidelines and strategies of the Bank, regularly tracking and evaluating the progress in ESG, guiding and supervising related information disclosure;
- studying and formulating the Bank's green finance strategy, and supervising and evaluating the implementation of the strategy;
- supervising and instructing on senior management to promote Inclusive Finance related work;
- guiding and supervising the establishment and improvement of the management system for consumer protection, supervising the senior management's implementation of the relevant work, and guiding the disclosure of major information in consumer protection; and
- other duties and powers authorised by the Board.

In 2021, the related party transaction, social responsibility and consumer protection committee convened nine meetings in total. The committee supervised and guided the management to improve the reporting of related party transactions and implement standardised and refined management of related party transactions in accordance with domestic and overseas regulatory requirements. It supervised the establishment and improvement of management system for consumer protection, continuously promoted the robustness of strategies, policies and objectives of consumer protection, oversaw the execution of consumer protection programs, and promoted Banks' compliance operation and healthy business development. It tracked and increased supervision of businesses such as house rental, inclusive finance and finance for rural revitalisation, enhanced refined business management, and maximised the social benefits of New Finance initiatives. It reviewed the social responsibility report, continuously monitored the execution of charitable donations, urged the management to thoroughly implement the concept of green development, and promoted the development of green finance. It defined the ESG-related responsibilities of the committee, tracked the development trend of ESG in and out of China, strengthened external communication with ESG-related institutions, and internally supervised the continuous improvement of the ESG governance structure and the integration of ESG concept into strategic promotion and operational management to promote the Bank's sustainable development.

Members of related party transaction, social responsibility and consumer protection committee	Number of meetings attended in person/ number of meetings during term of office	Number of meetings attended by proxy/ number of meetings during term of office
Mr. Graeme Wheeler	9/9	0/9
Mr. Kenneth Patrick Chung	9/9	0/9
Mr. Michel Madelain	6/6	0/6
Mr. William Coen	4/4	0/4
Resigned members		
Mr. Lyu Jiajin	2/4	2/4
Mr. Carl Walter	5/5	0/5

In 2022, the related party transaction, social responsibility and consumer protection committee will strengthen the supervision and management of the related party transactions, improve the protection of consumer rights and interests, monitor and guide the promotion of ESG work, and promote the development of green finance. It will monitor and promote the implementation of the strategies of inclusive finance, finance for rural revitalisation and house rental. It will monitor and guide the fulfilment of social responsibility, the implementation of charitable donations and review the social responsibility report. It will also assist the Board in relevant work as authorised by the Board.

BOARD OF SUPERVISORS

Responsibilities of the board of supervisors

The board of supervisors, being the supervisory body of the Bank, is accountable to the shareholders' general meeting and performs the following functions in accordance with relevant laws:

- supervising the performance of the Board, senior management and their members;
- requiring the directors and senior management to correct their acts when their acts infringe the interests of the Bank;
- inspecting and supervising the financial activities of the Bank;
- verifying the financial information, including financial reports, business reports and profit distribution plans that are proposed to be submitted to the shareholders' general meeting by the Board;
- supervising the Bank's business decisions, risk management, internal control, etc., and providing guidance on the internal audit work of the Bank; and
- exercising other duties authorised by the Articles of Association of the Bank and the shareholders' general meeting.

Composition of the board of supervisors

At the end of 2021, the board of supervisors of the Bank consists of nine supervisors, including three shareholder representative supervisors, namely Mr. Wang Yongqing, Mr. Yang Fenglai and Mr. Lin Hong, three employee representative supervisors, namely Mr. Wang Yi, Mr. Liu Jun and Mr. Deng Aibing, and three external supervisors, namely Mr. Zhao Xijun, Mr. Liu Huan and Mr. Ben Shenglin.

The term of office of the supervisors is three years, and they may be re-elected upon expiration of their term of office. The shareholder representative supervisors and the external supervisors of the Bank are elected by the shareholders' general meeting, and the employee representative supervisors are elected by the employee representative organisation.

Chairman of the board of supervisors

Mr. Wang Yongqing is the chairman of the board of supervisors of the Bank, and is responsible for the organisation of the performance of the duties of the board of supervisors.

Operation of the board of supervisors

The board of supervisors convenes regular meetings no fewer than four times a year, and extraordinary meetings are convened, if and when required. Meetings of the board of supervisors may be convened by on-site conference or written resolutions. Supervisors are generally notified in writing ten days prior to the meeting, with meeting agenda specified in the written notice. During the meeting, the supervisors are free to express their opinions, and important decisions are only made after detailed discussions.

Detailed minutes are prepared for the meetings of the board of supervisors and are provided to all supervisors. The board of supervisors may engage external legal advisors or certified public accountants at the Bank's expense if it deems it necessary to discharge its duties. The Bank takes necessary measures and methods to ensure supervisors' right to information, and provides relevant information and documents to them in accordance with related regulations.

Supervisors may attend board meetings as non-voting attendees, and the board of supervisors may, when it deems necessary, assign supervisors to attend as non-voting attendees' meetings of the Bank such as meetings of board committees, annual work conference, meetings on business operation analysis, and presidents' executive meetings. The board of supervisors of the Bank also carries out supervisory work through measures such as information review, researches and inspections, interviews and panel discussions, and performance evaluation polls.

The Bank effected supervisors' liability insurance policy for all supervisors in 2021.

Meetings of the board of supervisors

In 2021, the board of supervisors convened five meetings, which were held on 1 March, 26 March, 28 April, 27 August, 29 October respectively. Major resolutions reviewed and approved included the reports of the board of supervisors, supervisory work plan, periodic reports of the Bank, profit distribution plan, nominations of shareholder representative supervisors, and the assessment report on internal control for the year 2020. Relevant information was disclosed pursuant to the provisions of relevant laws, regulations and listing rules of the listing venues.

The following table sets forth the attendances of supervisors at the meetings of the board of supervisors in 2021:

Members of the board of supervisors	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Shareholder representative supervisors		
Mr. Wang Yongqing	5/5	0/5
Mr. Yang Fenglai	5/5	0/5
Mr. Lin Hong	0/0	0/0
Employee representative supervisors		
Mr. Wang Yi	5/5	0/5
Mr. Liu Jun	0/0	0/0
Mr. Deng Aibing	0/0	0/0
External supervisor		
Mr. Zhao Xijun	5/5	0/5
Mr. Liu Huan	5/5	0/5
Mr. Ben Shenglin	5/5	0/5
Resigned supervisors		
Mr. Wu Jianhang	3/3	0/3
Mr. Lu Kegui	5/5	0/5
Mr. Cheng Yuanguo	1/1	0/1

Duty performance of external supervisors

In 2021, Mr. Zhao Xijun, Mr. Liu Huan, Mr. Ben Shenglin, the external supervisors of the Bank, duly performed their duties, attended the meetings of the board of supervisors and special committees thereof, and participated in the studies and decision-making of major issues of the board of supervisors. They proactively attended major meetings of the Board, the special committees under the Board and the management as non-voting attendees, participated in the thematic researches organised by the board of supervisors, provided policy suggestions by leveraging their experience and expertise, and contributed to the effective supervision of the board of supervisors.

COMMITTEES UNDER THE BOARD OF SUPERVISORS

The performance and due diligence supervision committee and the finance and internal control supervision committee are established under the board of supervisors.

Performance and due diligence supervision committee

The performance and due diligence supervision committee consists of six supervisors. Mr. Wang Yongqing, chairman of the board of supervisors, serves as chairman of the performance and due diligence supervision committee. Members include Mr. Yang Fenglai, Mr. Lin Hong, Mr. Deng Aibing, Mr. Zhao Xijun and Mr. Liu Huan.

The primary responsibilities of the performance and due diligence supervision committee:

- formulating rules, work plans and schemes, and implementation plans for supervision and inspection, in connection with the supervision and assessment of the performance of the Board, senior management and their members, and implementing or organising the implementation of such rules, plans and schemes after the board of supervisors' approval;
- issuing evaluation report on the performance of the Board, senior management and their members; and
- organising the formulation of performance evaluation measures for the supervisors, and organising the implementation of such measures.

In 2021, the performance and due diligence supervision committee convened four meetings, all on-site. The performance and due diligence supervision committee reviewed the report on evaluation of the performance of the Board, senior management and their members by the board of supervisors, and self-evaluation report on the performance of the board of supervisors and supervisors. It studied and formulated the work plan for performance supervision and evaluation for the year of 2021. It reviewed the proposals regarding the nomination of shareholder representative supervisors, the performance appraisal plan for shareholder representative supervisors of the Bank. The committee listened to reports including the implementation of the macro-prudential management of real estate finance, support for innovative technology enterprises, support for the rural revitalisation strategy and the development of the "Yunongtong" business. The committee organised the implementation of annual supervisory work, assisted the board of supervisors in the supervision and evaluation of the Board, senior management and their members and the self-evaluation of the board of supervisors.

Members of the performance and due diligence supervision committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Mr. Wang Yongqing	4/4	0/4
Mr. Yang Fenglai	4/4	0/4
Mr. Zhao Xijun	3/4	1/4
Mr. Liu Huan	4/4	0/4
Resigned members		
Mr. Wu Jianhang	2/2	0/2
Mr. Cheng Yuanguo	0/0	0/0

In 2022, the performance and due diligence supervision committee will carry out solid work in supervision of performance of duties and responsibilities, explore ways of improvement in work approaches, promote the improvement of the duty performance supervision mechanisms, and assist the board of supervisors in performance supervision and evaluation of the Board, senior management and their members.

Finance and internal control supervision committee

The finance and internal control supervision committee consists of six supervisors. Mr. Zhao Xijun, external supervisor, serves as chairman of the finance and internal control supervision committee. Members include Mr. Yang Fenglai, Mr. Lin Hong, Mr. Wang Yi, Mr. Liu Jun and Mr. Ben Shenglin.

The primary responsibilities of the finance and internal control supervision committee:

- formulating the rules, work plans and schemes in connection with supervision of finance and internal control, and implementing or organising the implementation of such rules, plans, and schemes after the approval of the board of supervisors;
- reviewing the annual financial reports of the Bank and the profit distribution plan prepared by the Board, and providing suggestions to the board of supervisors; and
- assisting the board of supervisors in organising the implementation of supervision and inspections on the finance and internal control of the Bank, as required by circumstances.

In 2021, the finance and internal control supervision committee convened five meetings, all on-site. It reviewed proposals including periodic reports, profit distribution plan and internal control evaluation report; listened to work reports on financial report auditing, internal audit findings and rectifications, and credit asset quality on a regular basis. The committee supervised and provided suggestions on internal control, acquisition and disposal of material assets, related party transactions and use of proceeds, etc. in accordance with regulatory provisions. It listened to special reports on green credit, risk appetite implementation and reassessment, overseas business strategy and risk management, risk management of the real estate industry and clients, risk management of investment and trading business, reputational risk management, promotion of the rectification of existing WMPs and the integrated development of the Group's capital management business, construction of employee behaviour management system, AML and sanctions compliance management, strengthening financial standardisation management and financial inspections etc. and put forward targeted suggestions, and helped the board of supervisors perform the supervision of finance, risk and internal control.

Members of the finance and internal control supervision committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Mr. Zhao Xijun	5/5	0/5
Mr. Yang Fenglai	4/5	1/5
Mr. Wang Yi	4/5	1/5
Mr. Ben Shenglin	4/5	1/5
Resigned members		
Mr. Wu Jianhang	3/3	0/3
Mr. Lu Kegui	5/5	0/5

In 2022, the finance and internal control supervision committee will perform its duties earnestly, continuously expand the breadth and depth of supervision, innovate the means of supervision, and continue to supervise the Bank's finance, risk and internal control well with increased force of supervision.

SENIOR MANAGEMENT

Responsibilities of senior management

The senior management is accountable to the Board and supervised by the board of supervisors. Authorisation to the senior management by the Board strictly complies with the Articles of Association of the Bank and other corporate governance documents. Pursuant to the Articles of Association of the Bank, president of the Bank exercises the following functions:

- presiding over the operation and management of the Bank, and organising the implementation of resolutions of the Board;
- submitting operation and investment plans of the Bank to the Board, and organising the implementation of such plans upon approval of the Board;
- formulating basic management rules of the Bank;
- authorising persons in charge of internal functional departments and branches to conduct operating activities;
- establishing president accountability system, and evaluating business performance of managers of business departments, managers of functional departments and general managers of branches of the Bank;
- proposing the convening of extraordinary board meetings; and
- exercising other functions that should be exercised by president according to laws, regulations, rules, the Articles of Association of the Bank, and decisions of the shareholders' general meeting and the Board.

Executive vice presidents and other senior management members of the Bank shall assist president with his work.

Operation of senior management

Based on the authorisation of the Articles of Association of the Bank and other corporate governance documents and the Board, the senior management organises operation and management activities of the Bank in an orderly manner. According to the strategies and targets determined by the Board, it makes comprehensive business plans and regularly reports to the Board on implementation of strategies and plans. The senior management analyses, researches and assesses internal and external environment, works out operation strategies and management measures, and makes timely adjustments in line with market changes. The senior management invites directors and supervisors to participate in important meetings and major events, takes advice and suggestions, and keeps close communication with the Board and the board of supervisors, so as to enhance the operation and management capabilities and operational efficiency of the Bank.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Particulars of directors, supervisors and senior management

Directors of the Bank

Name	Position	Gender	Age	Term of Office
Tian Guoli	Chairman, executive director	Male	61	October 2017 to 2022 annual general meeting
Xu Jiandong	Non-executive director	Male	58	June 2020 to 2022 annual general meeting
Zhang Qi	Non-executive director	Male	49	July 2017 to 2022 annual general meeting
Tian Bo	Non-executive director	Male	50	August 2019 to 2021 annual general meeting
Xia Yang	Non-executive director	Male	53	August 2019 to 2021 annual general meeting
Shao Min	Non-executive director	Female	57	January 2021 to 2022 annual general meeting
Liu Fang	Non-executive director	Female	48	January 2021 to 2022 annual general meeting
Malcolm Christopher McCarthy	Independent non-executive director	Male	78	August 2017 to 2022 annual general meeting
Kenneth Patrick Chung	Independent non-executive director	Male	64	November 2018 to 2023 annual general meeting
Graeme Wheeler	Independent non-executive director	Male	70	October 2019 to 2021 annual general meeting
Michel Madelain	Independent non-executive director	Male	66	January 2020 to 2021 annual general meeting
William Coen	Independent non-executive director	Male	59	June 2021 to 2023 annual general meeting
Leung Kam Chung, Antony	Independent non-executive director	Male	70	October 2021 to 2023 annual general meeting
Resigned directors				
Wang Jiang	Vice chairman, executive director	Male	58	March 2021 to March 2022
Lyu Jiajin	Executive director	Male	53	December 2020 to May 2021
Feng Bing	Non-executive director	Female	56	July 2017 to January 2021
Anita Fung Yuen Mei	Independent non-executive director	Female	61	October 2016 to June 2021
Carl Walter	Independent non-executive director	Male	74	October 2016 to June 2021

Supervisors of the Bank

Name	Position	Gender	Age	Term of Office
Wang Yongqing	Chairman of the board of supervisors, shareholder representative supervisor	Male	58	October 2019 to 2021 annual general meeting
Yang Fenglai	Shareholder representative supervisor	Male	59	June 2020 to 2022 annual general meeting
Lin Hong	Shareholder representative supervisor	Male	55	December 2021 to 2023 annual general meeting
Wang Yi	Employee representative supervisor	Male	59	May 2018 to 2023 annual general meeting
Liu Jun	Employee representative supervisor	Male	56	December 2021 to 2023 annual general meeting
Deng Aibing	Employee representative supervisor	Male	59	December 2021 to 2023 annual general meeting
Zhao Xijun	External supervisor	Male	58	June 2019 to 2021 annual general meeting
Liu Huan	External supervisor	Male	67	June 2020 to 2022 annual general meeting
Ben Shenglin	External supervisor	Male	56	June 2020 to 2022 annual general meeting
Resigned supervisors				
Wu Jianhang	Shareholder representative supervisor	Male	60	June 2018 to June 2021
Lu Kegui	Employee representative supervisor	Male	60	May 2018 to December 2021
Cheng Yuanguo	Employee representative supervisor	Male	59	May 2018 to March 2021

Senior management of the Bank

Name	Position	Gender	Age	Term of Office
Ji Zhihong	Executive vice president	Male	53	August 2019 -
Wang Hao	Executive vice president	Male	50	October 2020 -
Zhang Min	Executive vice president	Female	51	December 2020 -
Li Yun	Executive vice president	Male	48	November 2021 -
Hu Changmiao	Secretary to the Board	Male	58	May 2019 -
Jin Panshi	Chief information officer	Male	57	March 2021 -
Cheng Yuanguo	Chief risk officer	Male	59	April 2021 -
Resigned senior management				
Wang Jiang	President	Male	58	February 2021 to March 2022
Lyu Jiajin	Executive vice president	Male	53	July 2020 to May 2021
Jin Yanmin	Chief risk officer	Male	60	May 2019 to April 2021
Zhang Yi	Chief financial officer	Male	51	April 2021 to September 2021

Shareholdings of directors, supervisors and senior management

During the reporting period, there was no change in the shareholdings of directors, supervisors and senior management of the Bank. Some of the Bank's directors, supervisors and senior management indirectly held H-shares of the Bank via employee stock incentive plan of the Bank before they assumed their current positions. Mr. Yang Fenglai held 16,789 H-shares, Mr. Lin Hong held 15,555 H-shares, Mr. Wang Yi held 13,023 H-shares, Mr. Liu Jun held 12,447 H-shares, Mr. Deng Aibing held 17,009 H-shares, Mr. Wang Hao held 12,108 H-shares, Ms. Zhang Min held 9,120 H-shares, Mr. Hu Changmiao held 17,709 H-shares, Mr. Cheng Yuanguo held 15,863 H-shares; Mr. Wang Jiang, the resigned vice chairman, executive director and president, held 15,417 H-shares, Mr. Wu Jianhang, the resigned supervisor, held 20,966 H-shares, Mr. Lu Kegui, the resigned supervisor, held 18,989 H-shares, Mr. Jin Yanmin, the resigned chief risk officer, held 15,739 H-shares and Mr. Zhang Yi, the resigned chief financial officer, held 9,848 H-shares. Apart from the above, the other directors, supervisors or senior management of the Bank did not hold any shares of the Bank.

Changes in Directors, Supervisors and Senior Management

Directors of the Bank

Upon election at the 2020 annual general meeting of the Bank, Mr. Kenneth Patrick Chung continued to serve as independent non-executive director of the Bank from June 2021. Upon election at the 2021 first extraordinary general meeting of the Bank and approval of the Board of the Bank, Mr. Wang Jiang commenced his position as vice chairman and executive director of the Bank from March 2021. Upon election at the 2020 first extraordinary general meeting of the Bank and approval of the CBIRC, Ms. Shao Min and Ms. Liu Fang commenced their positions as non-executive directors of the Bank from January 2021. Upon election at the 2020 annual general meeting of the Bank and approval of the CBIRC, Mr. Leung Kam Chung, Antony commenced his position as independent non-executive director of the Bank from October 2021. Upon election at the 2020 first extraordinary general meeting of the Bank and approval of the CBIRC, Mr. William Coen commenced his position as independent non-executive director of the Bank from June 2021.

Due to change of job, Mr. Wang Jiang ceased to serve as vice chairman and executive director of the Bank from March 2022. Due to expiration of their terms of office, Ms. Anita Fung Yuen Mei and Mr. Carl Walter ceased to serve as independent non-executive directors of the Bank from June 2021. Due to change of job, Mr. Lyu Jiajin ceased to serve as executive director of the Bank from May 2021. Due to change of work, Ms. Feng Bing ceased to serve as non-executive director of the Bank from January 2021.

Supervisors of the Bank

Upon election at the second session of the fifth employee representatives' meeting of the Bank, Mr. Wang Yi continued to serve as employee representative supervisor of the Bank from December 2021. Upon election at the 2021 second extraordinary general meeting of the Bank, Mr. Lin Hong commenced his position as the shareholder representative supervisor of the Bank from December 2021. Upon election at the second session of the fifth employee representatives' meeting of the Bank, Mr. Liu Jun and Mr. Deng Aibing commenced their positions as employee representative supervisors of the Bank from December 2021.

Due to expiration of his term of office, Mr. Lu Kegui ceased to serve as employee representative supervisor of the Bank from December 2021. Due to expiration of his term of office, Mr. Wu Jianhang ceased to serve as shareholder representative supervisor of the Bank from June 2021. Due to change of work, Mr. Cheng Yuanguo ceased to serve as employee representative supervisor of the Bank from March 2021.

Senior Management of the Bank

Upon appointment of the Board of the Bank and approval of the CBIRC, Mr. Li Yun commenced his position as executive vice president of the Bank from November 2021. Upon appointment of the Board of the Bank and approval of the CBIRC, Mr. Cheng Yuanguo commenced his position as chief risk officer of the Bank from April 2021. Upon appointment of the Board of the Bank and approval of the CBIRC, Mr. Zhang Yi commenced his position as chief financial officer of the Bank from April 2021. Upon appointment of the Board of the Bank and filing with the CBIRC, Mr. Jin Panshi commenced his position as chief information officer of the Bank from March 2021. Upon appointment of the Board of the Bank and filing with the CBIRC, Mr. Wang Jiang commenced his position as president of the Bank from February 2021.

Due to change of job, Mr. Wang Jiang ceased to serve as president of the Bank from March 2022. Due to change of job, Mr. Zhang Yi ceased to serve as chief financial officer of the Bank from September 2021. Due to change of job, Mr. Lyu Jiajin ceased to serve as executive vice president of the Bank from May 2021. Due to change of job, Mr. Jin Yanmin ceased to serve as chief risk officer of the Bank from April 2021.

Changes in Personal Information of Directors, Supervisors and Senior Management

Mr. Tian Guoli, chairman and executive director of the Bank ceased to serve as member of International Advisory Panel of Monetary Authority of Singapore from January 2022.

Mr. William Coen, independent non-executive director of the Bank, commenced his positions as member of the Advisory Board of Baton Systems, Inc. from June 2021, chief regulatory adviser of Suade Labs from April 2021, and ceased to serve as vice chairman of Reference Point from March 2021.

Mr. Leung Kam Chung, Antony, independent non-executive director of the Bank, commenced his position as chairman & co-founder of Solomon Learning Limited from April 2021, and ceased to serve as independent non-executive director of China Merchants Bank from August 2021.

Mr. Ben Shenglin, external supervisor of the Bank, commenced his positions as independent non-executive director of Industrial Bank Co., Ltd. from August 2021 and ceased to serve as external supervisor of Industrial Bank Co., Ltd. from June 2021.

Mr. Zhao Xijun, external supervisor of the Bank, commenced his position as independent non-executive director of iFLYTEK Co., Ltd. from April 2021, and ceased to serve as independent non-executive director of FAW Capital Holdings Co., Ltd. from August 2021.

Mr. Liu Huan, external supervisor of the Bank, ceased to serve as independent non-executive director of Liaoning Wellhope Agri-Tech Joint Stock Co., Ltd. from February 2021.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors of the Bank

Tian Guoli, chairman and executive director

Mr. Tian has served as chairman and executive director of the Bank since October 2017, concurrently as chairman of Sino-German Bausparkasse since March 2018. Mr. Tian currently also serves as chairman of China Banking Association, a member of the Expert Committee for the 14th Five-Year Plan for Economic and Social Development of China and a member of the PBC's Monetary Policy Committee. Mr. Tian served as chairman of BOC from May 2013 to August 2017, during which he also served as chairman and non-executive director of BOC Hong Kong (Holdings) Limited. From December 2010 to April 2013, he served as vice chairman and general manager of China CITIC Group Corporation, during which he also served as chairman and non-executive director of China CITIC Bank. From April 1999 to December 2010, he served consecutively as vice president and president of China Cinda Asset Management Company, and chairman of China Cinda Asset Management Co., Ltd. From July 1983 to April 1999, Mr. Tian held positions in the Bank, including branch deputy general manager, general manager of head office departments, and assistant president of the Bank. Mr. Tian is a senior economist. He received a bachelor's degree in economics from Hubei Institute of Finance and Economics in 1983.

Xu Jiandong, non-executive director

Mr. Xu has served as non-executive director of the Bank since June 2020. Mr. Xu joined Huijin in 2015. Mr. Xu served as non-executive director of ABC from February 2015 to June 2020. Mr. Xu served as deputy counsel of the management and inspection department of the SAFE from June 2012 to April 2015, deputy director of the financial affairs office of Jilin Province from April 2011 to June 2012, deputy counsel of the balance of payment department of the SAFE from March 2004 to April 2011. Mr. Xu worked served as deputy division-chief of the Foreign Exchange Market Management Division of the Balance of Payment Department and division-chief of the Banking Management Division of the Balance of Payment Department at the SAFE from September 1994 to March 2004. Mr. Xu graduated from the Central University of Finance and Economics with a bachelor's degree in finance in 1986.

Zhang Qi, non-executive director

Mr. Zhang has served as non-executive director of the Bank since July 2017. Mr. Zhang joined Huijin in 2011. Mr. Zhang served as non-executive director of BOC from July 2011 to June 2017. Mr. Zhang worked in central expenditure division one and general division of the budget department, and ministers' office under the general office of the Ministry of Finance, as well as in the office of China Investment Corporation, serving consecutively as deputy division-chief, division-chief and senior manager from 2001 to 2011. Mr. Zhang studied in Dongbei University of Finance & Economics from 1991 to 2001 and obtained his bachelor's degree, master's degree and PhD degree in economics in 1995, 1998 and 2001 respectively. Mr. Zhang is currently a doctoral supervisor at Dongbei University of Finance & Economics.

Tian Bo, non-executive director

Mr. Tian has served as non-executive director of the Bank since August 2019. Mr. Tian joined Huijin in 2019. From March 2006 to August 2019, Mr. Tian worked consecutively as division head of banking business department, division head and assistant general manager of corporate banking department, deputy general manager of trade finance department and deputy general manager of transaction banking department of BOC. From February 2016 to February 2018, Mr. Tian also served as a member of the Standing Committee of the CPC Municipal Committee and Vice Mayor of Fangchenggang City of Guangxi Zhuang Autonomous Region. From July 1994 to March 2006, Mr. Tian worked at Beijing Branch of ICBC and head office of China Minsheng Bank. Mr. Tian graduated from Beijing College of Finance and Trade with a bachelor's degree in finance in 1994 and obtained a master's degree in management from the Capital University of Economics and Business in 2004.

Xia Yang, non-executive director

Mr. Xia has served as non-executive director of the Bank since August 2019. Mr. Xia joined Huijin in 2019. From August 1997 to September 2019, Mr. Xia worked in Hua Xia Bank, and consecutively served in various positions including general manager of asset custody department, general manager of Jinan Branch, general manager of Hefei Branch, chief disciplinary officer and deputy general manager of Hangzhou Branch, secretary of discipline inspection committee and deputy general manager of Wenzhou Branch. From December 1988 to August 1997, Mr. Xia worked for Zhejiang Branch of ICBC and Hangzhou Branch of China Merchants Bank. Mr. Xia is a senior economist and accountant. Mr. Xia graduated from Nanjing University with a bachelor's degree in human and animal physiology in 1988; he graduated from Nanjing University with a PhD degree in management sciences and engineering in 2018.

Shao Min, non-executive director

Ms. Shao has served as non-executive director of the Bank since January 2021. Ms. Shao joined Huijin in 2021. Ms. Shao served as senior counsel of the supervision and evaluation bureau of Ministry of Finance from June 2019 to February 2021. From April 2019 to June 2019, Ms. Shao was counsel of the supervision and evaluation bureau of Ministry of Finance. From September 2015 to April 2019, Ms. Shao was deputy director-general of the accounting department of Ministry of Finance. From August 1987 to September 2015, Ms. Shao consecutively served as chief staff member and assistant consultant of the industrial transportation finance department of Ministry of Finance, assistant consultant and deputy director of the fiscal supervision department of Ministry of Finance and deputy director, director and deputy director-general of the supervision and inspection bureau Ministry of Finance. Ms. Shao graduated from Dongbei University of Finance & Economics with a bachelor's degree in economics in 1987.

Liu Fang, non-executive director

Ms. Liu has served as non-executive director of the Bank since January 2021. Ms. Liu joined Huijin in 2021. Ms. Liu served as deputy director-general of the general affairs department (policy and regulation department) and counsel of SAFE from July 2019 to February 2021. From March 2015 to June 2019, she was deputy director-general of the General Affairs Department (Policy and Regulation Department) of SAFE. From July 1999 to February 2015, Ms. Liu consecutively served as chief staff member and deputy director of the balance of payments department of SAFE, deputy director and director of the general affairs department (policy and regulation department) of SAFE. Ms. Liu graduated from School of International Economics of Renmin University of China with a master's degree in economics in 1999.

Malcolm Christopher McCarthy, independent non-executive director

Sir McCarthy served as independent non-executive director of the Bank since August 2017. He served as independent non-executive director of ICBC from December 2009 to October 2016. He worked first as an economist for ICI before joining the UK Department of Trade and Industry where he held various posts from economic adviser to undersecretary. He subsequently worked in senior positions of Barclays Bank in London, Japan and North America. He served as chairman and chief executive of Office of Gas and Electricity Markets (Ofgem), chairman of the Financial Services Authority (FSA), non-executive director of Her Majesty's Treasury, chairman of the board of directors of J.C. Flowers & Co. UK Ltd, non-executive director of NIBC Holding N.V., NIBC Bank N.V., OneSavings Bank plc, Castle Trust Capital plc and Intercontinental Exchange (ICE), and trustee of the Said Business School of Oxford University. He is an Honorary Fellow of Merton College, an Honorary Doctorate of the University of Stirling and the Cass Business School, and a Freeman of the City of London. He has a MA in history from Merton College of Oxford University, PhD in Economics of Stirling University, and Master from Graduate School of Business of Stanford University.

Kenneth Patrick Chung, independent non-executive director

Mr. Chung has served as independent non-executive director of the Bank since November 2018. Mr. Chung served as independent non-executive director of ICBC from December 2009 to March 2017. He joined Deloitte Haskins and Sells London Office in 1980, became a partner of PricewaterhouseCoopers in 1992, and was a financial service specialist of PricewaterhouseCoopers (Hong Kong and China) since 1996. Previously, he was the human resources partner of PricewaterhouseCoopers (Hong Kong), the responsible partner of the audit department of PricewaterhouseCoopers (Hong Kong and China), the global lead partner of the audit engagement team for BOC, the honorary treasurer of the Community Chest of Hong Kong and was a member of the Ethics Committee, Limitation of Professional Liability Committee, Communications Committee, and the Investigation Panel of the Hong Kong Society of Accountants. He has also served as the audit head for the restructurings and initial public offerings of BOC, Bank of China (Hong Kong) Limited and Bank of Communications, and chairman of the audit committee of the Harvest Real Estate Investments (Cayman) Limited and independent non-executive director of Prudential Corporation Asia. Mr. Chung currently serves as independent non-executive director of Sands China Ltd., Prudential Hong Kong Limited and Prudential General Insurance Hong Kong Limited, and trustee of Fu Tak Iam Foundation Limited. Mr. Chung is a member of the Institute of Chartered Accountants in England and Wales, a member of the Hong Kong Institute of Certified Public Accountants as well as a member of the Macau Society of Certified Practising Accountants, and obtained a bachelor's degree in economics from University of Durham.

Graeme Wheeler, independent non-executive director

Mr. Wheeler has served as independent non-executive director of the Bank since October 2019. Mr. Wheeler has served as non-executive director of Thyssen-Bornemisza Group since 2017. He served as governor of Reserve Bank of New Zealand from 2012 to 2017, non-executive director of Thyssen-Bornemisza Group and cofounder of Privatisation Analysis and Consulting Ltd. from 2010 to 2012, managing director responsible for operations of World Bank from 2006 to 2010, vice president and treasurer of World Bank from 2001 to 2006, director of financial products and services department of World Bank from 1997 to 2001, treasurer of New Zealand Debt Management Office (NZDMO) and deputy secretary to New Zealand Treasury from 1993 to 1997, director of macroeconomic Policy of New Zealand Treasury from 1990 to 1993, economic and financial counsellor of New Zealand Delegation to the OECD, Paris, from 1984 to 1990 and an advisor in the New Zealand Treasury from 1973 to 1984. Mr. Wheeler was awarded Companion of the New Zealand Order of Merit in 2018. Mr. Wheeler obtained his master's degree of commerce in economics from University of Auckland in 1972.

Michel Madelain, independent non-executive director

Mr. Madelain has served as independent non-executive director of the Bank since January 2020. Mr. Madelain has been trustee of the IFRS Foundation since January 2018 and a member of the Supervisory Board of La Banque Postale in France since April 2018. From June 2016 to December 2018, Mr. Madelain was vice chairman of Moody's Investors Service (MIS). Concurrently, he served as chairman of Moody's European Boards and was a member of MIS US Board. From May 2008 to June 2016, he was president and chief operating officer of MIS, having previously assumed a number of positions in Europe and the USA with MIS from 1994 to May 2008. From May 1980 to May 1994, he worked with Ernst & Young in Belgium and France and was promoted to the partnership in 1989. Mr. Madelain is a Qualified Chartered Accountant of France. He obtained a master's degree in management from Kellogg Graduate School of Management of Northwestern University (USA) and a bachelor's degree in business administration from the Ecole Supérieure de Commerce de Rouen, France.

William Coen, independent non-executive director

Mr. Coen has served as independent non-executive director of the Bank since June 2021. He currently serves as a member of the Advisory Board of Baton Systems, Inc. since June 2021 and chief regulatory adviser for Suade Labs since April 2021. He has been chairman of the IFRS Advisory Council from February 2020, a member of the board of directors of the Toronto Leadership Centre since November 2019 and technical advisor of the International Monetary Fund since July 2019. Mr. Coen served as secretary general of the Basel Committee on Banking Supervision from 2014 to 2019, deputy secretary general of the Basel Committee on Banking Supervision from 2007 to 2014, and supported the BIS Financial Stability Institute from 2003 to 2006. Prior to joining the Basel Committee on Banking Supervision Secretariat in 1999, he consecutively worked with the US Office of Comptroller of the Currency and the US Board of Governors of the Federal Reserve System. Mr. Coen is currently a member of the Bretton Woods Committee and was a member of the Financial Stability Board and its standing committees. He obtained his Bachelor of Science Degree from Manhattan College in 1984 and his Master of Business Administration Degree from Fordham University in 1991.

Leung Kam Chung, Antony, independent non-executive director

Mr. Leung has served as director of the Bank since October 2021. Mr. Leung, former Financial Secretary of the Hong Kong SAR, is the chairman and CEO of Nan Fung Group in Hong Kong, and the chairman and co-founder of New Frontier Group. Since April 2021, Mr. Leung is also the chairman & co-founder of Solomon Learning. In addition, Mr. Leung is the chairman of two charity organizations, namely Heifer Hong Kong and Food Angel. Mr. Leung had extensive experience in financial services, including chairman of Greater China Region of Blackstone Group, chairman of Asia for JP Morgan Chase and head of Private Banking for Asia, Investment Banking, Treasury Department and Great China Region of Citi. Mr. Leung had also served as independent non-executive director of China Merchants Bank, Industrial and Commercial Bank of China, China Mobile (Hong Kong) Limited and American International Assurance (Hong Kong) Limited, international advisor of China Development Bank and chairman of Hong Kong Association of Harvard Business School. Other public services that Mr. Leung had engaged in included non-official member of the Executive Council of the Hong Kong SAR, chairman of the Education Commission, chairman of the University Grants Committee, member of the Exchange Fund Advisory Committee, director of Hong Kong Airport Authority and director of Hong Kong Futures Exchange, member of the Preparatory Committee and Election Committee for the Hong Kong Special Administrative Region and Hong Kong Affairs Advisors. Mr. Leung graduated from the University of Hong Kong in 1973 and attended Harvard Business School's Program for Management Development and Advanced Management Program. Mr. Leung was conferred an honorary doctor of law by the Hong Kong University of Science and Technology in 1998.

Supervisors of the Bank

Wang Yongqing, chairman of the board of supervisors and shareholder representative supervisor

Mr. Wang has served as chairman of the board of supervisors of the Bank since October 2019. Mr. Wang served as vice chairman of the China Federation of Industry and Commerce from December 2016 to July 2019. He served consecutively as deputy director-general (director-general level) and director-general of the fifth bureau, director of the sixth bureau of the United Front Work Department of the CPC Central Committee from December 2003 to November 2016. He served consecutively as deputy director of the general office, assistant general manager and director of the general office, and chief accountant of China International Engineering Consulting Corporation from December 1998 to December 2003. He worked in China Development Bank from July 1994 to December 1998, and worked in the Ministry of Railway from July 1985 to July 1994. Mr. Wang is a senior accountant. He graduated from Hubei Institute of Finance and Economics, and obtained a master's degree in economics from Renmin University of China and a PhD degree in economics from Beijing Jiaotong University.

Yang Fenglai, shareholder representative supervisor

Mr. Yang has served as supervisor of the Bank since June 2020. Mr. Yang served as general manager of Sichuan Branch of the Bank from June 2014 to April 2021. Mr. Yang was in charge of the operation and management department of the Bank from July 2011 to April 2014, deputy general manager of Sichuan Branch of the Bank from January 2005 to July 2011, assistant general manager (deputy general manager level) of Sichuan Branch of the Bank from October 2003 to January 2005, specialised credit approver (deputy general manager level) of credit approval department of the Bank from March 2003 to October 2003, and specialised credit approver (deputy general manager level) of the credit approval office of the risk and internal control management committee of the Bank from April 2002 to March 2003. Mr. Yang is a senior economist. He graduated from University of Chengdu with a bachelor's degree in business administration in 1983 and obtained a master's degree in economics from Southwestern University of Finance and Economics in 2004.

Lin Hong, shareholder representative supervisor

Mr. Lin has served as supervisor of the Bank since December 2021. Mr. Lin has served as general manager of the audit department of the Bank since May 2018. Mr. Lin served as leader of the inspection team of CPC China Construction Bank Committee from May 2017 to May 2018, deputy general manager of the Jiangxi Branch of the Bank (general manager level) from March 2015 to May 2017, deputy secretary of the discipline inspection committee, deputy general manager of the disciplinary and supervisory department and deputy director of the inspection affairs office (general manager level) of the Bank from March 2007 to March 2015 and deputy general manager of the disciplinary and supervisory department of the Bank from August 2001 to March 2007. Mr. Lin is a senior accountant. He graduated from Jiangxi Finance and Economics College with a bachelor's degree in auditing in 1988 and obtained a PhD degree in industrial economics from Jiangxi University of Finance and Economics in 2008.

Wang Yi, employee representative supervisor

Mr. Wang has served as supervisor of the Bank since May 2018. Mr. Wang served as general manager of housing finance and personal lending department of the Bank from November 2013 to May 2021. He concurrently served as chairman of CCB Housing Service Co., Ltd from December 2018 to November 2019. He served as deputy general manager of personal savings and investment department of the Bank (general manager level) from November 2009 to November 2013, deputy general manager of personal savings and investment department of the Bank from December 2008 to November 2009, deputy general manager of personal finance department of the Bank from June 2005 to December 2008, and assistant general manager of personal banking department of the Bank from July 2001 to June 2005. Mr. Wang is a senior engineer. He graduated from Shandong University with a bachelor's degree in computational mathematics in 1984 and obtained an EMBA degree from Peking University in 2010.

Liu Jun, employee representative supervisor

Mr. Liu has served as supervisor of the Bank since December 2021. Mr. Liu has served as general manager of Guangdong Branch of the Bank since December 2014. He served as head of Guangdong Branch of the Bank from November 2014 to December 2014, general manager of Shenzhen Branch of the Bank from April 2011 to November 2014, head of Shenzhen Branch of the Bank from March 2011 to April 2011, deputy general manager of Guangdong Branch of the Bank from September 2008 to March 2011, and assistant general manager of Guangdong Branch of the Bank from June 2006 to September 2008. Mr. Liu graduated from Anhui University with a bachelor's degree in law in 1986 and obtained an MBA degree from Hong Kong Baptist University in 2003.

Deng Aibing, employee representative supervisor

Mr. Deng has served as supervisor of the Bank since December 2021. Mr. Deng has served as general manager of credit management department of the Bank since September 2015. He served as deputy general manager of credit approval department and general manager of credit department of the Bank (general manager level) from June 2014 to September 2015, deputy general manager of credit approval department and general manager of credit department of the Bank from July 2013 to June 2014, risk officer of Beijing Branch of the Bank from June 2006 to July 2013, deputy director of risk management mechanism reform leading group of the Bank from February 2005 to June 2006, deputy general manager of Dalian Branch of the Bank from May 2003 to February 2005, deputy general manager of risk management department of the Bank from March 2003 to May 2003, and deputy general manager of credit risk management department of the Bank from March 2001 to March 2003. Mr. Deng is a senior economist. He graduated from Hubei Institute of Finance and Economics with a bachelor's degree in infrastructure finance and credit in 1984, and obtained an MBA degree in finance from the Chinese University of Hong Kong in 2009.

Zhao Xijun, external supervisor

Mr. Zhao has served as supervisor of the Bank since June 2019. Mr. Zhao has served as joint dean of the China Capital Market Research Institute, Renmin University of China since 2020. He served as deputy dean of the School of Finance of Renmin University of China from 2005 to 2019, director of international office of Renmin University of China from 2001 to 2005, head of finance department of the School of Finance of Renmin University of China from 1995 to 2001 and a research fellow of the international department of the CSRC from 1994 to 1995. Mr. Zhao is independent non-executive director of China National Foreign Trade Financial & Leasing Co., Ltd. and iFLYTEK Co., Ltd. Mr. Zhao served as independent non-executive director of the Bank from August 2010 to March 2014. Mr. Zhao was a visiting scholar in University of Sherbrooke and McGill University, Canada from 1989 to 1990 and Nijenrode University, Netherlands from 1995 to 1996. Mr. Zhao graduated from Wuhan University with a bachelor's degree in Scientific French in 1985, completed his graduate studies from the finance department of Renmin University of China in 1987, and received his PhD degree from the School of Finance of Renmin University of China in 1999.

Liu Huan, external supervisor

Mr. Liu has served as supervisor of the Bank since June 2020. Mr. Liu is a counselor of the State Council and a professor of the School of Finance and Taxation of the Central University of Finance and Economics. He served as deputy dean of the School of Taxation, Central University of Finance and Economics from 2006 to 2016, deputy dean of the Department of Taxation, and deputy dean of the School of Finance and Public Administration from 1997 to 2006. From 2004 to 2005, he served as deputy director-general of the Local Taxation Bureau of Beijing Xicheng District and assistant director-general of the Local Taxation Bureau of Beijing. Mr. Liu is a member of the Standing Committee of Beijing Municipal Committee of the Chinese People's Political Consultative Conference and deputy director of the Economic Committee of Beijing Municipal Committee of the Chinese People's Political Consultative Conference. He is a visiting professor of School of Economics and Management of Tsinghua University, a visiting professor of the School of Overseas Education of Shanghai Jiaotong University and a supervisor of master's degree in taxation of the University of Chinese Academy of Social Sciences. Mr. Liu is a certified public accountant and graduated from the Central Institute for Fiscal and Finance with a bachelor's degree in economics in 1982.

Ben Shenglin, external supervisor

Mr. Ben has served as supervisor of the Bank since June 2020. Mr. Ben has served as a professor and doctoral supervisor of Zhejiang University since May 2014, executive director of the Institute of International Money, Renmin University of China since January 2014 and co-director since July 2018, dean of Academy of Internet Finance of Zhejiang University since April 2015 and dean of the International Business School of Zhejiang University since October 2018. Mr. Ben had served in senior positions in financial institutions including JPMorgan Chase Bank, HSBC and ABN AMRO Bank. He currently serves as independent non-executive director of China International Capital Corporation, Wuchan Zhongda Group Co., Ltd. and Industrial Bank Co., Ltd. Mr. Ben is a member of the Standing Committee of Zhejiang Provincial Committee of the Chinese People's Political and Consultative Conference and has served in social positions including co-chairman of the Zhejiang Association of FinTech. Mr. Ben graduated with a bachelor's degree in engineering from Tsinghua University in 1987, a master's degree in business administration from Renmin University of China in 1990, and a PhD degree in economics from Purdue University in 1994.

Senior Management of the Bank

Ji Zhihong, executive vice president

Mr. Ji has served as executive vice president of the Bank since August 2019. Mr. Ji served as director-general of the financial market department of the PBC from August 2013 to May 2019, during which he was concurrently director of the financial market management department of the Shanghai Head Office from August 2013 to May 2016. From September 2012 to August 2013, he was director-general of the research bureau of the PBC. From April 2010 to September 2012, he was deputy director-general of the monetary policy department of the PBC. From February 2008 to April 2010, he was deputy director (deputy director-general level) of the open market operations department of the PBC Shanghai Head Office. Mr. Ji Zhihong is a research fellow. He obtained a master's degree in international finance from the Graduate School of the People's Bank of China in 1995 and a PhD degree in national economics from Chinese Academy of Social Sciences in 2005.

Wang Hao, executive vice president

Mr. Wang has served as executive vice president of the Bank since October 2020. Mr. Wang served as general manager of Hubei Branch of the Bank from June 2018 to July 2020, general manager of Guizhou Branch of the Bank from August 2016 to June 2018, deputy general manager of Qinghai Branch of the Bank from August 2014 to June 2016, deputy general manager of Sichuan Branch of the Bank from October 2008 to August 2014, and assistant general manager of Sichuan Branch of the Bank from October 2005 to October 2008. Mr. Wang was specialised in marketing at Southwestern University of Finance and Economics and obtained a bachelor's degree in economics in 1993.

Zhang Min, executive vice president

Ms. Zhang has served as executive vice president of the Bank since December 2020. Ms. Zhang served as general manager of Tianjin Branch of the Bank from July 2018 to November 2020, general manager of Ningxia Branch of the Bank from March 2017 to July 2018, deputy general manager of Hubei Branch of the Bank from November 2015 to December 2016, deputy general manager of Shaanxi Branch of the Bank from July 2013 to November 2015 and was assistant general manager of Shaanxi Branch of the Bank. Ms. Zhang is a senior accountant. She was specialised in accounting in Shaanxi Institute of Finance and Economics, and graduated with a master's degree in economics in 1996; and obtained a PhD degree in economics from Xi'an Jiaotong University in July 2013.

Li Yun, executive vice president

Mr. Li has served as executive vice president of the Bank since November 2021. Mr. Li was general manager of Guizhou Branch of ABC from November 2017 to August 2021, head of Guizhou Branch from July 2017 to November 2017, general manager of the asset and liability management department/Sannong capital and fund management centre of ABC from May 2015 to July 2017, deputy general manager in charge of work of the strategic planning department of ABC from April 2014 to May 2015, deputy general manager of the strategic planning department from May 2011 to April 2014, deputy general manager of the strategic management department from December 2010 to May 2011. Mr. Li is a senior economist with special grants from the PRC government. Mr. Li graduated from Wuhan University with a master's degree in currency and banking in September 1997 and obtained a PhD degree in world economics from the same university in July 2000.

Hu Changmiao, secretary to the Board

Mr. Hu has served as secretary to the Board of the Bank since May 2019. Mr. Hu served as general manager of board of director office of the Bank since December 2018. Mr. Hu served as chairman of CCB Financial Leasing from August 2016 to December 2018, general manager of Guangxi Branch of the Bank from February 2012 to August 2016, general manager of public relations & corporate culture department of the Bank from March 2006 to February 2012, and deputy general manager in charge of the management of the board of director office of the Bank from June 2005 to March 2006. He served as deputy general manager of the executive office of the Bank from December 2004 to June 2005, deputy general manager of credit card centre of the Bank from March 2003 to December 2004, and deputy general manager of personal banking department of the Bank from July 2001 to March 2003. Mr. Hu is a senior economist. He graduated from Peking University with a master of science degree in economic geography in 1986.

Jin Panshi, chief information officer

Mr. Jin has served as chief information officer of the Bank since March 2021. Mr. Jin served as information controller of the Bank from February 2018 to March 2021. He served as general manager of the information technology management department of the Bank from January 2010 to February 2018, general manager of the audit department of the Bank from December 2007 to January 2010, deputy director of the board of supervisors' office from November 2004 to December 2007, deputy general manager of the audit department of the Bank from June 2001 to October 2004. He was concurrently supervisor of the Bank from October 2004 to November 2016. Mr. Jin is a senior engineer and a certified information systems auditor. He graduated from Jilin University of Technology with a bachelor's degree and a master's degree in computer application in 1986 and 1989 respectively, and obtained an EMBA degree from Tsinghua University in 2010.

Cheng Yuanguo, chief risk officer

Mr. Cheng has served as chief risk officer of the Bank since April 2021. Mr. Cheng served as general manager of the corporate business department of the Bank from February 2017 to May 2021, head and general manager of Hebei Branch of the Bank from July 2014 to February 2017, general manager of the group clients department (banking business department) of the Bank from March 2011 to July 2014, deputy general manager of the group clients department (banking business department) of the Bank from May 2005 to March 2011, and deputy general manager of the banking business department of the Bank from September 2001 to May 2005. Mr. Cheng served concurrently as supervisor of the Bank from May 2018 to March 2021, chairman of CCB Trust from August 2017 to July 2018, and director of CCB International from September 2010 to October 2015. Mr. Cheng is a senior accountant. Mr. Cheng graduated from Dongbei University of Finance and Economics with a bachelor's degree in infrastructure finance and credit in 1986.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(In thousands of RMB)

Name	Allowance	Remuneration paid	Contribution by the employer to social insurance, housing fund, etc.	Total (before tax)[1]	Whether obtaining remuneration from related parties of the Bank
Tian Guoli	–	619.4	206.2	825.6	No
Xu Jiandong [2]	–	–	–	–	Yes
Zhang Qi [2]	–	–	–	–	Yes
Tian Bo [2]	–	–	–	–	Yes
Xia Yang [2]	–	–	–	–	Yes
Shao Min [2]	–	–	–	–	Yes
Liu Fang [2]	–	–	–	–	Yes
Malcolm Christopher McCarthy	410.0	–	–	410.0	No
Kenneth Patrick Chung	440.0	–	–	440.0	No
Graeme Wheeler	440.0	–	–	440.0	No
Michel Madelain	410.0	–	–	410.0	No
William Coen	195.0	–	–	195.0	No
Leung Kam Chung, Antony	100.8	–	–	100.8	No
Wang Yongqing	–	619.4	206.2	825.6	No
Yang Fenglai	–	1,112.8	252.5	1,365.3	No
Lin Hong	–	–	–	–	No
Wang Yi [3]	50.0	–	–	50.0	No
Liu Jun [3]	–	–	–	–	No
Deng Aibing [3]	–	–	–	–	No
Zhao Xijun	290.0	–	–	290.0	No
Liu Huan	270.0	–	–	270.0	No
Ben Shenglin	250.0	–	–	250.0	No
Ji Zhihong	–	557.4	198.9	756.3	No
Wang Hao	–	557.4	198.9	756.3	No
Zhang Min	–	557.4	198.9	756.3	No
Li Yun	–	185.8	73.0	258.8	No
Hu Changmiao	–	1,335.5	272.2	1,607.7	No
Jin Panshi	–	890.3	178.7	1,069.0	No
Cheng Yuanguo [4]	12.5	890.3	174.8	1,077.6	No
Resigned directors, supervisors and senior management					
Wang Jiang	–	567.7	190.9	758.6	No
Lyu Jiajin	–	232.3	74.5	306.8	No
Feng Bing [2]	–	–	–	–	Yes
Anita Fung Yuen Mei	195.0	–	–	195.0	No
Carl Walter	220.0	–	–	220.0	No
Wu Jianhang	–	556.4	131.6	688.0	No
Lu Kegui [3]	50.0	–	–	50.0	No
Jin Yanmin	–	352.8	89.4	442.2	No
Zhang Yi	–	441.4	95.3	536.7	No

1. Remunerations of the Bank's leaders administered by CPC Central Committee have been paid in accordance with the State's remuneration reform policies since 2015.
2. Non-executive directors of the Bank receive their remuneration from Huijin, the shareholder of the Bank.
3. Remuneration before tax paid for acting as employee representative supervisor of the Bank.
4. Mr. Cheng Yuanguo commenced his position as chief risk officer of the Bank from April 2021, and ceased to serve as employee representative supervisor of the Bank from March 2021. The allowance above is the remuneration before tax he received for acting as employee representative supervisor of the Bank in 2021.
5. As some of the Bank's non-executive directors and external supervisors hold positions of directors or senior executives in other legal persons or organisations, such legal persons or organisations thus become related parties of the Bank. Apart from this, none of the Bank's directors, supervisors or senior executives received remuneration from the related parties of the Bank.
6. The total compensation packages for some directors, supervisors and senior executives for 2021 have not yet been finalised in accordance with the regulations of relevant government authorities. The final total compensation will be disclosed by the Bank in a separate announcement when it is determined.

Remuneration policy for directors, supervisors and senior management

The Bank has specified standards in relation to the remuneration policy for directors, supervisors and senior management. For enterprise leaders administered by CPC Central Committee, the remuneration policy complies with the relevant measures on remuneration for heads of financial enterprises under central administration. The Bank's remuneration policy for other directors, supervisors and senior management is based on the principle of the combination of incentives and disciplines, short-term incentives and long-term incentives, and governmental regulations and market adjustment, and it has adopted a structured remuneration system composed of basic annual salary, performance-based annual salary and welfare income. The Bank participates in relevant PRC mandatory retirement schemes for its directors, supervisors, senior management and other employees. Apart from the tenure incentive remuneration to enterprise leaders administered by CPC Central Committee in accordance with national regulations, the Bank does not implement mid-term and long-term incentive plan for other directors, supervisors and senior management.

The Bank has established a performance appraisal mechanism for executive directors, shareholder representative supervisors and senior management, and the results of appraisal are directly linked to remuneration. According to the requirements of regulatory policies, the Articles of Association and annual business plans of the Bank, the performance appraisal attaches great importance to sustainable development. Specifically, the quantitative evaluation includes indicators for serving ecological civilisation, serving strategic emerging industries, and fulfilling social responsibilities; the qualitative evaluation highlights indicators for implementing new development concepts, advancing business transformation, development and innovation, constantly improving corporate governance, and actively safeguarding the legitimate rights and interests of shareholders.

EMPLOYEES

At the end of 2021, the Bank had 351,252 employees with a slight increase from 2020. The number of employees with academic qualifications of bachelor's degree or above was 260,106 or 74.05%. There were also 3,470 workers dispatched from labour leasing companies, a decrease of 2.41% from 2020. In addition, the Bank assumed the expenses of 92,344 retired employees.

The compositions of the Bank's employees by gender, age, academic qualification and responsibilities are as follows:

Category	Sub-category	Number of employees	% of total
Gender	Male	161,715	46.04
	Female	189,537	53.96
Age	Below 30	73,709	20.99
	31 to 40	104,509	29.75
	41 to 50	92,238	26.26
	51 to 59	80,591	22.94
	Over 60	205	0.06
Academic qualification	Doctor's degree	479	0.14
	Master's degree	35,703	10.16
	Bachelor's degree	223,924	63.75
	Associate degree	74,922	21.33
	Post-secondary	8,245	2.35
	High school and below	7,979	2.27
Responsibilities	Operating outlets and integrated tellers	184,071	52.40
	Corporate banking	34,741	9.89
	Personal banking	40,269	11.47
	Financial market business	637	0.18
	Finance and accounting	6,870	1.96
	Management	10,861	3.09
	Risk management, internal audit, legal and compliance	19,976	5.69
	Information technology development and operation	28,636	8.15
	Others	25,191	7.17
Total		351,252	100.00

The following table sets forth, as at the date indicated, the geographical distribution of the Bank's branches and employees:

	31 December 2021			
	Number of branches	% of total	Number of employees	% of total
Yangtze River Delta	2,277	15.69	52,183	14.86
Pearl River Delta	1,865	12.85	45,269	12.89
Bohai Rim	2,401	16.55	57,450	16.35
Central	3,493	24.07	78,951	22.48
Western	2,990	20.61	67,605	19.25
Northeastern	1,447	9.97	34,305	9.76
Head Office	3	0.02	14,146	4.03
Overseas	34	0.24	1,343	0.38
Total	14,510	100.00	351,252	100.00

Staff remuneration policies

The Bank is committed to maintaining order and harmony in remuneration allocation, and continuously improves the standard of performance and remuneration management to serve the development of the Bank.

Pursuant to relevant government policies regarding remuneration reform for heads of state-owned enterprise, remunerations for the Bank's leaders administered by the CPC Central Committee include three parts, namely the basic annual salary, performance-based annual salary and tenure incentive income. The Bank has established an incentive clawback mechanism. If a material error occurs during a leader's tenure and causes a significant loss for the Bank, part of or entire performance-based annual salary and tenure incentive income paid may be reclaimed. The Bank's major allocation policies and other significant matters related to remuneration management need to be reviewed by the nomination and remuneration committee under the Board. Material proposals related to remuneration allocation need to be voted at and approved by the shareholders' general meeting or reported to the competent authority of the state for approval and filing.

The Bank made full use of remuneration allocation to motivate and constrain its employees. The Bank established an appraisal and allocation concept encouraging value creation, allocated more salary resources to operating outlets, front office departments, and positions that directly create value, further optimised the incentive and protection policies for outlet staff, and established a special subsidy system for outlet staff at remote county or under harsh conditions, to enhance the sense of gain for staff members. The Bank strengthened the role of performance appraisal to improve the cost-efficiency of its human resources and match remuneration to performance. The Bank strictly implemented deferred payment and clawback rules for performance-based remuneration to key positions. For employees subject to disciplinary or other penalties due to violation of rules or breach of duties, their remunerations were deducted in accordance with relevant rules and measures.

Progress of implementation of employee stock incentive plan

After the implementation of the first employee stock incentive plan of the Bank in July 2007, the Bank did not implement any new round of stock incentive plan during the reporting period.

Staff development and training

The Bank improved the training system for professional career of the staff to support the development of New Finance talents. The Bank cultivated a new employee learning brand of "Your Future with CCB" and created the three pillars of "orientation training, follow-up training and management trainee" for new employees, and strengthened one-stop training and guidance for new employees of the Bank. It developed an educational tracking programme during integration period for young employees working at the Bank for less than 2 years, launched a management trainee training programme, and explored the "2+N" training system for high potential young talents. The Bank empowered staff at outlets with more training resources channeled to branch outlets, and optimised the ability enhancement learning programmes including "Be Better with You" programme for client managers at outlets, and "Together with the Best" for heads of outlets. It launched the "Lead with Vision" programme to improve their duty performance and management capabilities, so as to provide robust talent support for deepening the New Finance initiatives.

The Bank paid attention to the development path and cycle of growth for staff in various professional and technical positions to improve their professional competence and capability. It organised professional and technical position qualification examinations across the bank at preliminary, intermedium and higher levels, covering 23 business lines and 63 subjects, to strengthen employees' professional capability, broaden their career development channels, and make the professional and technical examinations a key driver for building a learning organisation.

By the end of 2021, the Bank had organised 28,600 training sessions with a total enrolment of 1.73 million, including 1,147 training sessions organised by CCB Learning Centre with a total enrolment of 107,800. The Bank optimised CCB Learning platform and improved the learning ecology with a total enrolment of 369,900 employees of the Bank in 2021. It organised 7,301 webinars, with 6,813,500 attendances from the Bank, and 5,851 online examinations with 3,625,300 participants from the Bank. In terms of overseas training, it organised four online international subject training camps and held 127 cross-border webinars.

Staff in subsidiaries

The subsidiaries of the Bank had 24,279 employees. The domestic and overseas employees were 19,471 and 4,808 respectively. There were also 1,179 workers dispatched from labour leasing companies. In addition, the subsidiaries assumed the expenses of 103 retired employees.

INTERNAL CONTROL

The objective of the internal control of the Bank is to reasonably ensure the compliance of operation and management with laws and regulations, the safety of assets, and the truthfulness and completeness of financial reports and related information, improve operational efficiency and effectiveness, and facilitate the Bank to achieve its development strategies. The Board is responsible for establishing sound and effective internal control according to the requirements regarding the standardised system of enterprise internal control, evaluating its effectiveness, and supervising the effective operation of internal control system. The board of supervisors supervises the establishment and implementation of internal control of the Board. The senior management is responsible for organising and leading the daily operation of internal control.

In 2021, the Bank relied on the internal control evaluation system and digital management methods, continuously improved the support of internal control management tools, achieved normalised internal control evaluation and continued to improve the quality and efficiency of internal control management. Firstly, in accordance with the latest regulatory rules and regulations of the Bank, the Bank conducted targeted revision of the evaluation indicators, organised evaluation across the Bank, and identified internal control issues timely. Secondly, based on the evaluation system, the Bank strengthened the use of digital tools to achieve continuous and dynamic evaluation and improved the efficiency of issue identification. Thirdly, the Bank tracked internal control issues and deficiencies rectification effectively, so as to continuously improve the quality and efficiency of internal control management.

The Board and the audit committee assess the effectiveness of internal control and review the report of internal control evaluation annually. The assessment conclusion is that, at the end of 2021, there was no material deficiency in the internal control over financial reporting of the Bank, and no material deficiency was detected in the internal control over non-financial reporting. The Board believed that the Bank conducted effective internal control over financial reporting in all major aspects, in compliance with the requirements regarding the standardised system of enterprise internal control and other relevant regulations.

The Bank employed Ernst & Young Hua Ming LLP for the audit of internal control. The audit opinion on internal control was in line with the Bank's assessment conclusion on the effectiveness of internal control over financial reporting. The disclosure of material deficiencies of internal control over non-financial reporting in the audit report of internal control was in line with the disclosure of the assessment report of internal control of the Bank.

For detailed information of internal control, please refer to the assessment report and audit report of internal control of the Bank on the websites of the Shanghai Stock Exchange, the "HKEXnews" of Hong Kong Exchanges and Clearing Limited, and the Bank.

SHAREHOLDERS' RIGHTS

Formulation and implementation of profit distribution policy

The Bank may distribute dividends in the form of cash, shares and a combination of cash and shares. Unless under special circumstances, the Bank shall distribute dividends in cash if it gains profit and has positive accumulative undistributed profits in the year. The cash dividends distributed by the Bank in a year shall be no less than 10% of the net profit attributable to equity shareholders of the Bank on a consolidated basis in the same year. To make adjustment to the profit distribution policy, the Board shall conduct a specific discussion to elaborate on the reasons to make the adjustments and prepare a written report. Independent non-executive directors shall express their views, and the matter shall be approved in the form of special resolution by the shareholders' general meeting. The Bank shall provide the shareholders with online voting channels when discussing and approving the adjustments to the profit distribution policy.

The Bank's formulation and implementation of profit distribution policies conform to the provisions of the Articles of Association and the requirements of the resolutions of the general meeting of shareholders. The Bank has sound decision-making procedures and mechanisms as well as clear and definite standard and ratio of dividends. The independent non-executive directors conducted due diligence and fulfilled their duties in the decision-making process of the profit distribution plan. Minority shareholders may fully express their opinions and appeals and their legitimate rights and interests are fully protected.

The amounts of cash dividends and ratios of cash dividends to net profit of the Bank for the years from 2019 to 2021 are as follows.

(In millions of RMB, except percentages)	2021	2020	2019
Cash dividends	91,004	81,504	80,004
Ratio of cash dividends to net profit [1]	30%	30%	30%

1. Net profit refers to the net profit attributable to equity shareholders of the Bank on a consolidated basis. Please refer to Note "Profit Distributions" to the financial statements of annual reports of the related years for details of cash dividends.

Please refer to "Details of Preference Shares" of this annual report for details of the profit distribution of preference shares.

Right to convene an extraordinary shareholders' general meeting

Any shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank, has the right to request the Board in writing to convene an extraordinary general meeting.

The Board shall reply in writing within ten days after receiving the request. In case the Board approves the holding of the meeting, it shall issue a corresponding meeting notice within five days after the resolution is made. In case the Board refuses to hold the meeting or makes no reply, the proposing shareholder may propose to the board of supervisors in writing. In case the board of supervisors approves the holding of the meeting, it shall issue a corresponding meeting notice within five days after receiving the proposal. In case the board of supervisors does not issue the meeting notice, the shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank for more than 90 consecutive days, may convene and preside over an extraordinary general meeting on its own.

Right to raise proposals to the shareholders' general meeting

Any shareholder, individually or jointly holding more than 3% of the total issued voting shares of the Bank, has the right to raise proposals to the shareholders' general meeting. Any shareholder, individually or jointly holding more than 1% of the total issued voting shares of the Bank, has the right to raise proposals regarding the nomination of the candidates for independent non-executive directors and external supervisors.

Proposals to the shareholders' general meeting shall be submitted to the organiser of such meeting prior to the issuance of the notice of such meeting; after the issuance of the notice, any shareholder, individually or jointly holding more than 3% of the total issued voting shares of the Bank, has the right to raise extraordinary proposals. Extraordinary proposals on nomination shall be submitted to the organiser of the meeting 35 days prior to the meeting and extraordinary proposals on other issues shall be submitted to the organiser of the meeting in writing 20 days prior to the meeting.

Right to raise proposals to the Board

Any shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank, may raise proposals to the Board.

Right to raise enquiries to the Bank

In accordance with the Bank's Articles of Association, the shareholders have the right to obtain relevant information of the Bank, including the Articles of Association, status of the share capital, financial report, report of the board of directors and report of the board of supervisors.

INVESTOR RELATIONS

Effective communication with shareholders

In 2021, the Bank actively seized the new situations, new developments and new requirements after the prevention and control of COVID-19 was normalised in China, and adopted combined methods of "going out" and "bringing in" to further explore effective ways to communicate with investors. The Bank held live webcast conferences for the annual and interim results for the first time, and the number of online participants hit a record high. With both online and onsite measures, the Bank communicated with over 1,000 domestic and foreign investors and analysts by organising results presentation, open day, investor forums, visits to key investors, conference calls, collective reception day for investors and through official website, hotlines and emails from investors, etc. The Bank actively listened to the voice of the market, conveyed to the market the progress of the Bank's New Finance initiatives and strategy development, the efforts and results of the Bank in ESG, to illustrate the Bank's long-term development and competitive advantages.

Shareholder enquiries

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

A-share:

China Securities Depository and Clearing Corporation Limited
No. 188 Yanggaonan Road, Pudong New District, Shanghai
Telephone: (86) 4008-058-058

H-share:

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Telephone: (852) 2862-8555
Facsimile: (852) 2865-0990

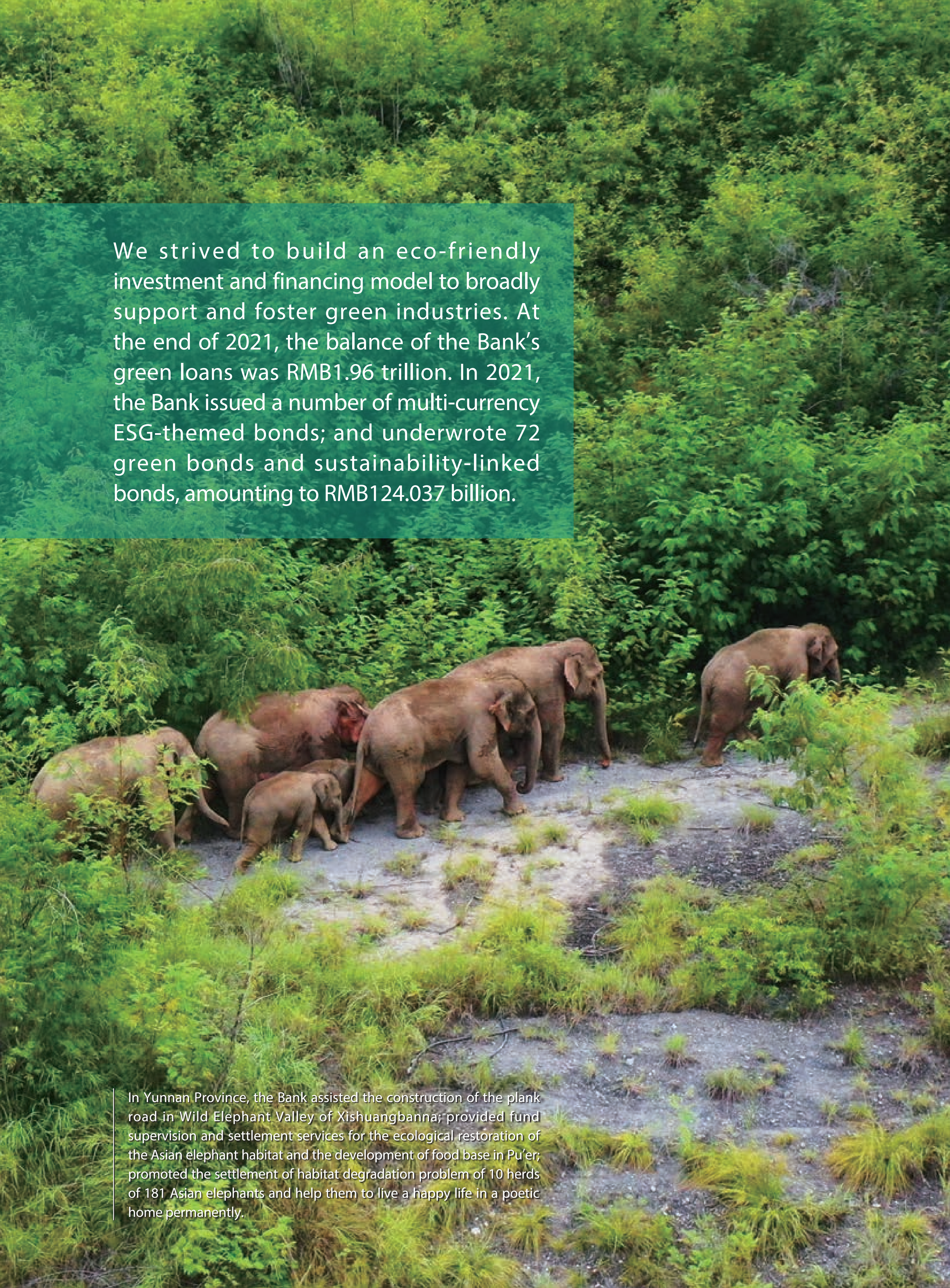
Investor enquiries

Enquiries from investors to the Board may be directed to:

Board of Directors Office
China Construction Bank Corporation
No. 25, Financial Street, Xicheng District, Beijing, China
Telephone: (8610) 6621-5533
Facsimile: (8610) 6621-8888
Email: ir@ccb.com

Board of Directors Office – Hong Kong Office
China Construction Bank Corporation
29/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
Telephone: (852) 3918-6212

This annual report is available on the website of the Bank (www.ccb.com), the website of the Shanghai Stock Exchange (www.sse.com.cn) and the "HKEXnews" website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). If you have any queries on this annual report, please call our hotline at (8610) 6621-5533 or (852) 3918-6212. If you have any comment or suggestions on the annual report preparation, please send email to ir@ccb.com.



We strived to build an eco-friendly investment and financing model to broadly support and foster green industries. At the end of 2021, the balance of the Bank's green loans was RMB1.96 trillion. In 2021, the Bank issued a number of multi-currency ESG-themed bonds; and underwrote 72 green bonds and sustainability-linked bonds, amounting to RMB124.037 billion.

In Yunnan Province, the Bank assisted the construction of the plank road in Wild Elephant Valley of Xishuangbanna; provided fund supervision and settlement services for the ecological restoration of the Asian elephant habitat and the development of food base in Pu'er; promoted the settlement of habitat degradation problem of 10 herds of 181 Asian elephants and help them to live a happy life in a poetic home permanently.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY (ENVIRONMENTAL, SOCIAL AND GOVERNANCE)

Upholding the new development concept, the Group has actively participated in the New Finance actions, providing financial solutions based on the economic and social development and customer needs. While the Group experiences steady development in each business, it strives to become a bank that serves the public and promotes people's livelihood, low-carbon development, environmental protection and sustainable growth. In 2021, the Bank established a Leading Group for Carbon Peaking and Neutrality to coordinate and promote the green and low-carbon transformation in serving the economy and society as well as advancing the fulfilment of the Carbon Peaking and Neutrality goal. Our MSCI ESG rating consistently achieved an A rating for two consecutive years, maintaining a leading position in the domestic banking industry.

Details of the Bank's performance on fulfilling corporate social responsibilities and Environmental, Social and Governance ("ESG") requirements can be found in our *Corporate Social Responsibility Report 2021*.

GOVERNANCE

Board of directors

The Board is responsible for formulating the Group's ESG and related strategy, defining the strategic objectives and priorities, promoting the management of significant matters, overseeing and evaluating the effectiveness of the ESG strategy, and guiding the disclosure of relevant information; introducing a series of ESG strategic initiatives to integrate ESG concepts into business operations, so as to promote the sustainable development of economy and society; urging the Management to deepen the implementation of green development concept and monitoring the progress on green finance regularly; strengthening the overall management and guidance on protecting consumers' rights and interests and consumer privacy.

The Related Party Transaction, Social Responsibility and Consumer Protection Committee is set up under the Board, responsible for formulating ESG management policies and strategies, supervising, and guiding the fulfilment of social responsibilities, management on green finance strategy, inclusive finance, rural revitalisation finance, house rental, protection of consumers' rights and interests, related party transaction and others. In 2021, the Committee carried out the following tasks: revised the committee working rules, which strengthened its responsibility in overseeing the Bank's ESG governance, guiding and supervising the implementation of ESG-related work; held ESG special seminars, and stepped up communication with stakeholders; continuously guided and urged the development and improvement of consumer protection management policies and systems and the implementation of consumer protection-related work, and instructed on significant information disclosure of consumer protection.

The Risk Management Committee under the Board has incorporated the risk management of ESG-related factors into the Bank's comprehensive risk management system to assist the Management in accurately identifying and effectively managing significant ESG-related risks. In 2021, the Risk Management Committee pushed forward the Management to strengthen the forward-looking management of environmental and climate risks by expanding the coverage of climate risks stress tests; optimised the credit policies for environmentally sensitive industries by incorporating environmental and social risk factors into the corporate credit rating; explored to construct an ESG assessment system for clients and improved risk assessment and pricing capabilities related to ESG factors; established a reporting mechanism for ESG-related risks to listen to regular reports on key tasks such as environmental and climate risk analysis and quantitative risk analysis of ESG-related factors and to provide guidance.

Board of supervisors

The Board of Supervisors performs its supervisory duties and incorporates the Group's ESG-related work and the construction of a green financial system into its annual supervisory priorities. The Duty Performance and Due Diligence Supervision Committee under the Board of Supervisors regularly listens to and reviews the progress in protecting consumers' rights and interests and supports improving the ESG governance. In 2021, the Board of Supervisors conducted analysis and research on the implementation path of ESG for commercial banks and put forward suggestions on strengthening the top-level planning and design, so as to enrich multi-level ESG practices and improve the risk management system and ESG brand building. The Finance and Internal Control Supervision Committee, within which listened to the report on the implementation of green credit and proposed suggestions around green finance development plans and seizing market opportunities to speed up structural adjustment in support of the Carbon Peaking and Neutrality goal and green transformation. A number of supervisors have attended special training sessions on carbon neutrality and green finance to keep abreast of the latest developments of green finance and other relevant information.

Management

The Management is responsible for formulating the ESG objectives and plans and promoting the implementation. On the environmental front, the Green Finance Committee has been set up to be responsible for the entire Bank's green finance development. On the social front, the Management has set up the Inclusive Financial Development Committee, the Financial Technology and Digital Construction Committee, the Consumer Rights Protection Committee, and the Talent, Remuneration and Organisation Planning Committee, to oversee the progress of ESG related objectives and strategies. To enhance risk management, the Management has set up the Risk Management and Internal Control Management Committee, chaired by the President, to incorporate ESG factors into the business operation and risk management process and include environmental and climate risks into the comprehensive risk management system. To realise specialised management and hold related departments accountable, the Risk Management and Internal Control Management Committee regularly holds meetings to report important matters and work progress. In 2021, the Bank established the ESG Promotion Committee to coordinate and promote the Group's overall ESG strategy planning, implementation and coordination.

In 2021, the Green Finance Committee convened three meetings where attendees discussed key management tasks related to green finance and promoted key measures for cultivating competitive edges in green finance. The Inclusive Financial Development Committee held regular meetings to encourage business development, risk prevention and control, as well as product innovation related to inclusive finance. The Financial Technology and Digital Construction Committee convened four meetings where attendees discussed the optimisation of the top-level design, organisational promotion and resource allocation for issues related to digital operation. Data Governance Working Team under the Financial Technology and Digital Construction Committee convened six meetings where attendees discussed the improvement of data quality, management of data security, the promotion of the resolution of data problems, and the implementation of data responsibilities. The Consumer Rights Protection Committee held regular meetings to listen to the reports on protection of consumers' rights and interests, review related work plans and policies, and put forward specific requirements for the protection of consumers' rights and interests. In 2021, the ESG Promotion Committee held its first meeting at which the Working Rules of the Committee was deliberated and approved, plans were made for the coordinated implementation of the Group's overall ESG strategic planning, and the reporting mechanism was clearly specified.

Related achievements

In terms of policy application, the Bank formulated the *Action Plan for Carbon Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy* and the *Strategic Plan for Green Finance Development (2022-2025)*, and put forward the vision of striving to become the world's leading sustainable development bank. The Bank proposed to implement the "Five Projects" of green finance focusing on the areas of business development, product innovation, risk management, technology application and internal operation, with top priorities emphases the "15-Action" such as promoting the green and low-carbon transformation of energies and supporting industrial pollution cut and carbon reduction. The Bank also made steady efforts to promote the green and low-carbon transformation, striving to drive the building of the new pillar, green finance, towards high-quality development and making it a new strength to win the market competition. The Leading Group for Carbon Peaking and Neutrality held a work meeting in 2021 to formulate the 20-Action Plan to achieve carbon peaking and neutrality, so as to promote green and low-carbon transformation.

In terms of performance assessment, the Bank included the "Supporting the Ecological Civilisation Strategy" as one of the Management performance indicators, expanded the scope of green finance assessment in the quantitative assessment of Head Office departments and increased the weight of green finance among the performance assessment indicators for tier-1 branches to promote high-quality development of green finance. The Bank have fully implemented the audit supervision system, with periodic internal audits conducted for different business segments in a risk-oriented manner to improve the risk management performance.

In terms of capacity building, the Bank regularly conducted training on ESG strategy, management and disclosure, covering various topics such as the protection of consumers' rights and interests, inclusive finance, green finance, anti-corruption and human resources, to raise employees' awareness of ESG concepts and related working competence. In 2021, the Bank carried out 2,151 ESG related training sessions, with a total of 913.4 thousand person-times across the Bank, including 602 online training sessions with 849.5 thousand person-times and 1,549 on-site training sessions with 63.9 thousand person-times.

	Online training		On-site training		Total	
Training theme	Number of Person-times	Number of training sessions	Number of Person-times	Number of training sessions	Number of Person-times	Number of training sessions
Protection of consumers' rights and interests	710,573	288	18,216	373	728,789	661
Inclusive finance	121,003	206	33,017	913	154,020	1,119
Green finance	12,898	44	1,470	22	14,368	66
Anti-corruption	325	3	1,127	39	1,452	42
Human resources	4,664	61	10,106	202	14,770	263
Total	849,463	602	63,936	1,549	913,399	2,151

Regarding anti-corruption operation, the Bank emphasises corporate behaviour that are conform to the highest ethical standards and practices. The Bank has formulated codes of conduct for all employees and regulations on ethical procurement regarding the entire procurement process. Along with the anti-corruption training for directors, the Bank has also continuously carried out anti-corruption education for all employees and organised regular learning activities, including posting cautionary alerts and cases, making educational videos, holding cautionary conferences, etc. In tax compliance, the Bank has been strictly abiding by the tax laws in more than 30 countries and regions where we operate, with the implementation of tax policies supervised by relevant authorities.

Please see the *Corporate Governance and Management Discussion and Analysis – Risk Management* sections of this Report for more information about governance. For more information on anti-corruption and petitioner protection, please refer to the *Corporate Social Responsibility Report 2021* of the Bank.

ENVIRONMENT AND CLIMATE

Green finance

Management policies

The Bank has continuously optimised the operation and management system, and made active improvements in related fields including organisational promotion, policies, support and guarantee, evaluation and incentives as well as supervision and inspection to enhance effectiveness. Furthermore, the Bank has strengthened environmental and climate risk management and control, promoted green and low-carbon transformation of credit structure, integrated environmental and climate risk into the overall credit process management, coordinated energy safety and management and control over industries with high energy consumption and high carbon emission, and implemented climate risk stress testing in an orderly manner. In 2021, the Bank continued to increase the offering of green loans and continuously enriched the portfolios of products and services related to green finance to contribute to the green transformation in the economy and society.

The Bank issued the *Notice on Strengthening Environmental and Social Risk Management*, the *Notice on Strengthening the Environment and Climate Risk Management of Credit Business* and the *Notice on Strengthening the Management of Credit, Investment and Financing for Industries with High Energy Consumption and High Carbon Emission* to define the policies for environmental and social risk management, support the technique upgrade of energy conservation and decarbonisation in core industries and companies to step up risk prevention and mitigation efforts. The Bank has set a series of development objectives to accelerate the development of green finance new advantages and reviewed the credit policies for relevant industries like photovoltaic power generation, photovoltaic manufacturing, steel, petroleum refining, railway and others. For major industries and environmentally sensitive industries such as power, transportation, green building, agriculture, forestry, mining, petrochemicals, steel and others, the Bank has also incorporated environment-related regulatory requirements in the industry-specific credit policies to actively support green development and control environmental risks.

- Power industry: To ensure energy supply and coordinate the green and low-carbon transformation of energy, the Bank has clarified requirements on pollutant discharge and coal consumption in selecting thermal power projects. The Bank firmly reduced and retreated support for outdated low-capacity projects that the state has clearly restrained and enterprises with high environmental and social risks. The Bank supported the coal and electricity enterprises in the "Three Reforms" (i.e. energy conservation and consumption reduction, heat supply and flexibility). In credit granting, the Bank gives priority to clean energy for improving the proportion of clean energy in credit structure. Since the fourth quarter of 2021, the Bank ceased providing financing support for new coal and electricity projects overseas, except for those already contracted.

- Transportation industry: The Bank has been actively supporting the green transformation of transportation structure, focusing on key green transportation projects such as urban public transport and rail transport, and the development of new energy vehicle industry and the upgrading of vehicles towards electrification and clean design.

- Green building industry: The Bank has taken active measures to promote the coordinated development of green finance, the construction of the green city and the promotion of green building. The Bank also supported energy conservation and emission reduction in construction. When selecting real estate projects, the Bank looked to whether the projects have met the green building criteria and regarded it as an essential consideration.

- Agriculture: When selecting agricultural clients, the Bank has specified requirements on compliant operation, environmental protection and quality safety, and exercised the "One-Vote Veto" policy over environmental and climate risks. Credits will not be approved for clients and programmes with significant environmental and climate risks. In addition, the Bank has actively supported clients with excellent performance in agricultural energy conservation, such as those possessing high efficiency and low power consumption agricultural machinery and those applying advanced technologies developed to reduce the consumption of fertilizer, pesticides, water, land and energy. The basic policy is to prioritise agriculture and grant more agriculture-related credit loans.

- Forestry: When selecting forestry clients, the Bank has specified requirements on compliant operation, environmental protection and quality safety, and exercised the "One-Vote Veto" policy over environmental and climate risks. Credits will not be approved for clients and programmes with significant environmental and climate risks. In addition, the Bank actively supported key national superior tree seed bases and key projects under the national forest operation planning, thus contributing to the nationwide afforestation and helping increase the forest stock volume and enhance the carbon-sink capacity. The policy in this regard is to prioritise forestry and grant more forestry-related credit.

- Mining: The Bank supports green, clean and intelligent mining and considers various factors like production safety, environmental protection and resource utilisation to decide whether the client or project is eligible. In addition, the Bank exercised the "One-Vote Veto" policy over environmental and climate risks. Credits will not be approved for clients and programmes with significant environmental and climate risks. The Bank resolutely reduces and withdraws support for outdated low-capacity enterprises acting against the national industrial policies or the environmental protection and safety production standards.

- Petrochemical industry: The Bank supports the green, low-carbon and recyclable development of the petrochemical industry and considers various factors like production safety, clean production, energy consumption level and carbon emission intensity to decide whether the client and project is eligible. Paying close attention to the impact of enterprise production and project construction on energy consumption, carbon emission, ecological environment and biodiversity, the Bank has exercised the "One-Vote Veto" policy over environmental and climate risks. Credits will not be approved to clients and programmes with significant environmental and climate risks, so as to avoid getting involved in new production capacity projects in key areas of air pollution prevention and control. The Bank also resolutely withdraws support for projects against the national industrial planning and environmental policies and enterprises that violate the requirements of green and low-carbon development.

- Steel: The Bank supports the green development and transformation and upgrading of the steel industry and considers various factors like energy efficiency, greenhouse gas emissions and pollutant discharge to decide whether the client and project is eligible. Paying close attention to the impact of project construction on the cap on total energy consumption and intensity, carbon emission, ecological environment and biodiversity, the Bank has exercised the "One-Vote Veto" policy over environmental and climate risks. Credits will not be approved for clients and programmes with significant environmental and climate risks. The Bank also resolutely withdraws support for projects against the national industrial planning and environmental policies and enterprises that are against the standards regarding environmental protection and production safety.

- Biodiversity protection: In October 2021, the Bank participated in the 15th Meeting of the Conference of Parties to the *Convention on Biological Diversity* ("COP 15") in Kunming, Yunnan, and signed the *Joint Pledge by Banking Financial Institutions to Support Biodiversity Protection*, and promised to identify biodiversity preferences, increase investment and innovation in biodiversity, strengthen the risk control over biodiversity, improve biodiversity performance and promote biodiversity cooperation. The Bank has called for steadily increasing support in key areas and regions of ecological protection. The Bank actively supports major projects in biodiversity protection, and various ecological protection and restoration projects such as protection of animal and plant resources, protection and restoration of rivers, lakes and wetlands, restoration of ecological environment in mines, conservation and restoration of national ecological safety barriers, comprehensive improvement of key ecological areas. In the credit policies for related industries like wind power and photovoltaic power generation, the Bank has outlined requirements on raising the awareness of ecological protection, strictly sticking to the red line of ecological protection, the bottom line of environmental quality, the upper limit of resource utilisation and the ecological environment access list. The Bank closely oversees the impact of project construction on ecological environment and biodiversity.

Environmental and social risk management

To strengthen the overall risk management and control of credit business, the Bank has classified clients from all industries into three categories (i.e., A, B and C, with a risk level of high, medium and low, respectively) based on their environmental and social risk rating and implemented differentiated management measures for clients with different risk levels. At the pre-loan investigation stage, the Bank conducts targeted investigation based on the characteristics of the industry and region where the client operates, focusing on factors including but not limited to the client's current environmental and social risk measures and historical violations against environmental safety requirements. The Bank declines new clients identified with high risks or rejects to grant new credits to existing clients identified with high risks. Clients with medium risks are required to go through strict access review and implement risk mitigation measures. For clients who have completed the rectification but are still under observation, approval is required before new credit is granted. Clients with low risks can apply for loans in accordance with the relevant rules and regulations. Clients pending to be classified will not be accepted for credit approval. At the loan granting approval stage, the Bank implements strict inspections on violations against environmental protection laws and regulations, safety accidents and other issues. At the post-loan management stage, the Bank reviews risk issues monthly, and conducts timely re-inspection, classification and confirmation. Clients identified with medium and high risks will be put under-listed management and subject to stricter inspection, including more frequent on-site inspections and quarterly dynamic assessment.

The Bank has developed differentiated management policies for green credit whitelist clients to provide policy support to high-quality green credit clients and contribute to the growth of green industries. The selection criteria for green credit whitelist clients clearly follows the national strategic goal of Carbon Peaking and Neutrality and prioritises areas with significant carbon reduction benefits such as clean energy and clean transportation and those with significant ecological and environmental benefits on pollution control and ecological environment. Clients from industries with high energy consumption and high carbon emission, serious overcapacity, high environmental and social risks or potential risks, or clients from industries presenting insignificant carbon emission reduction benefits such as those engaged in investment and asset management are excluded from the whitelist. To improve the compliance capabilities for environmental and social risk management, the Bank conducted special training on *Green Credit Identification Policy System, FAQs* and *Case Analysis* for all compliance reception review personnel in 2021.

Environmental and climate risk response

To cope with risks associated with climate change, the Bank has formulated environmental and climate risk management policies for all corporate credit clients, in which it has incorporated environmental and climate risks into the overall credit management process. The Bank has specifically considered projects with high energy consumption and carbon emission under the list for prior management, and incorporated key factors like energy efficiency, greenhouse gas emission and pollutant emission during the selection of clients and projects, credit approval and post-loan management.

- In terms of client selection and regulation, the Bank evaluates clients' environmental and climate risks and exercises the "One-Vote Veto" policy based on the evaluation results. The Bank rejects to grant credit to enterprises identified with incompetent environmental protection, and clients and projects with significant environmental and climate risks. The Bank reduces and withdraws support for enterprises or projects with serious problems, severe negative impacts, and repeated violations or deficiencies that cannot be rectified.

- In terms of credit approval, the Bank has implemented differentiated credit approval policies based on clients' environmental and climate risks. Credits will not be granted for enterprises or projects that fail to meet the environmental and climate risk control requirements on energy consumption and emission reduction.

- In terms of post-loan management, factors related to environmental and climate risks are covered in the post-loan inspection. The Bank has strengthened the follow-up management on the investigation of risk early warning to ensure timely processing of early warning signals. For clients with major environmental and climate risks, the Bank has implemented strict control over credit exposure for effective risk mitigation.

Performance

The Bank continued the progress in improving the long-term mechanism for green finance development, coordinated efforts in the Carbon Peaking and Neutrality action plan, leveraged the advantages of financial technology and fully licensed finance, actively explored new products, new services and new initiatives for the development of green finance, and utilised a combination of financial instruments, including green credit, green bonds, green leases, green trusts, green insurance and green wealth management, to extensively support and foster green industries.

In 2021, the Bank's green loans maintained rapid growth momentum. As of the end of December 2021, the balances of green loans were RMB1.96 trillion, an increase of 35.61% from the previous year.

The following table shows the environmental performance of the Bank's green loans during the reporting period.

	2021	2020	2019
Balance of green loans (RMB million)	1,963,129	1,342,707	1,175,802
Standard coal equivalent emission reduction (10,000 tonnes)	12,427.57	3,506.48	3,196.96
Carbon dioxide equivalent emission reduction (10,000 tonnes)	12,509.58	7,388.66	7,233.31
COD emission reduction (10,000 tonnes)	394.93	99.37	33.44
Ammonia and nitrogen emission reduction (10,000 tonnes)	59.39	4.80	3.54
Sulphur dioxide emission reduction (10,000 tonnes)	359.27	87.23	60.09
Nitric oxides emission reduction (10,000 tonnes)	457.03	90.22	30.65
Water saving (10,000 tonnes)	22,844.55	11,333.87	6,629.90

1. The data of 2021 followed the statistic standards of 2020 China Banking and Insurance Regulatory Commission Statistical System of Green Financing, and the data of 2019 and 2020 followed the original statistic standards of China Banking and Insurance Regulatory Commission.

Case story

Low-carbon living model

To cope with pain points such as difficulties in measuring the carbon emission reduction in low-carbon scenarios and the lack of effective data support for green financial products on the consumer end, the Bank gave full play to financial technologies to create a low-carbon living model, innovated in individual carbon footprint products, providing personal financial services such as discounts on credit card consumption, payment discounts, and points redemption, in order to explore diversified carbon inclusive mechanisms and lead the green and low-carbon development. The Bank's case of Comprehensive Green Financial Services Based on Carbon Ledger was successfully selected by People's Bank of China as the pilot project for integrated application of financial data.

In terms of application innovation, the project integrated and analysed low-carbon data from various ecological scenarios, such as travelling, retail and government administration through multi-party data learning and other technologies, to realise cross-entity application of the data with complete protection of user privacy and security. The project built a carbon emission reduction measurement model based on artificial intelligence, big data and other technologies to accurately measure consumers' low-carbon footprint and providing model support for the "Carbon Ledger". By adopting cloud computing and other technologies, the project built a SaaS (Software as a Service) platform covering carbon emission reduction measurement, "Carbon Ledger" operation and equity exchange to enhance comprehensive financial services for low-carbon scenarios.

In terms of risk prevention and control, the project accessed a wider range of hot data through the digital management method of building an ecosystem, setting up scenarios and expanding the user bases. The Bank diversified the data support dimension for rich low-carbon level measurement and optimised the carbon emission reduction measurement model to ensure the authenticity and validity of the "Carbon Ledger".

In terms of the practice performance, as of the end of 2021, the project had been piloted in five cities, including Beijing, Shanghai, Shenzhen, Zhengzhou and Qingdao, and completed the carbon emission reduction measurements in eight low-carbon scenarios, such as travelling by underground or bus, ETC payment and utility bills payment.

In exploring innovative and sustainable financial practices, the Bank focused on green business development in non-credit areas, formulated the *Implementation Plan for the Expansion of Green Capital Market*, and strengthened the issuance and investment of green bonds. In 2021, the Bank simultaneously issued multi-currency ESG-themed bonds abroad, including US$1.15 billion of sustainability-linked bonds and EUR0.8 billion of green bonds for water protection and environmental governance, and 2-year RMB2 billion offshore transformation bonds, attracting a variety of global socially responsible investment and sustainable finance investors. In December 2021, the Bank issued the world's first demonstrative green bond of US$0.5 billion abroad based on the *EU-China Common Ground Taxonomy – Climate Change Mitigation*, with the raised funds earmarked to support high-quality projects of clean transportation and clean energy in the Greater Bay Area. In 2021, the Bank underwrote 72 domestic and overseas green and sustainability-linked bonds totaling RMB124,037 million, including the market's first batch of carbon-neutral bonds, sustainability-linked bonds, the first green REITs in the interbank market and the green bond dubbed as Lotus Bond. The Bank initiated more than 300 investment transactions in green bonds, boosting more than RMB130 billion of direct green financing.

The Bank actively promoted the development of green investment and financing business of its subsidiaries. CCB Principal Asset Management has officially joined the UN Principles for Responsible Investment ("UN PRI") and issued multiple ESG-themed products. CCB Wealth Management issued ESG-specific wealth management products ("WMPs") to increase investment in green assets. CCB Life, CCB Futures and other subsidiaries continued to increase allocations of various green assets. By the end of 2021, CCB Financial Leasing was the first company in the industry to build a "green leasing" brand and has granted a total of over RMB100 billion in green leasing.

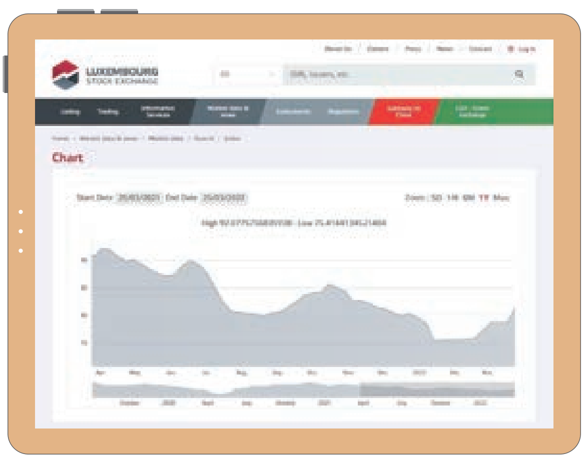
The following table illustrates the honours related to green finance received by the Bank during the reporting period.

Honourary awards	Issuer
2021 Role Model of Low Carbon	China News Service, National Development and Reform Commission, Ministry of Ecology and Environment, etc.
2021 Model Case with Green Influence in China and 2021 Financial Service Innovation Model awarded for the "FITS® Lvxin" Green Investment and Financing Service Platform and the Vegetable Intelligent Management Service Platform of Shouguang, Shandong	Xinhua.net
IFF Global Green Finance Innovation Award	International Finance Forum

Case story CCB-Wind Green ESG Bond Issuance Index and Yield Curve

Official website of CCB

Wind Terminal



Official website of Luxembourg Exchange

On May 20, 2021, CCB, together with Wind Information Co., Ltd. and International Institute of Green Finance of Central University of Finance and Economics ("CUFE"), released the CCB-Wind Green ESG Bond Issuance Index and Yield Curve Project simultaneously in Beijing and Luxembourg.

As one of the largest leading underwriters of credit debts in the Chinese interbank market, the Bank adheres to the New Finance concept and practises high-quality development. It utilises professional advantages and market influence to research and develop the CCB-Wind Green ESG Bond Issuance Index and Yield Curve, which provides market issuers and investors with an important reference for pricing trends and improves the green bond price discovery mechanism.

CCB-Wind Green ESG Bond Issuance Yield Index evaluates and selects the benefits of carbon emission reduction, green development and sustainable development of newly issued bonds by extracting the primary market yield data of the newly issued bonds every week in the Inter-Bank Bond Market, Shanghai Stock Exchange and Shenzhen Stock Exchange. It classifies and averages the weighted sample data meeting the screening criteria to form an index. On the premise of sufficient sample size, sub-indexes such as the carbon-neutral bonds, green bonds and ESG bonds are calculated and formed in the same way, and the index curve is publicly displayed.

The CCB-Wind Green ESG Bond Issuance Index combines the Bank's green bond underwriting and issuance experience with relevant green bond standards and ESG rating methodologies. It is the first cross-market green bond index after the release of the unified green bond standards in China as well as the first green bond issuance index in the Chinese primary market that integrates ESG and carbon neutrality, filling the gap of the lack of green ESG bond issuance index in the Chinese primary bond market.

On December 4, 2021, CCB's innovation project CCB-Wind Green ESG Bond Issuance Index and Yield Curve won the IFF Global Green Finance Award, ranking first among the Top 10 Innovation Projects of IFF this year. The award aims to commend and reward global green finance and innovative solutions with great global authority and international influence.

Climate change

In May 2021, the Bank became a supporter of the Task Force on Climate-Related Financial Disclosures ("TCFD") and promised to conduct climate change risk response and environmental information disclosure based on the TCFD framework.

According to the classification of climate risks by TCFD, the Bank identified actual or potential acute and chronic physical risks, as well as transition risks due to policies, laws, technologies, markets and reputation. The Bank actively carried out quantitative analysis of climate risks and initiated the construction of a client ESG rating system throughout the Bank to support the healthy and sustainable development of green finance.

In 2021, the Bank continued its exploration on climate transition risk stress testing. It participated in a climate risk stress test organised by the Central Bank of China, and completed three sectoral stress tests, including thermal power, steel and cement, to assess the potential impact of the transition of carbon peaking and neutrality target on the Bank's credit assets. The Bank has also conducted climate risk stress tests for the aviation industry.

In 2021, the stress tests mainly focused on the Bank's corporate clients in the thermal power, steel, cement and aviation industries with annual emissions of more than 26 thousand tonnes of carbon dioxide equivalent (according to the Ministry of Ecology and Environment's criteria for defining key greenhouse gas emitters). The Bank examined the potential impact on the repayment capability of the above enterprises assuming that they were required to pay a certain carbon dioxide emission expense. By carrying out stress tests over ten years, while setting end of 2020 as the base day, the Bank launched tests in three stress levels, namely mild, moderate, and severe, according to the changes in the carbon prices in the domestic carbon trading market and carbon price situations of the Central Banks and Supervisors Network for Greening the Financial System (NGFS). Assuming that the enterprises would not undertake low carbon transition during the test period and had no bargaining capability over upstream and downstream enterprises, the Bank adopted the international mainstream methodology to test each enterprise and quantitatively assesses the impact of climate transition risks on the financial costs and credit ratings of clients.

The test results showed that the repayment capabilities of the clients in thermal power, steel, cement and aviation industries were reduced to varying degrees under stress scenarios, resulting in corresponding credit rating downgrades, yet the risks were generally controllable. Among them, the thermal power, steel and cement industries were greatly affected, with the Bank's capital adequacy ratios declining by 0.86, 1.15 and 1.35 percentage points, respectively, by 2030 under the three stress levels (i.e. mild, moderate, and severe). However, due to the low proportion of loan balances of each industry, the impact on the Bank was limited, and the declined capital adequacy ratios were all higher than the regulatory requirements.

The Bank has carried out special training on environmental and climate risk stress testing across the Bank, invited internal and external experts to comprehensively educate the concept of environmental and climate risk, future development trends, domestic and foreign practices and stress testing mythology and tools. The Bank has comprehensively strengthened the training of relevant leading members of the Head Office, branches and subsidiaries, and provided team and capacity support for the orderly promotion for the Carbon peaking and Neutrality work.

Green operations

The Bank attaches great importance to green operations, including continuously improving the management systems for energy conservation and environmental protection, strengthening the implementation of energy conservation and emission reduction measures, perfecting the systems of monitoring and diagnosis, energy audit and maintenance, and establishing a categorised statistical ledger to regularly collect energy consumption data for analysing energy consumption indicators, and strengthening maintenance to deepen the energy conservation potential. By implementing green office by turning off lights and computers in time, it reduces standby consumption. Through accelerating intelligent operations by utilising technologies to promote paperless office, it reduces the use of disposable office supplies and increasing the use of video conferencing systems. The Bank encourages energy-saving technology renovation with efficient and eco-friendly equipment. It initiaties the Clean Your Plate campaign and promoting the applications of information management platforms like Smart Canteen. It implements a standardised waste recycling mechanism, procuring from professional recycling companies and carrying out the UPS battery recycling services across the Bank. Meanwhile, recycling mechanisms are introduced for various products such as Smart POS and QR scanning terminals. The Bank promotes concept of green environmental protection as well as knowledge on energy conservation, advocating a low-carbon lifestyle to enhance the employees' awareness of energy-saving, and encourage customers and the public to participant in low-carbon and environment-friendly activities like the CCB Low Carbon Living Month and Earth Hour.

The Bank has set up a Carbon Footprint Management Group to comprehensively review the Bank's energy and resource consumption, including electricity, natural gas, diesel, gasoline, heat, LPG, coal, water and paper, from 2016 to 2021. Together with carbon emission experts, the Bank has studied and formulated statistical standards for energy consumption and continuously and steadily promoted the Zero-Carbon pilot projects to build a low-carbon bank. The Zhongshan Cuiheng New Zone Sub-branch of Guangdong Branch has become the first Zero-carbon Outlet in the industry and was awarded a carbon neutrality certificate by the China Emissions Exchange (Guangzhou). The Head Office of the Bank has been evaluated Excellence in the energy-saving target assessment in Xicheng District of Beijing for three consecutive years.

The following table illustrates the environmental performance of the Bank's green operations during the reporting period.

	2021	2020	2019
Total greenhouse gas emissions (tonnes)	1,643,454.48	1,481,223.32	1,574,914.66
Energy consumption (tonnes of standard coal)	335,950.96	299,247.57	324,919.23
Water consumption (tonnes)	20,600,497.71	23,171,202.67	23,790,030.70
Total paper consumption (tonnes)	11,172.33	12,635.51	11,746.87
Proportion of off-counter account transactions (%)	99.58	99.51	99.40
Financial transaction migration rate via electronic channels (%)	97.34	96.57	94.77

1. The statistic standard of the above data can be referred to our *2021 Social Responsibility Report.*

Green procurement

The Bank proactively incorporated green and environmental protection, energy-saving and emission reduction policies into the procurement system, which stipulated in the *Supplier Management Regulation* and *Management Measures for Centralised Procurement* that "priority shall be given to suppliers with energy-saving and environment-friendly products" and "energy-saving and environment-friendly products", respectively.

For supplier selection, the Bank requests to strengthen the approval of environmental protection qualifications and prioritises suppliers with energy-saving and environmental protection or green qualifications. The Bank has also increased the weighting of energy-saving and environmental protection-related indicators in the model selection test and procurement evaluation. In terms of recycling and disposal, the Bank has encouraged the recycling of waste materials and taking the lead in regulating the recycling of waste batteries.

The Bank attaches great importance to the green transition of vehicles and actively follows the development direction of new energy vehicles in the 14th Five-Year Plan. In 2021, the Bank took the lead in the banking industry to propose and implement centralised procurement, replacement and configuration of new energy vehicles, optimising the allocation ratio of new energy vehicles and fuel vehicles. The new energy vehicles purchased accounted for 50% of the year.

SOCIAL DEVELOPMENT

Consolidating and expanding the positive results in poverty elimination through targeted poverty alleviation

Basic principle

The Bank continues to innovate products and service models, further empowers through financial technologies. To continuously improve rural revitalisation services, and consolidating and expanding the positive results in poverty elimination through targeted poverty alleviation, the Bank outreaches deeply to the underserved demographics through coordination and group synergy.

Overall target

The Bank continues to improve the policy guidance, system construction and financial innovation in agriculture-related areas, to enhance the quality and effectiveness of financial services for rural revitalisation. It optimises the structure of *CCB Yunongtong* inclusive financial service sites, and enables more new outlets be accessible in county regions to further improve rural service channels. The Bank has established CCB product service system to fully support rural revitalisation and enriched the comprehensive services, improved risk control to be more initiative, prospective and refined, and further enhanced the compliance operation and risk prevention and control capabilities.

Safety measures

Improving organisational system and working mechanism. The "CCB Leading Group for Poverty Alleviation" was changed to the CCB Leading Group for Rural Revitalisation, pushing forward seamless convergence between consolidating and expanding the positive results in poverty elimination and rural revitalisation.

Strengthening the resource allocation and consolidating the safety system. The Bank highly supports the construction of *CCB Yunongtong* service sites and improves the development quality of those service sites. Moreover, with differentiated credit policy management, the Bank allocates more credit resources to agriculture, forestry, animal husbandry, fishery and other key areas of rural revitalisation which are identified as priority industries.

Optimising relevant policies and empowering the growth. The Bank implements differentiated credit policies, covering credit scale, guarantee means, project assessment, credit approval, due diligence and exemptions, risk tolerance, as well as internal transfer preferences, etc., for credit clients from former extreme poor regions, key counties for national rural revitalisation and pair assistance regions targeted by the Bank.

Annual poverty alleviation

Innovating assistance models. The Bank issued the *Financial Service Solution for Serving Key Counties for National Rural Revitalisation*, and formulated the "1+6" comprehensive financial assistance plan, focusing on six key areas, including social security, collaboration between the eastern and western regions, industrial development, new agricultural business entities, rural construction and rural governance to further support key counties for rural revitalisation. Pairing assistance between branches in the eastern and western regions was promoted to help key counties to develop their industries and consolidate the achievements made in poverty alleviation. The "*Jianrongzhihe*", a smart comprehensive services platform for enterprise matchmaking, launched the *Financial Assistance Zone*, helping key counties to release information on investment attraction and enterprise matchmaking. The training of financial talents in key counties for national rural revitalisation have also increased.

Expanding assistance channels. Relying on the *e.ccb.com*, an e-commerce platform, the Bank launched a special sales area for key counties for national rural revitalisation, and established a public welfare platform for online showcase, sale and support services of agricultural and side-line products. The Bank gave full play to the advantages of the supply and procurement synergy services of *Shanfutong*, providing one-stop "e-commerce+finance" service solutions, covering payment and clearing, order management and information sharing, for upstream and lower-reaches agricultural business entities. The business transactions of agricultural industrial chain completed on the *Shanfutong* in 2021 exceeded RMB3 billion.

Innovating credit products. With the online *Yunong Quick* Loan and offline Rural Revitalisation Loan product packages, the Bank increased credit allocation. Moreover, the Bank established livestock mortgages, explored important agricultural stockpiling, innovated Land Reclamation Loan and other products, improved and promoted the innovation and application of products such as online supply chain, *Mingonghui* (for migrant workers), Quick Loan for SMEs, Community Factory Loan, and Cloud Enterprise Loan to drive the deep integration of agriculture with agricultural production processing, culture and tourism, leisure, and healthcare industries, increasing farmers' income.

Differentiating assistance for all types of entities. The Bank enhanced financial services for new agricultural business entities in the counties for rural revitalisation, explored innovative and comprehensive financial service solutions, and increased agriculture-related credit loans. The Bank continued to issue petit credit for people lifted out of poverty and those on the verge of poverty with steady credit, quality monitoring, as well as renewal and extension management, to deliver smooth transition of petit credit for people lifted out of poverty. Based on effective communication with local governments, the Bank initiated the construction of information storage, assisted to build credit systems for key counties, and increased the development and delivery of credit loan products for the farmers in key counties.

Increasing supports for rural infrastructure. The Bank supported producer infrastructure improvement projects and product innovation for the construction concerning water, electric power, network, roads and housing, mainly served regional and cross-regional major infrastructure construction projects such as highway and rural power grids renovation. The establishment of rural industry and tourism businesses, development of farmland irrigation and water conservancy program, construction of delivery system, cold chain logistics facilities for the storage and preservation of agriculture production, construction of power grids, rural electrification expansion project, as well as rural facilities construction, are all vigorously supported.

Expanding the assistance scope. The Bank actively and steadily allocated channel construction resources in prefecture areas, and improved the coverage rate of key prefecture outlets. 510 thousand Yunongtong inclusive financial service sites had been established in those areas, covering 80% of townships and administrative villages nationwide, providing affordable and convenient financial services to farmers in rural areas where CCB physical channels are not accessible, ensuring to include more underserved demographic of the "last mile".

Related achievements

As of the end of 2021, the loan balance of areas lifted out of poverty in the Bank was RMB746,420 million, an increase of RMB99,207 million or 15.32% over the previous year. Loan balance of key counties for national rural revitalisation was RMB90,926 million, an increase of RMB14,860 million or 19.53% over the previous year, exceeding the growth rate of the Bank's loans by 6.85 percentage points.

The Bank continued to carry out a series of *Benevolent Caring for Agricultural Development* marketing activities, and held 226 various comprehensive marketing activities, driving the total volume of transactions over RMB1 billion. The Bank improved the Assistance Purchase Zone to provide clients with assistance purchase service solutions. As at the end of 2021, the Bank helped to sell RMB2,157 million and purchased RMB155 million of agricultural products from areas lifted out of poverty.

In 2021, the Bank underwrote and issued RMB6,700 million of rural revitalisation bonds, successfully launched several rural revitalisation-themed financial products with a scale of RMB13,647 million, actively supported the financial leasing needs of counties and villages, releasing leasing projects with RMB12,186 million. The Bank established the CCB Charity Trust for Joint Targeted Assistance, promoted the "capital management+insurance+futures" business to provide production protection for farmers in key counties for national rural revitalisation. Moreover, the Bank cooperated with China Charity Federation to initiate the *CCB Building a Better Homeland* public welfare project for rural revitalisation, organised a total of 52 thousand training sessions with 4.5 million person-times through online and offline channels on the *Financial Literacy Promotion* inclusive education and training platform.

Financial services for rural revitalisation

The Bank implemented the *Notice on Promoting the Demonstrative Projects of Financial Technology Empowering Rural Revitalisation of the PBOC and Seven Other Ministries,* formulated policies such as the *2021 Guidance on New Financial Services for Rural Revitalisation, Implementation Plan for Vigorous Development of Green Finance in Rural Revitalisation,* and *Financial Service Solution for Serving Key Counties for National Rural Revitalisation*, highly supporting the comprehensive improvement of rural living environment, land remediation and restoration, ecological and recycling agriculture development, green resource development and utilisation, and ecosystem restoration and protection. All these promoted effective credit allocation of financial services, reaching deeper to improve effective rural governance in rural revitalisation.

The Bank formulated a plan based on four dimensions including inclusive financial services helping rural residents, empowering agricultural industry modernisation, promoting convenient rural public services, and facilitating digitisation of rural construction, to establish the CCB agriculture-related service system, to implement and achieve the digital operation and platform economics in the rural areas. The Bank also provided rural clients with efficient and convenient financial and non-financial services based on the stable coverage of the *CCB Yunongtong* inclusive financial service sites.

As at the end of 2021, the Bank's agricultural-related loan balance was RMB2.47 trillion, an increase of RMB376,962 million or 18.05% over the previous year. The balance of inclusive agriculture-related loans (excluding discounted bills) was RMB295,427 million, an increase of RMB70,170 million or 31.15% over the previous year. The balance of agriculture-related green loans was RMB406,988 million, an increase of RMB138,820 million or 51.77% over the previous year.

The following table illustrates the honours related to rural revitalisation received by the Bank during the reporting period.

Honourary awards	Issuer
2021 National Typical Case of Rural Revitalisation through Consumption Assistance awarded for the case of e.ccb.com's *Financial Support to Rural Areas, Poverty Alleviation through e.ccb.com*	National Development and Reform Commission
Third prize of 2020 Financial Technology Development awarded for Yunongtong online service platform	The People's Bank of China
Best Inclusive Financial Services Award awarded for E-Commerce for Poverty Alleviation through e.ccb.com	China Network Finance Alliance
Advanced Group of China E-Commerce Poverty Alleviation Alliance in Eradicating Poverty, the top group award, awarded for e.ccb.com	China E-Commerce Poverty Alleviation Alliance
Model Case of Green Development Services awarded for e.ccb.com's efforts in poverty alleviation and rural revitalisation	China International Fair for Trade in Services
China's Best Digital Ecosystem Project in 2021 awarded for Yunongtong online service platform	The Asian Banker

Protection of consumers' rights and interests

The Bank fully implemented the *Measures of the People's Bank of China for the Protecting Financial Consumer's Rights and Interests,* the *Guiding Opinions of the China Banking and Insurance Regulatory Commission on Banking and Insurance Institutions Strengthening the Building of Working Systems and Mechanisms for Protection of Consumer Rights and Interests* and other regulatory requirements. As the lead management department for consumer protection, the Personal Finance Department (Consumer Rights Protection Department) continuously constructs and improves consumer protection regimes, mechanisms, processes and systems, etc., and promotes the deep integration of consumer protection with business development and service management, effectively protected consumers' legitimate rights and interests.

Improving the consumer protection review of products and services

The Bank implemented in-depth review and inspection of products and services of financial institutions, revised and issued the *Administrative Measures for Protection and Review of Consumers' Rights and Interests* to further improve relevant systems to ensure that products and services are reviewed for consumer protection before launching. The Bank regularly reported relevant review works to the Related Party Transaction, Social Responsibility and Consumer Protection Committee under the Board of Directors, to ensure the current and new products and services be overseen by the board level committee. The Bank clarified the subject, scope, key points, procedure and other operational contents of consumer protection review and inspection, required the consumer protection review and inspection to follow the principles of "adherence to review according to requirements, compliance with laws, prevention in advance, independence and prudence, fairness and objectiveness, and classified and graded management", to implement consumer protection review of the products and services provided to financial consumers, so as to effectively safeguard the legitimate rights and interests of consumers.

Implementing fair marketing policies

The Bank strictly implemented the whole-process integration of consumer protection in designing its advertising and marketing activities with the oversight of Personal Finance Department (Consumer Rights Protection Department), revised and issued the *Administrative Measures for Personal Client Advertising and Marketing* to standardise marketing behaviours. Branches were required to draw up advertising and marketing management standards accordingly and conduct regular inspections to avoid non-compliant advertising and marketing behaviours such as false and exaggerated publicity. In terms of the arrangement of its advertising and marketing activities, the Bank made unified advertising and management requirements, and conducted trainings for employees according to the launch requirements of specific advertising and marketing activities. The Bank promptly dealt with the advertising and marketing problems complained by clients, and optimised the management of related advertising and marketing services accordingly.

Providing loan modification plans

The Bank took the initiative to reshape the mode of post-loan services to meet customers' needs for modifications in loan-related elements and protect consumers' rights and interests. Upon mutual agreement, the Bank provided customers with escalation options, which allowed clients to change loan terms, instalment amount, repayment method, guarantee, entrusted debit account and other terms with income-based considerations. It is clearly defined by the Bank that the borrower can submit an application for early repayment or modifications in other contract elements, and the modification can be completed after approval.

Standardising debt collection

In debt collection, the Bank formulated the *Operating Procedures for Disposal and Management of Corporate Non-performing Loans,* the *Operating Procedures for Collection and Disposal of Personal Non-performing Loans,* the *Operating Procedures for Outsourcing Collection of Written-off Corporate Debts,* the *Operating Procedures for Outsourcing Collection of Personal Non-performing Loans* and other policies and measures, which clarified collection policies for corporate and personal non-performing loans, standardised collection methods, work requirements and frequency requirements, while stipulated that the management and disposal of corporate and personal non-performing loans should be implemented in compliance with relevant laws, regulations, rules, policies and work procedures. The Bank also implemented strict management of outsourcing collection agencies, established a whole-process management and control mechanism of pre-operational admission, operational monitoring and post-operational assessment for entrusted agencies. Post-operational evaluation management and annual assessment of entrusted agencies were strictly implemented, and the coverage of assessment are clarified as internal control, standardised operation, the protection of consumers' rights and interests and other aspects of entrusted agencies. Moreover, the Bank increased the proportion of information security in the assessment of outsourcing agencies to protect customers' information security and consumers' rights and interests.

Strengthening employee trainings on consumer protection

The Bank highly values the education of employees on consumer protection and actively organised consumer protection trainings for employees. In 2021, the Bank provided trainings on consumer financial protection to all relevant customer-facing employees. Special training courses on consumer protection were completed at the head office level, and imbedded the content of consumer protection into the trainings of individuals, companies, institutions, private banks, housing finance, rural finance and other business lines. At the branch-level, 130 online and 176 offline training sessions on consumer protection were organised, and consumer protection was included in more than 1,500 business department trainings, to cultivate the concept of consumer protection learning and education for employees in the whole bank. The Bank also cooperated with external educational institutions to conduct consumer protection trainings. 9 tier-1 branches collaborated with local universities to deliver consumer protection trainings, and 5 tier-1 branches invited experts from third-party consulting companies to give lectures on consumer protection for employees.

Valuing the protection of information security

In accordance with the *Personal Information Protection Law of the People's Republic of China, Data Security Law of the People's Republic of China*, and the *Regulations on Protecting the Security of Critical Information Infrastructure* and other laws and regulations, the Bank formulated, revised and issued the *Measures for the Administration of Personal Client Information,* the *Measures for the Security Management of Online Financial Business,* the *Measures for the Administration of External Data,* the *Grading Standards for Personal Financial Information Data Security, Data Security Grading Standards,* the *Implementation Rules for Network and Information Security Management* and other regulations which covered all relevant business subsidiaries to further improve personal information security protection and data security protection management system. The Bank continued to standardise the conditions of personal clients' information queries in various business systems, developed an optimised privacy authorisation management tool, and strengthened the control of clients' notification and authorisation. To enhance the protection of personal clients' information and data security and rights of personal information, the Bank conducted data masking, avoided to display unnecessary information, strengthened the management of query authorisation, and effectively applied the principles of "legality, legitimacy, necessity and integrity" and relevant data security requirements in the use of personal client information. The Bank actively explored the application of artificial intelligence, big data and other technologies in client information protection, iteratively upgraded the client information query and monitoring model, strengthened the monitoring analysis and early warning of employees' abnormal behaviours, developed data security grading tools, and implemented data security grading system. The Bank strengthened the cultivation of data security culture, organised relevant data security courses, and enhanced employees' awareness of data security.

In order to strengthen the supervision of consumer information security protection, the Bank conducts internal audit of information technology regarding information security and other matters every year, and strives to achieve a full coverage of main information technology support institutions on a three-year basis, including the head office, tier-1 branches and the Group's subsidiary CCB Fintech. From 2020 to 2021, the Bank completed the corresponding information security audit on works of development, operation and maintenance, and security management for all branches. The 2021 financial technology audit of the head office data centre, CCB Fintech and other information technology support institutions or departments also included the audit on information security and relevant items.

Responding properly to client complaints

The Bank always regards management of client complaints as the key point of its consumer protection work. In 2021, the Bank conducted a special campaign on complaint management for the whole bank, revised and issued the administrative measures for consumer complaints, and further improved and standardised the whole process of consumer complaint management and review by the Consumer Rights Protection Department, including the acceptance and handling procedures of consumer complaints, information management and information protection of complainants, and supervision management. The Bank formulated emergency management measures for serious consumer complaints, reviewed and revised the contingency plan for serious consumer complaints to further improve the emergency management for serious events to protect consumers' rights and interests in the whole bank. The Bank improved the accessibility of complaint channels, actively publicised its complaint channels and complaint handling procedures, and established complaint management, supervision by key institutions, regular notification and management mechanism for diversified complaint resolutions. The Bank also organised special trainings on complaints to standardise the complaint handling process, and to improve the complaint handling and management capability of employees. The Bank continued to promote the digital transformation of complaint management system and established the complaint data monitoring and analysis mechanism. For the business problems involving complaints, the root cause rectification was conducted, to facilitate the improvement of service capabilities and client experience. Moreover, the Bank closely inspected the problems from the complaints, and actively researched the improvement recommendations proposed by clients to improve the client experience and satisfaction.

In 2021, the Bank processed more than 244,900 consumer complaints. The involved business categories mainly include credit cards (accounting for 22.18%), debit cards (accounting for 20.47%), debt collection (accounting for 14.34%), and etc. Complaints were mainly from clients in Guangdong Province (accounting for 6.66%), Hebei Province (accounting for 6.03%) and Hubei Province (accounting for 4.71%). Complaint handling channels mainly involved the business sites (accounting for 36.07%), middle and back office channels (accounting for 28.98%), electronic channels (accounting for 23.39%), and etc.

Promoting the education of financial knowledge

The Bank revised and issued the *Administrative Measures for Improving Public Awareness of Consumers' Rights and Interests*, and established a "centralised+scenario-based" education matrix by building a "standardised+featured" content library to deepen digital publicity and education, so as to comprehensively enhance the consumer education and publicity of CCB both online and offline. In addition to general clients, the Bank organised special education activities to promote the awareness of consumer protection among the elderly, teenagers, school students, rural residents and migrant workers, ethnic minorities, people with disabilities and other client groups. For example, the Bank released the *Consumer Protection Class for the Elderly* section on the *Financial Literacy Promotion* channel of CCB Learning Centre, prepared large print financial knowledge booklets for the elderly, provided the Smart Bank consumer protection voice service, and organised employees of all branches to visit communities, nursing homes, and universities for the aged, so as to empower key targeted groups, expand the access of financial knowledge education, and improve the effect of financial knowledge education among specific groups.

Optimising the consumer protection assessment system

The Bank revised and issued the *Measures for Assessment of Consumers' Rights and Interests Protection*, improved the consumer protection assessment system, strengthened the application of assessment results to navigate and manage further works, and to promote the in-depth integration of consumer protection with business development and service management, effectively protecting the legitimate rights and interests of consumers.

Cases of service measures for special client groups

Building demonstration outlets with barrier-free service

Under the careful guidance and strong support of China Banking Association and China Disabled Persons' Federation, the Bank has successively built barrier-free service demonstration outlets in Shanghai, Xiong'an, Beijing and other regions in accordance with the *Standards for Banking Accessible Environment Construction*. Among them, Xiongxian Sub-branch Outlet was highly recommended as the demonstration outlet for barrier-free service in the Press conference on *Bank Barrier-free Environments Construction Standards.*

Warmly Building Workers' Harbour

The Bank took a leading role in building and opening more than 14,000 *Workers' Harbours* to the public, providing basic service facilities such as drinking water dispensers, tables and chairs for rest, Wi-Fi, mobile phone chargers, books and reading glasses, as well as emergency service facilities such as umbrella and first aid kits. To better serve special groups, qualified outlets supplied the public with bathrooms, and provided wheelchairs, barrier-free ramps and other accessible facilities, as well as mother-infant rooms, baby carriages, microwave ovens, and etc. for humanistic care. Meanwhile, the Bank also promoted the construction of barrier-free hardware facilities in outlets, increased the number of accessible facilities such as barrier-free ramps, wheelchairs, cards for the blind, and braille business guide, as well as upgraded the accessible toilets, accessible parking spaces and other service facilities in qualified outlets. In addition, the Bank provided remote (online) translation equipment for sign language service in some outlets, improved the trainings on barrier-free service skills for outlet employees, and continued to design and organise diversified public welfare activities for the people with disabilities and the elderly, significantly improving the barrier-free service capability of business outlets.

Collaborating with China Disabled Persons' Federation to build Workers' Harbour • Accessible Home

The Bank and China Disabled Persons' Federation jointly developed the brand *Workers' Harbour • Accessible Home* and presented it at major conferences, including the National Accessible Environment Construction Achievements Release, Promotion and Application and Information Accessibility Forum and the China International Welfare Expo from 2019 to 2021 to demonstrate the relevant achievements in accessibility construction and Workers' Harbour.

Formulating and issuing special client service guidelines for business outlets

Based on relevant internal and external regulations and actual needs of special client, the Bank formulated and issued the *Guidelines for Special Customer Services in Business Outlets*, further refined the guidance service mechanism for special clients in outlets, standardised the service procedures for special clients, instructed outlets to equip themselves with accessible facilities, enhanced the sign language service capability of employees, and specified the visiting service standards for outlet employees, to enable special client groups enjoy convenient, high-quality, safe and dignified service experiences in its outlets.

Case story

Mobile banking embraces elderly-oriented modification

The Bank strives to solve the difficulties encountered by the elderly through smart technology. Based on the usage habits of the elderly, the Bank has launched the mobile banking care mode in which the elderly finds words on pages bigger and easier to recognise, and the display of information more visible. The mobile banking care mode provides common financial services including account inquiry, transfer, utility bill payment, credit card repayment and phone bill value recharge, as well as non-financial services including e-social security card, provident fund and medical insurance card. The mobile banking is also upgraded with smart voice function to enable elderly clients to deal with their businesses through voice calls, optimises smart search function to achieve one-stop search of functions and product information, and provides One-click Help service to allow elderly clients to easily and directly contact manual customer service to solve problems, so that the elderly can enjoy a stronger sense of satisfaction, happiness and security amid the information-based development.

Protection of employees' rights and interests and employee care

The Bank has run under a democratic management system through the employees' congresses, and improved the proposal collection and handling system for employee representatives visiting grass-roots outlets, the employee representative inspection system, and other systems and mechanisms for employee opinion and suggestion collection and demands expression. The Labour Union of the Bank actively participated in the mediation of labour disputes to safeguard the legitimate rights and interests of employees. In 2021, the Bank held the second meeting of the fifth Employee Congress, reviewed and approved the *Measures for Handling Employee Violations*, and confirmed the recension of the *Enterprise Annuity Plan* and the *Articles of Association of the Enterprise Annuity Management Committee* and other proposals.

The Bank fully launched the initiative of *employee representatives visiting grass-roots outlets* on all fronts to extensively collect and acknowledge the opinions, recommendations and report grievance from grass-roots employees. Institutions at all levels collected employee opinions in various ways to comprehensively improve employee satisfaction, such as opening a cloud mailbox for employee opinions, setting up the *Home of Love, Harbour of Heart* platform with a column for collecting opinions and recommendations, and to ensure effective communication and improving the interactive feedback mechanism.

The Bank adhered to fully improving employee satisfaction, and deeply implemented the work for employee care at grass-roots outlets. Since 2019, the Bank has formulated and released the key points of the employee care project at grass-roots outlets on an annual basis and implemented a series of important measures to care for employees. In 2021, the employee satisfaction assessment was conducted, covering 125,068 employees from business outlets, which resulted in a 15.5% higher overall satisfaction of employees at grass-roots outlets in employee care work as compared with 2019.

The Bank continued to carry out employee care, implemented the Care Plan, improved the employees' mutual assistance mechanism, and built the *(Small) Home of Employees* and *Workers' Book House*, to care for employees in various aspects and channels. In addition, the Bank allocated more than RMB2 million of special labour union funds to promote the construction of the *Caring Room for Female Workers* and assist female workers in difficulties. The Bank implemented a comprehensive physical and mental health management plan for all employees, and provided supplementary medical insurance including critical illness insurance and accident insurance, as well as services such as physical examination, green medical channel and psychological counselling to employees.

The Xinxiang Branch of the Bank opened the workers' harbour to help the trapped people under the backdrop of the severe rainstorm in Henan Province in 2021.

CCB Qianxinan Branch in Guizhou Province provides health consultation services to the public.

Charity

The Bank regarded charity as an important way to fulfil corporate social responsibility, actively built a new public welfare ecology of "finance+charity", and encouraged employees, clients and relevant institutions to participate in social welfare collaboratively, so as to promote the integration of public welfare and businesses. The Bank formulated the whole-process management measures for public welfare donations, and specified the feasibility, implementation and publicity standards, supervision and audit requirements of public welfare programmes, ensuring that all donations are utilised effectively and positively impact the society. In 2021, the Bank's charitable donations totalled RMB119 million, focusing on consolidating the achievements of poverty alleviation and rural revitalisation, long-term public welfare programmes, and emergency donations.

Implementation of major public welfare programmes

Programme	Cooperative institution	Accumulated donation	Duration	As of the end of 2021
Building the Future – CCB Sponsorship Programme for High School Students	China Education Development Foundation	RMB158 million	2007 – present	Donated RMB158 million and funded 96,200 person-times of high school students
CCB Sponsorship Plan of "Mother's Health Express"	China Women's Development Foundation	RMB69 million	2011 – present	Purchased 462 vehicles under the programme and put them into use in towns and villages in 24 provinces and autonomous regions, including Xinjiang, Tibet, Gansu and Qinghai
Support CCB Hope Primary Schools	China Youth Development Foundation	RMB15.06 million	1996 – present	Provided support in building 46 Hope Primary Schools with libraries, computer rooms and sports grounds; assisted trainings for more than 800 person-times of teachers and organised summer camps in Beijing for 250 students and teachers
Tibet in Our Hearts – CCB and Jianyin Investment Scholarship (Bursary)	China Foundation for Poverty Alleviation	RMB3.5 million	2007 – present	Donated RMB3.22 million and funded 1540 person-times of students with difficult backgrounds in Tibet
"Build a Good Home" Rural Revitalisation Public Welfare Project	China Charity Federation	RMB5 million	2021 – 2022	Carried out the plan to light up green rural solar street lights and the training of rural revitalisation leaders in 10 provinces and districts in the central and western regions
"Donation of Bonus Points to Make Dreams Come True • Micro Charity"	China Youth Development Foundation, China Literature and Art Foundation, Chinese Young Volunteers Association, Young Volunteers Action Guidance Centre of the Central Committee of the Communist Youth League of China	RMB9.4 million	2012 – present	Donated to build 148 "Happy Music Classrooms", trained music and art teachers in the rural, and built the "Home of Youth" for Chinese Young Volunteers Association and Young Volunteers Action Guidance Centre of the Central Committee of the Communist Youth League of China
"Kindness and Wisdom" Student Aid Action	CCB Youth Volunteers Association and local committees of the Communist Youth League of China of all branches	RMB6 million	2016 – present	Made donations to more than 16,000 teachers and students from underdeveloped areas and organised more than 150 teachers and students from poverty-stricken areas to participate in summer (winter) camp activities
"Workers' Station (Oasis)" Public Welfare Action	China Worker Development Foundation	RMB5 million	2021 – 2022	According to the statistics of China Worker Development Foundation, 360,000 person-times of outdoor workers were served based on the public welfare programme in 2021

PROGRESS IN SUSTAINABLE FINANCE AND INVESTMENTS

The Bank has formulated and implemented the Three Major Strategies of *House rental, inclusive finance and FinTech*, actively promoted the development of green finance, and strived to achieve sustainable development goals in New Finance initiatives and solve the development problems in three dimensions, namely society, economy and environment. The Bank's financing activities for sustainable development are highly aligned with the 2030 Sustainable Development Goals of the United Nations.

Level I	Level II	Investment	Goals
1 Basic infrastructure	1.1 Transportation: Affordable and accessible transportation	At the end of 2021, the balance of the Bank's loans to support construction and operation of urban and rural public transportation systems was RMB275,865 million.	SDG 9 and 11
	1.4 Energy system	At the end of 2021, the balance of the Bank's loans to support the construction and operation of green energy facilities was RMB307,891 million.	SDG 7, 13 and 14
	1.5 Environmental sanitation	At the end of 2021, the balance of the Bank's loans to support environmental sanitation, such as sewage treatment and domestic waste treatment, was RMB90,583 million.	SDG 6, 9, 13, 14 and 15
	1.7 Information and communication technology	At the end of 2021, the balance of the Bank's loans to the information and communication technology industry was RMB321,124 million.	SDG 9 and 11
2 Affordable housing	2.4 Indemnificatory housing	As at the end of 2021, the Bank's loans granted to support programmes included in the affordable rental housing plan in various regions exceeded RMB100 billion.	SDG 1, 2, 10 and 11
3 Hygiene and health services	3.1 Medical and health services	In 2021, the Bank granted loans of RMB58,475 million to medical and health institutions to fully support the prevention and control of the COVID-19 pandemic.	SDG 3 and 10
	3.3 Medical and sanitation manufacturing	At the end of 2021, the balance of the Bank's loans to medical and sanitation manufacturing was RMB55,388 million.	SDG 3, 9 and 10
4 Education, technology and culture	4.1 Education	In the past five years, the Bank had granted loans of RMB156,406 million to education sector, maintaining a leading market share in the industry.	SDG 4, 5 and 10
	4.2 Technology	At the end of 2021, the balance of loans to sci-tech enterprises including national high-tech enterprises and small and medium-sized sci-tech enterprises was RMB865,370 million	SDG 8, 9, 11 and 12
5 Food security	5.1. Agricultural production	At the end of 2021, the balance of the Bank's loans to agriculture, forestry, animal husbandry and fishery was RMB111,116 million, with an increase of RMB17,224 million over the previous year.	SDG 2
	5.2 Agricultural inputs and facilities	At the end of 2021, the balance of the Bank's loans to agriculture and agricultural machinery and equipment manufacturing was RMB36,756 million, with an increase of RMB4,514 million over the previous year.	SDG 2
6 Financial services	6.1 Savings and settlement account financial services	At the end of 2021, the Bank's domestic personal deposits exceeded RMB11 trillion, with an increase of RMB1.1 trillion over the previous year.	SDG 1, 8, 9 and 10
	6.2 Credit financial services	At the end of 2021, the balance of the Bank's inclusive finance loans was RMB1.87 trillion, with 1.937 million loan clients.	SDG 1, 5, 8 and 9

1. The above table was prepared by the Bank with reference to *SDG Finance Taxonomy (China)* (2020).

PERFORMANCE OF UNDERTAKINGS

In September 2004, Huijin made a commitment of "non-competition within the industry", i.e., as long as Huijin continues to hold any shares of the Bank, or is deemed as a controlling shareholder or a related party of a controlling shareholder of the Bank in accordance with related laws of the People's Republic of China or listing rules of the Bank's listing venues, Huijin would not engage in or participate in any competing commercial banking businesses, including but not limited to granting loans, taking deposits, providing settlement, fund custody, bank card and currency exchange services. However, Huijin may still engage in or participate in competing businesses through investing in other commercial banks. Accordingly, Huijin committed that it would: (1) fairly treat its investments in commercial banks, and would not abuse its shareholder position in the Bank or the information it obtained through its shareholder position in the Bank to make decisions detrimental to the Bank but beneficial to other commercial banks; and (2) exercise its shareholder's rights for the best interests of the Bank.

On 6 April 2016, in accordance with relevant rules of the CSRC, in order to ensure the effective fulfilment of the measures to make up for the immediate return diluted by the issuance of preference shares of the Bank, Huijin undertook not to intervene with the operation and management of the Bank and not to misappropriate the interests of the Bank.

As at 31 December 2021, Huijin had not breached any of the above undertakings.

MISAPPROPRIATION OF FUNDS FOR NON-OPERATIONAL PURPOSE

During the reporting period, there was no misappropriation of the Bank's fund by the controlling shareholder or other related parties for non-operational purpose.

ILLEGAL GUARANTEES

During the reporting period, the Bank had not entered into any guarantee contract in violation of relevant regulations.

AUDITORS' REMUNERATION

Ernst & Young Hua Ming LLP was appointed as the domestic auditor of the Bank and its domestic subsidiaries for the year of 2021 and Ernst & Young was appointed as the international auditor of the Bank and its overseas subsidiaries for the year of 2021. Ernst & Young Hua Ming LLP was appointed as the auditor of internal control of the Bank for the year of 2021. This is the third year for Ernst & Young Hua Ming LLP and Ernst & Young to provide audit service to the Bank.

The fees for the audit of financial statements (including the audit of internal control) of the Group and other services paid to Ernst & Young Hua Ming LLP, Ernst & Young and its other member firms by the Group for the year ended 31 December 2021 are set out as follows.

(In millions of RMB)	2021	2020	2019
Fees for the audit of financial statements	140.96	140.96	140.96
Other service fees	12.71	10.90	5.63

MATERIAL LITIGATIONS AND ARBITRATIONS

During the reporting period, the Bank was not subject to any material litigation or arbitration.

PENALTIES

During the reporting period, the Bank was not subject to any investigations in accordance with laws for any suspected crimes. Neither the controlling shareholder, actual controller, directors, supervisors nor the senior executives of the Bank were subject to coercive measures in accordance with the law for any suspected crimes or were detained by disciplinary inspection and supervision authorities for suspected serious violations of disciplines and laws or for duty-related crimes and were unable to fulfil duties due to such reasons. Neither the Bank, the controlling shareholder, actual controller, directors, supervisors nor the senior executives of the Bank were subject to criminal penalties, investigations or administrative penalties by the CSRC for suspected violations of laws and regulations, material administrative punishments by other relevant authorities, or administrative supervision measures by the CSRC or disciplinary actions by the stock exchanges. Neither the directors, the supervisors nor senior executives of the Bank were subject to coercive measures by other relevant authorities for suspected violations of laws and regulations and were unable to fulfil duties due to such reason.

INTEGRITY

During the reporting period, the Bank and its controlling shareholder had no unperformed obligations rendered by valid legal documents of the courts, or significant outstanding matured debts.

MATERIAL RELATED PARTY TRANSACTIONS

During the reporting period, the Bank had no material related party transactions. All related party transactions of the Bank were conducted on the basis of commercial principles at arm's length in a fair and open manner, and at prices no more favourable than those offered to independent third parties in similar transactions.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

During the reporting period, the Bank did not enter into any material arrangement for custody, contracting or leasing of other companies' assets, or allow its assets to be subject to such arrangements by other companies.

The guarantee business is an off-balance sheet service in the ordinary course of the Bank's business. The Bank did not have any material guarantee that is required to be disclosed except for the financial guarantee services within its business scope as approved by the regulators. During the reporting period, the Bank did not enter into any other material contract that is required to be disclosed.

OTHER SHAREHOLDING OR SHARE PARTICIPATIONS

In May 2021, the Bank made the fourth capital contribution of RMB750 million to the National Financing Guarantee Fund Co., Ltd., completing all four instalments of capital contribution with total amount of RMB3 billion. Please refer to the announcement published by the Bank on 31 July 2018 for more information.

In April 2021, upon approval of the CBIRC, the Bank intended to contribute RMB8 billion to the National Green Development Fund Co., Ltd. In May 2021, the Bank completed the first capital contribution of RMB800 million. Please refer to the announcement published by the Bank on 29 April 2021 for more information.

In March 2021, CCB Investment was made capital injection of RMB15 billion by the Bank, and its registered capital increased from RMB12 billion to RMB27 billion. Please refer to the announcement published by the Bank on 2 December 2020 for more information.

MAJOR EVENTS

In December 2021, the Bank issued a three-year bond of US$500 million overseas, the world's first and exemplary green bond based on the *Common Ground Taxonomy: Climate Change Mitigation for sustainable finance* released by China and the EU.

In April 2021, the Bank simultaneously issued multi-currency ESG-themed bonds overseas, including three-year and five-year sustainability-linked bonds of US$1.15 billion, a three-year green bond of EUR800 million, and a two-year offshore RMB transition bond of RMB2 billion.

In January 2021, upon approvals of the CBIRC and PBC, the Bank issued a three-year special financial bond for small and micro business loans with a fixed interest rate of 3.30% and a total face value of RMB20 billion in the domestic interbank bond market. The proceeds were specifically used for financing small and micro business loans. Please refer to the announcement published by the Bank on 27 January 2021 for details.

For other major events during the reporting period, please refer to announcements disclosed by the Bank on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank.

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

CHANGES IN ORDINARY SHARES

Unit: share

	1 January 2021		Change during the reporting period +/(-)					31 December2021	
	Number of shares	Percentage (%)	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Numbers of shares	Percentage (%)
I. Shares subject to selling restrictions	–	–	–	–	–	–	–-	–	–
II. Shares not subject to selling restrictions									
1. RMB ordinary shares	9,593,657,606	3.84	–	–	–	–	–	9,593,657,606	3.84
2. Overseas listed foreign investment shares	95,231,418,499	38.09	–	–	–	-8,303,730	-8,303,730	95,223,114,769	38.09
3. Others[1]	145,185,901,381	58.07	–	–	–	+8,303,730	+8,303,730	145,194,205,111	58.07
III. Total number of shares	250,010,977,486	100.00	–	–	–	–	–	250,010,977,486	100.00

1. H-shares of the Bank free from selling restrictions held by the promoters of the Bank, i.e. Huijin, Baowu Steel Group, State Grid and Yangtze Power.

SECURITIES ISSUANCE AND LISTING

During the reporting period, the Bank did not issue any ordinary shares, convertible bonds or preference shares.

According to the resolution of the 2020 first extraordinary general meeting of the Bank and upon approvals from the CBIRC and PBC, in August 2021, the Bank issued fixed-rate Tier 2 capital bonds of RMB65 billion with a term of ten years and RMB15 billion with a term of 15 years in the domestic market, and the Bank has a conditional right to redeem the bonds at the end of the fifth year and the tenth year respectively; the coupon rates are 3.45% and 3.80% respectively. In November, the Bank issued fixed-rate Tier 2 capital bonds of RMB35 billion with a term of ten years and RMB10 billion with a term of 15 years in the domestic market, the Bank has a conditional right to redeem the bonds at the end of the fifth year and the tenth year respectively, and the coupon rates are 3.60% and 3.80% respectively. In December, the Bank issued fixed-rate Tier 2 capital bonds of RMB12 billion with a term of ten years and RMB8 billion with a term of 15 years in the domestic market, the Bank has a conditional right to redeem the bonds at the end of the fifth year and the tenth year respectively, and the coupon rates are 3.48% and 3.74% respectively. All proceeds are used to replenish the Bank's Tier 2 capital. For details of the issuance of other debt securities, please refer to Note "Debt securities issued" to the financial statements.

ORDINARY SHAREHOLDERS

At the end of the reporting period, the Bank had a total of 409,698 ordinary shareholders, of whom 39,854 were holders of H-shares and 369,844 were holders of A-shares. As at 28 February 2022, the Bank had 383,366 ordinary shareholders, of whom 39,727 were holders of H-shares and 343,639 were holders of A-shares.

Unit: share

Total number of ordinary shareholders	409,698 (Total number of registered holders of A-shares and H-shares as at 31 December 2021)			
Particulars of shareholding of top ten ordinary shareholders				
Name of ordinary shareholder	Nature of shareholder	Shareholding percentage (%)	Changes during the reporting period	Total number of shares held
Huijin	State	57.03	–	142,590,494,651 (H-shares)
		0.08	–	195,941,976 (A-shares)
HKSCC Nominees Limited[1]	Foreign legal person	37.54	-14,322,693	93, 848,861,469 (H-shares)
China Securities Finance Corporation Limited	State-owned legal person	0.88	-96	2,189,259,672 (A-shares)
State Grid[2]	State-owned legal person	0.64	–	1,611,413,730 (H-shares)
Reca Investment Limited	Foreign legal person	0.34	–	856,000,000 (H-shares)
Yangtze Power[3]	State-owned legal person	0.26	+8,303,730	657,296,730 (H-shares)
Hong Kong Securities Clearing Company Ltd.	Foreign legal person	0.22	+66,992,068	562,502,829 (A-shares)
Central Huijin Asset Management Ltd.	State-owned legal person	0.20	–	496,639,800 (A-shares)
Baowu Steel Group	State-owned legal person	0.13	–	335,000,000 (H-shares)
Taiping Life Insurance Co., Ltd.—Traditional — Ordinary insurance product —022L— CT001SH	Others	0.07	–	168,783,482(A-shares)

1. It includes H-shares of the Bank held by Temasek Holdings (Private) Limited. As at 31 December 2021, State Grid and Yangtze Power held 1,611,413,730 H-shares and 657,296,730 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited. Save the aforesaid H-shares of the Bank held by State Grid and Yangtze Power, 93,848,861,469 H-shares of the Bank were held under the name of HKSCC Nominees Limited.
2. As at 31 December 2021, the holding of H-shares of the Bank by State Grid through its subsidiaries was as follows: State Grid International Development Co., Ltd. held 296,131,000 shares, State Grid International Development Limited held 1,315,282,730 shares.
3. As at 31 December 2021, Yangtze Power directly held 648,993,000 H-shares of the Bank, and held 8,303,730 H-shares of the Bank through its subsidiary China Yangtze Power International (Hong Kong) Co., Limited.
4. Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin. HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Ltd. Apart from these, the Bank is not aware of any connected relation or concerted action among the aforesaid shareholders.
5. None of the shares held by the aforesaid shareholders were subject to selling restrictions. None of the aforesaid shares were pledged, labelled or frozen except that the status of the shares held under the name of HKSCC Nominees Limited was unknown.

SUBSTANTIAL SHAREHOLDERS OF THE BANK

Huijin is the controlling shareholder of the Bank, holding 57.11% of the shares of the Bank at the end of the reporting period, and indirectly held 0.20% of the shares of the Bank through its subsidiary, Central Huijin Asset Management Ltd. Huijin is a wholly state-owned company established in accordance with the PRC Company Law on 16 December 2003 with the approval of the State Council. Both its registered capital and paid-in capital is RMB828,209 million. Its legal representative is Mr. Peng Chun. Huijin makes equity investment in key state-owned financial institutions as authorised by the State Council, and exercises the contributor's rights and obligations in key state-owned financial institutions up to its contribution amount on behalf of the State to achieve preservation and appreciation of state-owned financial assets. Huijin does not engage in any other commercial business activities, nor does it interfere with daily operations of the key state-owned financial institutions of which it is the controlling shareholder.

As at 31 December 2021, information on the enterprises directly held by Huijin is as follows.

No.	Name of the Institution	Shareholding of Huijin (%)
1	China Development Bank	34.68
2	Industrial and Commercial Bank of China Limited [1, 2]	34.71
3	Agricultural Bank of China Limited [1, 2]	40.03
4	Bank of China Limited [1, 2]	64.02
5	China Construction Bank Corporation [1, 2, 3]	57.11
6	China Everbright Group Ltd.	63.16
7	Evergrowing Bank Co., Limited	53.95
8	China Export & Credit Insurance Corporation	73.63
9	China Reinsurance (Group) Corporation [2]	71.56
10	New China Life Insurance Company Limited [1, 2]	31.34
11	China Jianyin Investment Limited	100.00
12	China Galaxy Financial Holding Co., Ltd.	69.07
13	Shenwan Hongyuan Group Co., Ltd. [1, 2]	20.05
14	China International Capital Corporation Limited [1, 2]	40.11
15	China Securities Co., Ltd. [1, 2]	30.76
16	China Galaxy Asset Management Co., Ltd.	13.30
17	Guotai Junan Investment Management Co., Ltd.	14.54

1. A-share listed companies held by Huijin, the controlling shareholder of the Bank, as at 31 December 2021.
2. H-share listed companies held by Huijin, the controlling shareholder of the Bank, as at 31 December 2021.
3. Besides the enterprises above controlled or held by Huijin, Huijin has a wholly-owned subsidiary Central Huijin Asset Management Ltd., which was established in November 2015 in Beijing with a registered capital of RMB5 billion, and engages in assets management business.

Please refer to the *Announcement on Matters related to the Incorporation of China Investment Corporation* published by the Bank on 9 October 2007 for details of China Investment Corporation.

At the end of the reporting period, there were no other corporate shareholders holding 10% or more of shares of the Bank except for HKSCC Nominees Limited, nor were there any internal employee shares.

DETAILS OF PREFERENCE SHARES

At the end of the reporting period, the Bank had 21 preference shareholders, all of which were domestic preference shareholders. As at 28 February 2022, the Bank had 22 preference shareholders, all of which were domestic preference shareholders.

At the end of 2021, the particulars of shareholding of the top ten domestic preference shareholders of the Bank were as follows.

Unit: share

Name of preference shareholder	Nature of shareholder	Shareholding percentage (%)	Change during the reporting period	Total number of shares held
Shanghai Branch of Bank of China Limited	Others	15.00	–	90,000,000
Hwabao Trust Co., Ltd.	Others	14.36	+86,140,000	86,140,000
Bosera Asset Management Co., Limited	Others	10.17	-68,320,000	61,000,000
China Life Insurance Company Limited	Others	8.33	–	50,000,000
China Mobile Communications Group Co., Ltd.	State-owned legal person	8.33	–	50,000,000
Jiangsu International Trust Corporation Limited	Others	7.64	+45,860,000	45,860,000
CITIC Securities Co., Ltd.	Others	6.27	+35,370,000	37,620,000
Truvalue Asset Management Co., Limited	Others	4.50	-12,978,000	27,022,000
GF Securities Asset Management (Guangdong) Co., Ltd.	Others	4.50	–	27,000,000
Postal Savings Bank of China Co., Ltd.	Others	4.50	–	27,000,000

1. Particulars of shareholding of the preference shareholders were based on the information in the Bank's register of preference shareholders. None of the aforesaid shares had restoration of voting rights of the preference shares, or were pledged, labelled or frozen.
2. The Bank is not aware of any connected relation or concerted action among the aforesaid preference shareholders, or between the aforesaid preference shareholders and the top ten ordinary shareholders.

According to the resolution and authorisation of the shareholders' general meeting, the meeting of the board of directors of the Bank held on 29 October 2021 considered and approved the dividend distribution plan of domestic preference shares of the Bank. Dividends of preference shares are paid in cash by the Bank to preference shareholders on an annual basis. Dividends not fully distributed to preference shareholders are not accumulated to the next year. After the preference shareholders receive dividends at the agreed dividend rate, they are not entitled to the distribution of any remaining profit with ordinary shareholders.

According to the terms of issuance of domestic preference shares, the Bank distributed dividends of RMB2,850 million (including tax) to the holders of the domestic preference shares. Such dividends were paid in cash on 27 December 2021. Please refer to the announcement published on the websites of the Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank for information on dividend distribution for preference shares.

Distributions of dividends for preference shares of the Bank in the past three years were as follows.

	2021		2020		2019	
(In millions of RMB, except percentages)	Dividend rate	Dividend distribution (including tax)	Dividend rate	Dividend distribution (including tax)	Dividend rate	Dividend distribution (including tax)
Domestic preference shares	4.75%	2,850	4.75%	2,850	4.75%	2,850
Offshore preference shares[1]	–	–	4.65%	1,030	4.65%	1,112

1. The Bank redeemed its offshore preference shares in December 2020.

In accordance with *Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprise No. 37 – Presentation of Financial Instruments* and *Rules on Distinguishing Financial Liabilities and Equity Instruments and Relevant Accounting Treatments* promulgated by the MOF of the PRC, as well as *International Financial Reporting Standard No. 9 – Financial Instruments* and *International Accounting Standard No. 32 – Financial Instruments: Presentation* formulated by the International Accounting Standards Board, the existing preference shares issued by the Bank meet the requirements of equity instruments in their terms and conditions, and are treated as equity instruments.

The Bank had not issued preference shares in the past three years. During the reporting period, the Bank had no redemption or conversion of preference shares.

REPORT OF THE BOARD OF DIRECTORS

The Board of the Bank is pleased to present its report together with the financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Group is engaged in a range of banking services and related financial services.

BUSINESS REVIEW

The business review of the Group for the year 2021 is set out in the "Management Discussion and Analysis" of this annual report.

PROFIT AND DIVIDENDS

The profit of the Group for the year 2021 and the Group's financial position at the end of 2021 are set out in the "Financial Statements" of this annual report. The analysis on operating results, financial position as well as related changes during the reporting period are set out in the "Management Discussion and Analysis" of this annual report.

In accordance with the resolutions of the 2020 annual general meeting, the Bank paid a cash dividend of RMB0.326 per share (including tax) for 2020, totalling approximately RMB81,504 million, to all of its shareholders whose names appeared on the register of members after the closing of the stock market on 14 July 2021.

The board of directors proposes a cash dividend of RMB0.364 per share (including tax) for 2021, totalling RMB91,004 million, subject to deliberation and approval of the 2021 annual general meeting. Subject to approval of the annual general meeting, the dividend will be distributed to the shareholders whose names appeared on the register of members of the Bank after the closing of the stock market on 7 July 2022. The expected payment date of A-share annual cash dividend for 2021 is 8 July 2022, and the expected payment date of H-share annual cash dividend is 29 July 2022.

FORMULATION AND IMPLEMENTATION OF PROFIT DISTRIBUTION POLICY

Please refer to "Corporate Governance Report-Shareholders' rights" of this annual report for details of formulation and implementation of the Group's profit distribution policy.

TAXATION AND TAX REDUCTION AND EXEMPTION

Shareholders of the Bank pay relevant taxes according to tax laws and regulations and enjoy potential tax reduction and exemption in line with actual situations and should seek advice from tax professionals and legal consultants for specific taxation matters. As at the end of 2021, the relevant tax laws and regulations are as follows:

Holders of A-share

According to the *Circular Concerning the Implementation of Differentiated Individual Income Tax Policies on Dividends from Listed Companies* (CaiShui [2012] No.85) and *Circular Concerning the Differentiated Individual Income Tax Policies on Dividends from Listed Companies* (CaiShui [2015] No.101) issued by the MOF, the State Administration of Taxation and the CSRC, for the stocks held for more than one year, the income from dividends shall be temporarily exempted from individual income tax; for the stocks held for more than one month but not more than one year (inclusive), the income from dividends shall be temporarily included in the taxable income at the reduced rate of 50%; for stocks held for not more than one month (inclusive), the income from dividends shall be included in the taxable income in full amount. Individual income taxes on the aforesaid income shall be collected at a uniform rate of 20%. Individual income taxes on dividends from listed companies for securities investment funds shall be collected according to the rules aforesaid as well.

According to article 26(2) of the *Law on Enterprise Income Tax*, dividends and other equity investment income between qualified resident enterprises are tax-free income.

According to article 83 of the *Regulations for the Implementation of the Law on Enterprise Income Tax*, the "dividends and other equity investment income between qualified resident enterprises" as prescribed in article 26(2) of the *Law on Enterprise Income Tax* refer to investment income obtained by a resident enterprise from the direct investment in other resident enterprises. The "stock equity and other equity investment income" as prescribed in article 26(2) of the Law on Enterprise Income Tax exclude investment income from outstanding stocks publicly issued by a resident enterprise on stock exchanges that are held less than 12 months.

According to the *Law on Enterprise Income Tax* and the regulations for its implementation, the enterprise income tax on dividend income obtained by non-resident enterprise shareholders shall be levied at the reduced rate of 10%.

Holders of H-share

According to PRC tax laws and regulations, withholding agents shall withhold and pay individual income tax on income of dividends for Hong Kong-listed shares of domestic non-foreign-invested enterprises obtained by a non-resident individual. However, an offshore resident individual shareholder holding Hong Kong-listed shares of domestic non-foreign-invested enterprises may enjoy relevant tax preferences under the tax treaties between China and the state where such shareholder possesses resident status, or the indirect tax arrangements between the mainland of China and Hong Kong or Macau. Generally, as for individual holders of H-shares, individual income tax shall be withheld and paid at the rate of 10%, unless it is otherwise provided by tax laws and regulations and relevant tax treaties.

According to *Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to Holders of H-shares Which Are Overseas Non- resident Enterprises* (Guo Shui [2008] No.897) published by the State Administration of Taxation, where a Chinese resident enterprise pays dividends for the year of 2008 or any year thereafter to its holders of H-shares which are overseas non-resident enterprises, it shall withhold the enterprise income tax thereon at a uniform rate of 10%.

According to current practice of the Inland Revenue Department, the Bank bears no tax for distribution of H-share dividends.

Issues about taxation of Shanghai-Hong Kong Stock Connect shall follow the *Notice on Taxation Policies Concerning the Pilot Programme of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets* (Cai Shui [2014] No.81) issued by the MOF, the State Administration of Taxation and the CSRC.

Issues about taxation of Shenzhen-Hong Kong Stock Connect shall follow the *Notice on Taxation Policies Concerning the Pilot Programme of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets* (Cai Shui [2016] No.127) issued by the MOF, the State Administration of Taxation and the CSRC.

Preference shareholders

Issues about payment of individual income tax relating to dividends of non-public domestic preference shares obtained by individuals shall follow the relevant PRC tax laws and regulations.

As prescribed by the *Law on Enterprise Income Tax* and the *Regulations for the Implementation of the Law on Enterprise Income Tax*, dividends of domestic preference shares between qualified resident enterprises are tax-free income. Enterprise income tax on dividends of domestic preference shares obtained by non-resident enterprises, in general, shall be collected at the preferential rate of 10%.

SUMMARY OF FINANCIAL INFORMATION

Please refer to "Financial Highlights" of this annual report for the summary of the operating results, assets and liabilities of the Group for the years 2017-2021.

RESERVES

Please refer to "Consolidated Statement of Changes in Equity" of this annual report for details of the movements in the reserves of the Group for the year 2021.

DONATIONS

Charitable donations made by the Group for the year 2021 were RMB119 million.

FIXED ASSETS

Please refer to Note "Fixed Assets" in the "Financial Statements" of this annual report for details of movements in fixed assets of the Group for the year 2021.

RETIREMENT BENEFITS

Please refer to Note "Accrued Staff Costs" in the "Financial Statements" of this annual report for details of the retirement benefits provided to employees of the Group.

MAJOR CUSTOMERS

For the year 2021, the aggregate amount of interest income and other business income generated from the five largest customers of the Group accounted for less than 30% of the total interest income and other business income of the Group.

ULTIMATE PARENT COMPANY AND ITS SUBSIDIARIES

Please refer to "Changes in Share Capital and Particulars of Shareholders – Substantial Shareholders of the Bank" of this annual report and Note "Long-term Equity Investments" in the "Financial Statements" for details of the Bank's ultimate parent company and its subsidiaries respectively as at the end of 2021.

TOP TEN SHAREHOLDERS AND THEIR SHAREHOLDINGS

Please refer to "Changes in Share Capital and Particulars of Shareholders" of this annual report for details of the top ten shareholders of the Bank and their shareholdings as at the end of 2021.

ISSUANCE OF SHARES

During the reporting period, the Bank had not issued any ordinary shares, convertible bonds or preference shares.

ISSUANCE OF DEBTS SECURITIES

Please refer to "Changes in Share Capital and Particulars of Shareholders – Details of Securities Issuance and Listing" of this annual report for details of the issuance of Tier 2 capital bonds of the Bank.

EQUITY-LINKED AGREEMENTS

The Bank made a non-public issuance of domestic preference shares of RMB60 billion in total in the domestic market on 21 December 2017. During the reporting period, other than above preference shares, the Bank had not entered into or maintained any other equity-linked agreement.

Pursuant to regulations including the *Capital Rules for Commercial Banks (Provisional)* and the *Administrative Measures for the Pilot Programme for Preference Shares*, a commercial bank shall set up the provisions of coercive conversion of preference shares into ordinary shares, under which the commercial bank shall convert the preference shares into ordinary shares as contractually agreed in case of a trigger event. Such a trigger event would happen when the common equity Tier 1 ratio decreases to 5.125% or below and when the CBIRC determines that the Bank will not be able to operate if shares of the Bank are not transferred or written down, or when relevant regulators determine that the Bank will not be able to operate if there is no capital injection from public sectors or equivalent supports. The Bank, according to relevant regulations, has formulated provisions of trigger events under which preference shares shall be coercively converted into ordinary shares. If such trigger events happen to the Bank and all preference shares need to be coercively converted into ordinary shares at their initial conversion price, the total amount of the domestic preference shares which are converted into ordinary A-shares will not exceed 11,538,461,538 shares. During the reporting period, the Bank did not experience any trigger event in which the preference shares need to be coercively converted into ordinary shares.

SHARE CAPITAL AND PUBLIC FLOAT

At the end of reporting period, the Bank issued 250,010,977,486 ordinary shares in total (including 240,417,319,880 H-shares and 9,593,657,606 A-shares) and had 409,698 registered ordinary shareholders. The Bank complied with the relevant requirements regarding public float under relevant laws and regulations as well as the listing rules of its listing venues.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the reporting period, there was no purchase, sale or redemption by the Bank or any of its subsidiaries of the shares of the Bank.

PRE-EMPTIVE RIGHTS

The Articles of Association of the Bank does not contain such provisions under which the Bank's shareholders have pre-emptive rights. The Articles of Association provides that if the Bank wishes to increase its capital, it may issue new shares to investors, may issue new shares to or by way of distribution to existing shareholders, may transfer its capital reserve to share capital, or by other means permitted by laws and regulations.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND REMUNERATION POLICY

Please refer to "Corporate Governance Report – Profiles of Directors, Supervisors and Senior Management" of this annual report for the detail of profiles of directors, supervisors and senior management and remuneration policy.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Bank has received the annual confirmation on independence from each independent non-executive director in compliance with the Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange. The Bank considered that all the independent non-executive directors of the Bank were independent, and their independence was in compliance with the independence guidelines set out in Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2021, the interests and short positions of substantial shareholders and other persons in the shares of the Bank as recorded in the register required to be kept under section 336 of the *Securities and Futures Ordinance* (SFO) of Hong Kong were as follows.

Name	Type of shares	Number of shares	Nature of rights and interests	% of issued A- share	% of issued H-share	% of total ordinary shares issued
Huijin [1]	A-share	692,581,776	Long position	7.22	-	0.28
Huijin [2]	H-share	133,262,144,534	Long position	-	59.31	57.03

1. On 29 December 2015, Huijin declared interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 692,581,776 A-shares of the Bank, accounting for 7.22% and 0.28% of the A-shares issued (9,593,657,606 shares) and the ordinary shares issued (250,010,977,486 shares) respectively. In which, 195,941,976 A-shares were directly held by Huijin, and 496,639,800 A-shares were held by Central Huijin Asset Management Ltd., a wholly-owned subsidiary of Huijin. As at 31 December 2021, according to the A-share register of shareholders of the Bank, Huijin directly held 195,941,976 A-shares of the Bank, Central Huijin Asset Management Ltd., a wholly-owned subsidiary of Huijin, directly held 496,639,800 A-shares of the Bank.
2. On 26 May 2009, Huijin declared its interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 133,262,144,534 H-shares of the Bank, accounting for 59.31% and 57.03% of the H-shares issued (224,689,084,000 shares) and the ordinary shares issued (233,689,084,000 shares) at that time respectively. As at 31 December 2021, according to the H-share register of shareholders of the Bank, Huijin directly held 142,590,494,651 H-shares of the Bank, accounting for 59.31% and 57.03% of the H-shares issued (240,417,319,880 shares) and the ordinary shares issued (250,010,977,486 shares) respectively.

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK OR ITS ASSOCIATED CORPORATIONS

Some of the Bank's directors and supervisors indirectly held H-shares of the Bank by participating in the employee stock incentive plan of the Bank before they assumed current positions. As at 31 December 2021, the number of shares held is as follows: Mr. Wang Jiang held 15,417 H-shares, Mr. Yang Fenglai held 16,789 H-shares, Mr. Lin Hong held 15,555 H-shares, Mr. Wang Yi held 13,023 H-shares, Mr. Liu Jun held 12,447 H-shares, Mr. Deng Aibing held 17,009 H-shares of the Bank respectively. Mr. Wu Jianhang and Mr. Lu Kegui, the resigned supervisors, held 20,966 H-shares and 18,989 H-shares respectively. Save as disclosed above, none of the directors and supervisors of the Bank had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) which have to be notified to the Bank and Hong Kong Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the SFO), or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to Appendix 10 *Model Code for Securities Transactions by Directors of Listed Issuers*, to the Listing Rules of Hong Kong Stock Exchange.

As of 31 December 2021, except for the employee stock incentive plan, the Bank had not granted its directors or supervisors, or their respective spouses or children under the age of 18, any other rights to subscribe for the shares or debentures of the Bank or any of its associated corporations.

DIRECTORS' FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS

There are no financial, business, family or other material relationships among the directors of the Bank.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS, SERVICE CONTRACTS AND LIABILITY INSURANCE

During the reporting period, no director or supervisor of the Bank or entities connected with the directors or supervisors had any interest, whether directly or indirectly, in any transaction, arrangement or contract of significance in relation to the Group's business with the Bank or any of its holding companies or subsidiaries or subsidiaries of the Bank's holding companies, apart from their respective service contracts.

None of the directors and supervisors of the Bank has entered into service contracts with the Bank that cannot be terminated by the Bank within one year without payment of remuneration (other than statutory remuneration).

The Bank effected the liability insurance for all directors and supervisors in 2021.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

Save as disclosed in the biographical details of the directors and supervisors of the Bank, none of the directors or supervisors of the Bank directly or indirectly has any interest that constitutes or may constitute a competing business of the Bank.

CORPORATE GOVERNANCE

The Bank continuously improved its corporate governance and the quality and efficiency of its governance. Please refer to the "Corporate Governance Report" of this annual report for details of corporate governance practice adopted by the Bank and its compliance with the *Corporate Governance Code* and *Corporate Governance Report*.

PROGRESS OF SPECIAL EVENTS OF CORPORATE GOVERNANCE

The Bank timely and comprehensively implemented the requirements of the CSRC on listed companies to conduct self-examination in accordance with the *Self- Examination Checklist of Corporate Governance*, to identify matters and summarise experience, and to take this opportunity to further improve the corporate governance of the Bank. The Bank set up a working group for the self-examination on corporate governance, discussed and formulated a plan for the self-examination, carried out the self-examination accordingly after the review of all directors, and prepared a self-examination report which was submitted to the board of directors for deliberation and approval on 26 March 2021.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In 2021, the Bank did not revise its Articles of Association.

CONNECTED TRANSACTIONS

In 2021, the Bank engaged in a series of connected transactions with the connected persons of the Bank as defined by the Listing Rules of Hong Kong Stock Exchange in its ordinary course of business. Such transactions complied with the criteria for exemption under Rule 14A.73 of the Listing Rules of Hong Kong Stock Exchange, and they were fully exempted from the shareholders' approval, annual review and all the disclosure requirements.

Please refer to Note "Related Party Relationships and Transactions" to the financial statements of this annual report for details of the related party transactions as defined by domestic laws and regulations and accounting standards.

SIGNIFICANT INVESTMENTS

As of 31 December 2021, the Group did not have any significant investment as required to be disclosed in accordance with Rule 32(4A) under the Appendix 16 to the Listing Rules of Hong Kong Stock Exchange.

ENVIRONMENTAL POLICIES AND PERFORMANCE

For details of the Bank's environmental policies and performance, please refer to the "Corporate Social Responsibilities (Environmental, Social and Governance)" of this annual report and the Bank's *Social Responsibility Report 2021*.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

Employees are the valuable assets to the Bank. The Bank ensures the rights of employees according to laws and regulations and is committed to building a broad development platform for its employees. Furthermore, the Bank constantly provides safeguarding measures for the career development of employees in terms of their remunerations, benefits, training, and promotions. The Bank attaches great importance to the selection of suppliers, encourages fair and open competition, adheres to the "mutual benefit, win-win cooperation", and treats suppliers as equals. Adhering to the "customer-centric" concept, the Bank practises New Finance initiatives and vigorously promotes service function innovation, allowing customers to obtain services anytime and anywhere. The Bank is trying to offer smart, convenient and excellent customer service experience, and meet the financial service demands of its customers.

For details of the Bank's relationships with employees, suppliers and customers, please refer to the "Corporate Social Responsibilities (Environmental, Social and Governance)" of this annual report and the Bank's *Social Responsibility Report 2021.*

INFORMATION DISCLOSURE

In 2021, the Bank strictly abided by relevant laws, regulations and regulatory requirements for information disclosure, strengthened its information disclosure system, and revised the Bank's measures for information disclosure. The revisions incorporated the latest regulatory requirements, adjusted the interim and periodic reports requirements, standardised the information disclosure process and publication channels, and added measures on voluntary information disclosure in compliance with laws and regulations. The Bank actively fulfilled its information disclosure obligations, continued to conduct relevant training, ensured the truthfulness, accuracy, completeness and timeliness of the information disclosure, and continuously improved its information disclosure level.

MANAGEMENT OF INSIDER INFORMATION

The Bank managed inside information strictly in accordance with laws, regulations, regulatory requirements, and rules of the Bank. The Bank formulated the *Management Measures on Personnel with Inside Information*, and strictly implemented the confidentiality requirements regarding inside information, timely collected the contents of confidential information, standardised information transmission process, controlled the scope of insiders, and prepared and disclosed related information in accordance with laws and regulations. The Bank was not aware of any insider trading of the shares of the Bank by taking the advantage of inside information during the reporting period.

EVENTS AFTER THE REPORTING PERIOD

In January 2022, the Bank completed its overseas issuance of fixed-rate Tier 2 capital bonds of US$2 billion with a term of ten years, a coupon rate of 2.85% that mature in 2032 and the Bank has a conditional right to redeem the bonds at the end of the fifth year. All proceeds raised are used to replenish the Bank's tier-2 capital.

By order of the board of directors

Tian Guoli
Chairman
29 March 2022

REPORT OF THE BOARD OF SUPERVISORS

In 2021, pursuant to the provisions of laws, regulations, regulatory requirements and the Articles of Association of the Bank, the board of supervisors earnestly performed its supervision duties. It adhered to the problem-oriented approach, constantly refined its working mechanisms, effectively performed supervision and improved the effectiveness of supervision so as to improve corporate governance and boost sound development of the Bank.

PARTICULARS OF MAJOR WORK

Convening meetings of the board of supervisors pursuant to laws and regulations. During the year, five meetings of the board of supervisors were convened, at which 16 resolutions were reviewed and deliberated, including periodic reports of the Bank, reports on performance assessment and nomination of the candidates for supervisors. The performance and due diligence supervision committee held four meetings. The finance and internal control supervision committee held five meetings. The board of supervisors also held 13 meetings for panel discussion, and special topic communications with management and external auditors. The board of supervisors focused on important aspects of the Bank including implementing major national decisions and deployments, supporting economic and social development, deepening efforts in the New Finance initiatives, preventing and mitigating material risks and listened to 28 special reports, including but not limited to the implementation of FinTech strategy, supporting the strategy of rural revitalisation and business development of "Yunongtong", and supporting services to innovative technology enterprises. The board of supervisors reviewed 23 written reports, such as the quality of credit assets and the progress of the work on consumer rights and interests protection, focused on focal points of supervision work, conducted in-depth studies and discussions, and produced opinions and suggestions on deepening strategy implementation, promoting business development, improving management and mechanism.

Carrying out performance and due diligence supervision in an orderly manner. Members of the board of supervisors conscientiously attended shareholders' general meetings and major events of the Bank, and actively attended important meetings such as meetings of the Board and the special committees under the Board, the Bank's work conferences, meetings on business operation analysis, and the presidents' executive meetings as non-voting attendees. The board of supervisors reviewed the meeting documents and agenda arrangements, supervised the compliance with laws and regulations regarding the procedures of meetings, decision-making process and results, and information disclosure, etc., to promote all parties related to corporate governance for diligent performance of duties and compliant operation. Through investigation and studies, panel discussions, interviews, information review and other methods, the board of supervisors gained an in-depth understanding of the operation and management conditions, supervised the implementation of resolutions of the shareholders' general meeting and the Board meetings, and continuously deepened supervision on the performance and due diligence. The board of supervisors earnestly implemented the regulatory requirements, further improved the supervision and appraisal working mechanisms, formed the assessment opinion of the annual performance of the Board of Directors and its members, senior management and its members based on routine supervision, and reported to the shareholders' general meeting and regulators pursuant to relevant provisions.

Continuously strengthening financial supervision. The board of supervisors strengthened the supervision on truthfulness of information disclosure in financial statements, paid equal attention to process and results in supervision, strengthened key audit and targeted audit in terms of reviewing reports, and gave forward-looking opinions and suggestions. The board of supervisors attached great importance to standardised management of finance, regularly listened to reports on financial inspections. The board of supervisors focused on the implementation of policy systems, suggested that further monitoring and guidance should be put in place and the awareness of implementating systems should be improved. The board of supervisors adhered to prudent and compliant concept of supervision, further improved the supervision mechanism of external auditors' work quality. The board of supervisors focused on the construction of management system of related party transactions, suggested to improve relevant work by reference to regulatory requirements. The board of supervisors regularly learned about Group capital management, paid attention to the impact of changes in internal and external environment, and actively promoted the capital-intensive operations and refined capital management. The board of supervisors followed up the progress of the consolidated management in accordance with the regulatory requirements and the Group's development goals, continuously enhanced the integration of the Group, the coordination of strategies and risks, and promoted the improvement of the Group's comprehensive operation ability.

Continuously deepening risk management supervision. The board of supervisors learnt the major risk management profile and core indicator performance in a timely manner, focused on strengthening the supervision of the reassessment of risk appetites, stress testing, liquidity risk management and information technology risk management, made pertinent recommendations of supervision and promoted the Bank to strengthen the development of comprehensive risk management system. The board of supervisors strengthened multi-dimensional supervision over the credit risk, regularly communicated with the management over the quality of credit assets, and carried out on-site supervision and guidance at certain branches. The board of supervisors attached great importance to the Bank's support for achieving carbon peak and neutrality goals, held special meetings to listen to the reports on the development of green credit, and put forward suggestions on how to assist in green development and effectively deal with risks and challenges. The board of supervisors continuously followed up the overseas entities' risk management, and put forward suggestions on further strengthening the prevention and control of risks and improvement of international competitiveness. The board of supervisors focused on improving the forward-looking nature of supervision work by making in-depth analysis of changes in macro situation and policies, and urged the Bank to strengthen studies and control of potential risks in industries such as real estate and rectification of existing WMPs.

Effectively perform the internal control and compliance supervision. The board of supervisors continuously strengthened the supervision in key areas of internal control and compliance, and promoted the Bank to strengthen the construction of long-term management solutions. The board of supervisors fulfilled the responsibility for supervising internal control evaluation, put forward suggestions on paying attention to the impact of digital operation and FinTech on internal control management, strengthening the top-level design, and enhancing coordination between different departments. The board of supervisors continuously followed up anti-money laundering management, suggested sorting out and timely improving weak links, further improved relevant management mechanisms. The board of supervisors listened to the report on the building of employee behaviour management system, and suggested strengthening the application of FinTech, thoroughly summarised experience of case prevention, and enhancing the intelligence of employee behaviour management continuously.The board of supervisors focused on internal and external problems found during inspection and rectifications, regularly listened to reports on relevant events, followed up compliance governance of grass-roots institutions and anti-fraud management, the special task for solution of reoccuring problems, and urged complete and systematic rectifications by taking out the roots of problems, so as to continuously improve the Bank's standard of internal control and compliance management.

Fully exerting the efficacy of supervision. The board of supervisors closely centred on implementation of "Three Major Tasks" and improvement of the "Three Capabilities" to carry out supervision work, led the Bank to constantly deepen the New Finance practices. The board of supervisors adhered to its problem-oriented approach with focus on important aspects including systems and mechanisms, strengthened supervision over major issues in strategic development, and improved the overall governance efficiency of the Bank, so as to facilitate development. It also carried out in-depth investigations and researches, organised special researches on operation platform and disposal of non-performing assets, and put forward suggestions including properly carrying out top-level design, strengthening whole-process risk management and improving systems and mechanisms. Considering both the current and long-term situations, it conducted thematic analysis on trading banking business, online business development and risk control and and provided useful suggestions for operation and management. The board of supervisors regulated meeting operation, convened meetings in a pragmatic and efficient manner, focused on key supervisory aspects, deepened studies and discussions, and continuously improved the quality and efficiency of the meetings. The board of supervisors further improved the mechanism of collaboration with all parties involved in governance, paid attention to strengthening communication and discussion with the Board and senior management, actively integrated into business and operation development, and provided constructive opinions and suggestions. The board of supervisors also improved the supervisory opinion transmission and implementation mechanism continuously to enhance the effectiveness of supervision. It attached importance to strengthening self-development, completed selection and appointment of supervisors, paid attention to strengthening learning and training, and continuously enhanced the capacity to perform duties. All supervisors were devoted to their duties, diligent and responsible, and properly completed the tasks of the board of supervisors.

INDEPENDENT OPINIONS ON RELEVANT MATTERS

Operations in compliance with laws and regulations

During the reporting period, the Bank carried out its operation pursuant to laws and regulations, and the decision-making procedure was in compliance with the provisions of laws, regulations and the Articles of Association of the Bank. The directors and senior management fulfilled their duties diligently. The board of supervisors was not aware of any of their acts in breach of applicable laws, regulations or the Articles of Association of the Bank, or detrimental to the Bank's interests in performance of their duties.

Financial reporting

The financial statements of the Bank for 2021 truly and fairly reflected the financial position and operating results of the Bank.

Use of proceeds

During the reporting period, the Bank issued RMB145 billion Tier 2 capital bonds. The proceeds were all used to replenish the Bank's Tier 2 capital. The Bank issued RMB20 billion special financial bonds for small and micro business loans. The proceeds were all used to grant loans for small and micro businesses and support the development of small and micro businesses. The use of proceeds was consistent with the Bank's commitments.

Acquisition and sale of assets

During the reporting period, the board of supervisors was not aware of any insider trading or any acts detrimental to the interests of shareholders or leading to a drain on the Bank's assets in the acquisition or sale of assets.

Related party transactions

During the reporting period, the board of supervisors was not aware of any related party transactions that were detrimental to the interests of the Bank.

Internal control

During the reporting period, the Bank continuously strengthened and refined its internal control. The board of supervisors had no objection to the *Internal Control Assessment Report 2021*.

Performance of social responsibilities

During the reporting period, the Bank performed its social responsibilities earnestly. The board of supervisors had no objection to the *Social Responsibility Report 2021*.

Implementation of information disclosure management system

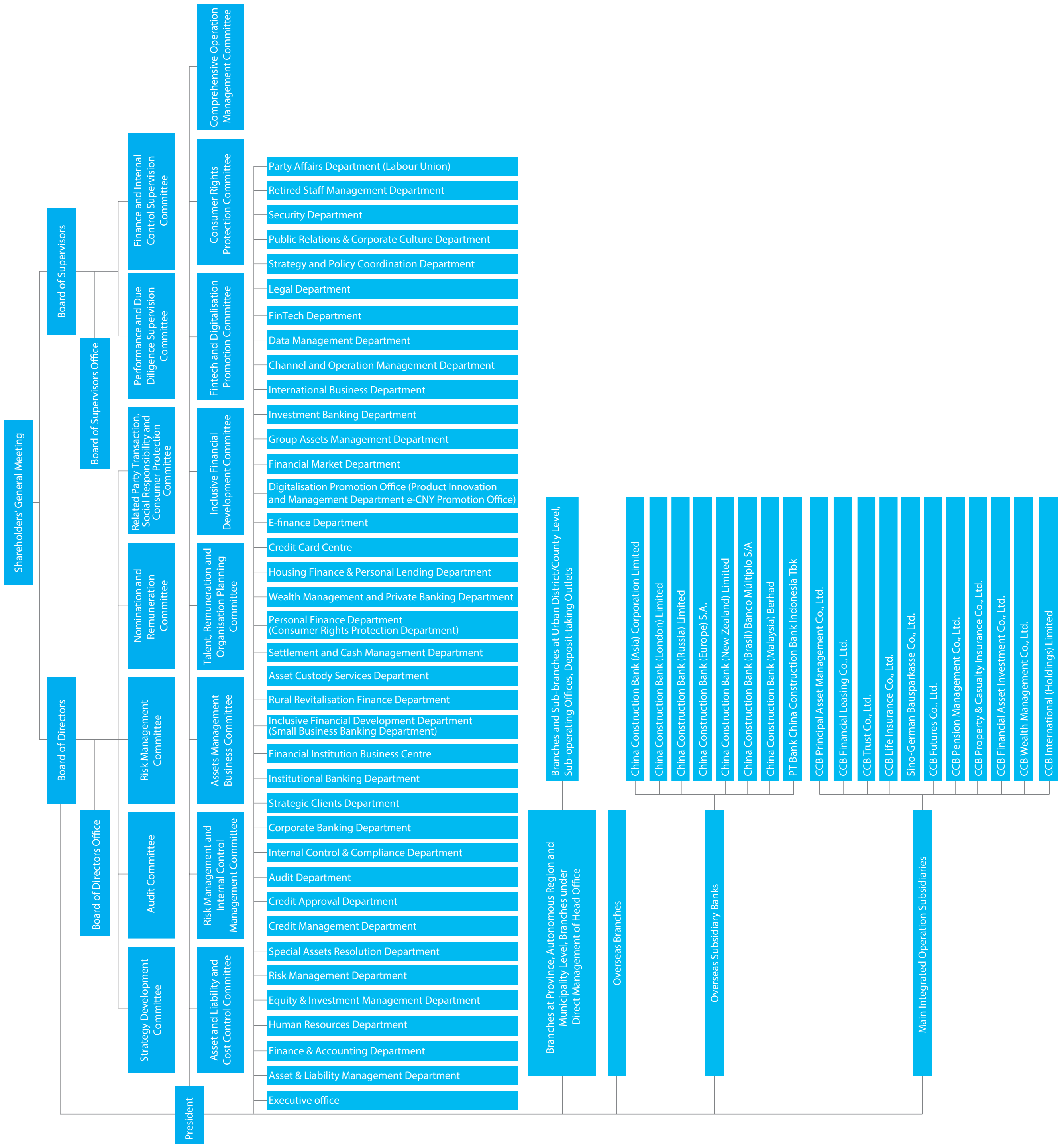
During the reporting period, the Bank earnestly implemented the information disclosure management rules, fulfilled its information disclosure obligations, and the board of supervisors was not aware of any violations of laws or regulations in information disclosure.

Assessment of the performance of directors, supervisors and senior management

All directors, supervisors and senior management participated in the performance assessment for the year 2021 were evaluated as qualified.

By order of the board of Supervisors
Wang Yongqing
Chairman of the board of supervisors
29 March 2022

ORGANISATIONAL STRUCTURE



BRANCHES AND SUBSIDIARIES

TIER-ONE BRANCHES IN THE MAINLAND OF CHINA

Branches	Address	Telephone	Facsimile
Anhui Branch	No. 2358, Yungu Road, Hefei Postcode: 230001	(0551) 62874100	(0551) 62872014
Beijing Branch	Entry.4, Building 28, Xuanwumen West Street, Beijing Postcode: 100053	(010) 63603682	(010) 63603656
Chongqing Branch	No. 123, Minzu Road, Yuzhong District, Chongqing Postcode: 400010	(023) 63771855	(023) 63771835
Dalian Branch	No. 1, Jiefang Street, Zhongshan District, Dalian Postcode: 116001	(0411) 88066666	(0411) 82804560
Fujian Branch	No.298, Jiangbin Middle Avenue, Taijiang District, Fuzhou Postcode: 350009	(0591) 87838467	(0591) 87856865
Gansu Branch	No. 77, Qin'an Road, Lanzhou Postcode: 730030	(0931) 4891555	(0931) 4891862
Guangdong Branch	No. 509, Dongfengzhong Road, Guangzhou Postcode: 510045	(020) 83018888	(020) 83013950
Guangxi Branch	No. 90, Minzu Avenue, Nanning Postcode: 530022	(0771) 5513110	(0771) 5513012
Guizhou Branch	No. 148, North Zhonghua Road, Guiyang Postcode: 550001	(0851) 86696000	(0851) 86696371
Hainan Branch	CCB Plaza, No. 8, Guomao Road, Haikou Postcode: 570125	(0898) 68587268	(0898) 68587569
Hebei Branch	No. 40, Ziqiang Road, Shijiazhuang Postcode: 050000	(0311) 88601010	(0311) 88601001
Henan Branch	No. 80, Huayuan Road, Zhengzhou Postcode: 450003	(0371) 65556677	(0371) 65556688
Heilongjiang Branch	No. 67, Hongjun Street, Nan'gang District, Harbin Postcode: 150001	(0451) 58683565	(0451) 53625552
Hubei Branch	No. 709, Jianshe Street, Wuhan Postcode: 430015	(027) 65775888	(027) 65775881
Hunan Branch	No. 2, Baisha Road, Changsha Postcode: 410005	(0731) 84419910	(0731)84419141
Jilin Branch	No. 810, Xi'an Road, Changchun Postcode: 130061	(0431) 80835310	(0431) 88988748
Jiangsu Branch	No. 188, Hongwu Road, Nanjing Postcode: 210002	(025) 84200545	(025) 84209316
Jiangxi Branch	No. 366, Bayi Street, Nanchang Postcode: 330006	(0791) 86848200	(0791) 86848318
Liaoning Branch	No. 40, Naner Road, Taiyuan Street, Heping District, Shenyang Postcode: 110002	(024) 22787600	(024) 22857427
Inner Mongolia Branch	No. 6, Daxue East Street, Saihan District, Huhhot Postcode: 010010	(0471) 4593751	(0471) 4593890

Branches	Address	Telephone	Facsimile
Ningbo Branch	No. 255, Baohua Street, Ningbo Postcode: 315040	(0574) 87328212	(0574) 87325019
Ningxia Branch	No. 98, Nanxun West Street, Xingqing District, Yinchuan Postcode: 750001	(0951) 4126266	(0951) 4106165
Qingdao Branch	No. 222, Shenzhen Road, Laoshan District, Qingdao Postcode: 266061	(0532) 68670056	(0532) 82670157
Qinghai Branch	No. 59, West Street, Xining Postcode: 810000	(0971) 8261244	(0971) 8261287
Shandong Branch	No. 168, North Long'ao Road, Jinan Postcode: 250099	(0531) 82088007	(0531) 86169108
Shaanxi Branch	No. 38, South Guangji Street, Xi'an Postcode: 710002	(029) 87606007	(029) 87606014
Shanxi Branch	No. 126, Yingze Street, Taiyuan Postcode: 030001	(0351) 4957800	(0351) 4957871
Shanghai Branch	No. 900, Lujiazui Ring Road, Shanghai Postcode: 200120	(021) 58880000	(021) 58781818
Shenzhen Branch	Shenzhen CCB Building, No.8 Pengcheng 1st Road, Futian Central District, Shenzhen Postcode: 518038	(0755) 81686666	(0755) 81683333
Sichuan Branch	Sichuan CCB Building, No. 86, Tidu Street, Chengdu Postcode: 610016	(028) 86767161	(028) 86767187
Suzhou Branch	No. 18, Suzhou Avenue West, Suzhou Industrial Park, Suzhou Postcode: 215021	(0512) 62788786	(0512) 62788783
Tianjin Branch	Plus 1 No.19, Nanjing Road, Hexi District, Tianjin Postcode: 300203	(022) 58751166	(022) 58751811
Tibet Branch	No. 21, Beijing West Road, Lhasa Postcode: 850008	(0891) 6838792	(0891) 6834852
Xiamen Branch	No. 98, Lujiang Road, Xiamen Postcode: 361001	(0592) 2158668	(0592) 2158862
Xinjiang Branch	No. 99, Minzhu Road, Urumqi Postcode: 830002	(0991) 2848666	(0991) 2819160
Yunnan Branch	CCB Plaza, Jinbi Road, Kunming Postcode: 650021	(0871) 63060858	(0871) 63060333
Zhejiang Branch	No. 33, Jiefang East Road, Hangzhou Postcode: 310016	(0571) 85313263	(0571) 85313001

BRANCHES OUTSIDE THE MAINLAND OF CHINA

Astana Branch	26th Floor, Talan Towers, 16 Dostyk street, Esil district, Nur-Sultan City, The Republic of Kazakhstan Telephone: 007-7172738888 Facsimile: 007-7172736666
Macau Branch	5th Floor, Circle Square, 61 Avenida de Almeida Ribeiro, Macau Telephone: 00853-82911880 Facsimile: 00853-82911804
DIFC Branch	31th Floor, Tower 2, Al Fattan Currency House, DIFC, P.O.Box: 128220, Dubai, UAE Telephone:00971-4-5674888 Facsimile:00971-4-5674777
Tokyo Branch	13F/1F, West Tower, Otemachi First Square, 5-1, Otemachi 1-chome Chiyoda-ku, Tokyo 100-0004, Japan Telephone: 0081-3-52935218 Facsimile: 0081-3-32145157
Osaka Branch	*1/F, Itoh Building, 3-6-14 Minamihonmachi, Chuo-ku, Osaka-shi, Osaka, 541-0054, Japan* *Telephone: 0081-6-61209080* *Facsimile: 0081-6-62439080*
Toronto Branch	181 Bay Street, Suite 3650, Toronto ON, Canada, M5J 2T3 Telephone: 001-647-7777700 Facsimile: 001-647-7777739
Frankfurt Branch	Bockenheimer Landstrasse 75,60325 Frankfurt am Main, Germany Telephone: 0049-69-9714950 Facsimile: 0049-69-97149588, 97149577
Ho Chi Minh City Branch	11th Floor Sailing Tower, 111A Pasteur Street, District 1, Ho Chi Minh City, Vietnam Telephone: 0084-28-38295533 Facsimile: 0084-28-38275533
Luxembourg Branch	1 Boulevard Royal, L-2449 Luxembourg, Luxembourg Telephone: 00352-28668800 Facsimile: 00352-28668801
London Branch	111 Old Broad Street, London, EC2N 1AP, U.K. Telephone: 0044-20-70386000 Facsimile: 0044-20-70386001
Labuan Branch	Level 13(E), Main Office Tower, Financial Park, Jalan Merdeka Labuan, Malaysia Telephone: 006087-582018 Facsimile: 006087-451188
New York Branch	33rd Floor, 1095 Avenue of the Americas, New York, USA NY 10036 Telephone: 001-646-7812400 Facsimile: 001-212-2078288
Seoul Branch	China Construction Bank Tower, 24 Myeongdong 11-gil, Jung-gu, Seoul 04538, Korea Telephone: 0082-2-67303600 Facsimile: 0082-2-67303601
Zurich Branch	Beethovenstrasse 33, 8002 Zurich, Switzerland Telephone: 0041-43-5558800 Facsimile: 0041-43-5558898

Taipei Branch	1/F, No.108, Sec.5, Xinyi Road, Xinyi Dist., Taipei 11047, Taiwan Telephone: 00886-2-87298088 Facsimile: 00886-2-27236633
Sydney Branch	Level 31, 88 Phillip Street, Sydney, NSW 2000, Australia Telephone: 0061-2-80316100 Facsimile: 0061-2-92522779
Brisbane Branch	*Level 9. 123 Eagle Street, Brisbane, QLD 4000, Australia* *Telephone: 0061-7-30691900* *Facsimile: 0061-2-92522779*
Melbourne Branch	*Level 40, 525 Collins Street, Melbourne VIC 3000, Australia* *Telephone: 0061-3-94528500* *Facsimile: 0061-2-92522779*
Perth Branch	*Level 9, 32 St Georges Terrace, Perth, WA 6000, Australia* *Telephone：0061-8-62463300* *Facsimile：0061-2-92522779*
Hong Kong Branch	28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong Telephone: 00852-39186939 Facsimile: 00852-39186001
Singapore Branch	9 Raffles Place, #39-01/02, Republic Plaza, Singapore 048619 Telephone: 0065-65358133 Facsimile: 0065-65356533
New Zealand Branch	Level 29, Vero Centre, 48 Shortland Street, Auckland 1010, New Zealand Telephone: 0064-9-3388200 Facsimile: 0064-9-3744275
Johannesburg Branch	95 Grayston Drive, Morningside, Sandton, South Africa 2196 Telephone: 0027-11-5209400 Facsimile: 0027-11-5209411
Cape Town Branch	*15th Floor, Portside Building, 4 Bree Street, Cape Town, South Africa* *Telephone: 0027-21- 4197300* *Facsimile: 0027-21-4433671*
Chile Branch	Isidora Goyenechea 2800, 30th Floor, Santiago, Chile Postcode: 7550000 Telephone: 0056-2-27289100

SUBSIDIARIES

CCB Property & Casualty Insurance Co., Ltd.	20/F, Borui Building, Jia 26, Dongsanhuanbei Road, Chaoyang District, Beijing Postcode: 100026 Telephone: 010-85098000 Facsimile: 010-85098007 Website: www.ccbpi.com.cn
CCB Principal Asset Management Co., Ltd.	16/F, Winland International Finance Centre, No. 7, Financial Street, Xicheng District, Beijing Postcode: 100033 Telephone: 010-66228888 Facsimile: 010-66228889 Website: www.ccbfund.cn
CCB Financial Asset Investment Co., Ltd.	Unit 1601-01, 16/F, No.9A, Financial Street, Xicheng District, Beijing Postcode: 100033 Telephone: 010-67590600 Facsimile: 010-67590601
CCB Financial Leasing Co., Ltd.	6/F, Building 4, ChangAnXingRong Centre, No. 1, Naoshikou Street, Xicheng District, Beijing Postcode: 100031 Telephone: 010-67594013 Facsimile: 010-66275808 Website: www.ccbleasing.com
CCB Wealth Management Co., Ltd.	89-92/F, Shenzhen Ping An Financial Centre, No.5033, Yitian Road, Futian District, Shenzhen Postcode: 518000 Telephone：0755-88338101 Facsimile：0755-88338085
CCB Futures Co., Ltd.	5/F, No. 99 (CCB Shanghai Tower), Yincheng Road, Pudong New District, Shanghai Postcode: 200120 Telephone: 021-60635551 Facsimile: 021-60635520 Website:www.ccbfutures.com
CCB Life Insurance Co., Ltd.	29/F-33F, CCB Tower, No. 99, Yincheng Road, Pudong New District, Shanghai Postcode:200120 Telephone: 021-60638288 Facsimile: 021-60638204 Website: www.ccb-life.com.cn
CCB Trust Co., Ltd.	10/F, Chang'an Xingrong Centre, Block 4, No. 1, Naoshikou Street, Xicheng District, Beijing Postcode: 100031 Telephone: 010-67596584 Facsimile: 010-67596590 Website: www.ccbtrust.com.cn
CCB Pension Management Co., Ltd.	11/F, A Section, Zhizhen Building, 7 Zhichun Road, Haidian District, Beijing Postcode:100191 Telephone: 010-56731294 Facsimile: 010-56731203 Website: www.ccbpension.com
CCB International (Holdings) Limited	12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong Telephone: 00852-39118000 Facsimile: 00852-25301496 Website: www.ccbintl.com.hk
Sino-German Bausparkasse Co., Ltd.	No.19, Guizhou Road, Heping District, Tianjin Postcode: 300051 Telephone: 022-58086699 Facsimile: 022-58086808 Website: www.sgb.cn

China Construction Bank (Brasil) Banco Múltiplo S/A	Avenida Brigadeiro Faria Lima, 4440, 2 and 5F, Itaim Bibi – São Paulo – SP – 04538 – 132 Telephone: 0055-11-21739000 Facsimile: 0055-11-21739101
China Construction Bank (Russia) Limited	Lubyanskiy proezd, 11/1, building 1, 101000 Moscow, Russia Telephone: 007-495-6759800-140 Facsimile: 007-495-6759810
China Construction Bank (London) Limited	111 Old Broad Street, London, EC2N 1AP, U.K. Telephone: 0044-20-70386000 Facsimile: 0044-20-70386001
China Construction Bank (Malaysia) Berhad	Ground Floor, South Block, Wisma Golden Eagle Realty, 142A Jalan Ampang, Kuala Lumpur, Malaysia Postcode: 50450 Telephone: 00603-21601888 Facsimile: 00603-27121819
China Construction Bank (Europe) S.A.	1 Boulevard Royal, L-2449 Luxembourg, Luxembourg Telephone: 00352-28668800 Facsimile: 00352-28668801
Amsterdam Branch	*Claude Debussylaan 32, 1082MD Amsterdam, the Netherlands* *Telephone: 0031-0-205047899* *Facsimile: 0031-0-205047898*
Paris Branch	*86-88 bd Haussmann 75008 Paris, France* *Telephone: 0033-155309999* *Facsimile: 0033-155309998*
Barcelona Branch	*Avenida Diagonal, 640 5a planta D, 08017, Barcelona, Spain* *Telephone: 0034-935225000* *Facsimile: 0034-935225078*
Warsaw Branch	*Warsaw Financial Centre, ul. Emilii Plater 53, 00-113 Warsaw, Poland* *Telephone: 0048-22-1666666* *Facsimile: 0048-22-1666600*
Milan Branch	*Via Mike Bongiorno 13, 20124 Milan, Italy* *Telephone: 0039-02-32163000* *Facsimile: 0039-02-32163092*
Hungary Branch	*Szabadság tér 7, 1054 Budapest, Hungary* *Telephone: 0036-1-336688* *Facsimile: 0036-1-3366801*
China Construction Bank (New Zealand) Limited	Level 29, Vero Centre, 48 Shortland Street, Auckland 1010, New Zealand Telephone: 0064-9-3388200 Facsimile: 0064-9-3744275
China Construction Bank (Asia) Corporation Limited	28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong Telephone: 00852-39186939 Facsimile: 00852-39186001
PT Bank China Construction Bank Indonesia Tbk	Sahid Sudirman Centre 15th Floor, Jl. Jend. Sudirman Kav. 86, Jakarta Postcode: 10220 Telephone: 0062-2150821000 Facsmile: 0062-2150821010 Website: www.idn.ccb.com

CONTENTS

安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Shareholders of China Construction Bank Corporation

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

OPINION

We have audited the consolidated financial statements of China Construction Bank Corporation (the "Bank") and its subsidiaries (the "Group") set out on pages 178 to 309, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and relevant 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 ("HKSAs") 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"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses for loans and advances to customers measured at amortised cost	
The Group determines and measures expected credit losses for loans and advances to customers measured at amortised cost, in accordance with IFRS 9 "Financial Instruments". Significant judgements and assumptions are involved in the measurement of expected credit losses, for example: • Significant increase in credit risk – Criteria for determining whether significant increase in credit risk has occurred are highly judgemental, and may have a significant impact on expected credit losses for loans and advances to customers measured at amortised cost with longer outstanding maturities; • Models and parameters – Complex models, numerous inputs and parameters are used to measure expected credit losses, involving plenty of management judgements and assumptions; • Forward-looking information – Macroeconomic forecasts are developed, and impacts on expected credit losses are considered for probability weighted multiple economic scenarios; • Whether financial assets are credit-impaired – The determination of credit impairment requires consideration of multiple factors, and measurement of expected credit losses depends on estimates of future cash flows. As at 31 December 2021, loans and advances to customers measured at amortised cost amounted to RMB18,380,916 million, accounting for 60.76% of total assets. Allowances for impairment losses of such loans and advances totalled RMB637,338 million. As expected credit losses measurement involves many significant judgements and assumptions, we consider expected credit losses for loans and advances to customers measured at amortised cost a key audit matter. *Relevant disclosures are included in Note 4(3), Note 4(26)b, Note 25 and Note 61(1) to the financial statements.*	We evaluated and tested the design and operating effectiveness of key controls over credit granting, post approval credit management, loan credit rating system, collateral management, loan principal repayment and interest payment deferrals and loan impairment assessment, including relevant data quality and information systems. We adopted a risk-based sampling approach in our loan review procedures, focusing on loans to real estate sector with bond defaults and negative news coverage. We assessed the debtors' repayment capacity and evaluated the Group's loan grading, taking into consideration post-lending inspection reports, debtors' financial information, collateral valuation reports and other available information. With the support of our modelling specialists, we evaluated and tested the expected credit loss model, key parameters, and management's significant judgements and assumptions, mainly focusing on the following aspects: (1) Expected credit loss model: • Taking into account the impact of COVID-19 outbreak, macroeconomic changes, industry risk factors, and results of management's review and optimization of ECL model, we assessed the reasonableness of ECL model methodology and related parameters, including probability of default, loss given default, risk exposure, and whether there had been a significant increase in credit risk; • We assessed the forward-looking information used by management to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions and weightings of multiple macroeconomic scenarios; • We assessed the reasonableness of management's determination of credit impairment. For credit-impaired loans and advances, we analysed the amount, timing and probability of management's estimated future cash flows, especially the recoverable cash flows from collateral. (2) Design and operating effectiveness of key controls: • With the support of our IT audit specialists, we evaluated and tested the data and processes used to determine expected credit loss, including loan business data, internal credit rating data, macroeconomic data, as well as the computational logic, inputs and system interfaces of the impairment assessment system; • We evaluated and tested key controls over the expected credit loss model, including approval of model changes, ongoing monitoring of model performance, model validation and parameter calibration. We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of credit risk exposures and expected credit losses.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Consolidation assessment and disclosures of structured entities	
The Group holds interests in many different structured entities as a result of its business activities in financial investment, asset management and credit asset transfer. Such interests in structured entities include wealth management products("WMPs"), funds, asset management plans, trust plans, and asset-backed securities. As at 31 December 2021, within unconsolidated structured entities, the balance of non-principal guaranteed WMPs issued by the Group totalled RMB2,372,279 million, and the balance of trust plans, funds and asset management plans established by the Group totalled RMB3,182,800 million. The Group needs to comprehensively consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns to determine whether it has control over such structured entities, and therefore whether it should include them in the scope of consolidation. The assessment of the Group's control over structured entities involves significant judgements on factors such as the purpose and design of structured entities, the Group's ability to direct relevant activities, direct and indirect beneficial interests and returns, performance fees, and benefits received or losses incurred from providing credit enhancement or liquidity support. Comprehensive analysis of these factors and concluding on whether the Group has control involve significant management judgements and estimates. In view of the materiality and the complexity of management judgements, we consider consolidation assessment and disclosures of structured entities a key audit matter. *Relevant disclosures are included in Note 4(1), Note 4(26)f and Note 28 to the financial statements.*	We evaluated and tested the design and operating effectiveness of key controls over the Group's assessment of whether it controls a structured entity. We assessed the Group's analysis and conclusions on whether it controls structured entities based on the Group's analysis on its power over these structured entities, and the magnitude and variability of the variable returns from its involvement with structured entities. We assessed whether the Group has legal or constructive obligations to ultimately absorb losses from structured entities through review of contracts, which included examining, on a sampling basis, whether the Group has provided liquidity support or credit enhancement to structured entities. We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of unconsolidated structured entities.
Valuation of financial instruments	
The fair values of the Group's financial instruments measured at fair value are determined either by active market quotes or valuation techniques. Valuation techniques are used to determine the fair value of financial instruments that do not have quoted prices in active markets, such as investments in unlisted equity, private fund investments and certain debt investments. These techniques may involve the use of significant unobservable inputs requiring assumptions and estimates based on management's subjective judgements. Valuation results can vary significantly under different valuation techniques or assumptions. As at 31 December 2021, the carrying amount of the Group's financial assets measured at fair value totalled RMB2,901,531 million, accounting for 9.59% of total assets. Given the higher uncertainty in valuation results, financial instruments whose fair value measurement involves significant unobservable inputs are categorised as level 3 within the fair value hierarchy. As at 31 December 2021, RMB172,792 million or 5.96% of financial assets measured at fair value were categorised as Level 3. Given the materiality of the balance and the significant judgements involved in fair value measurement of Level 3 financial instruments, we consider valuation of financial instruments a key audit matter. *Relevant disclosures are included in Note 4(3), Note 4(26)c, Note 23, Note 25, Note 26 and Note 61(5) to the consolidated financial statements.*	We evaluated and tested the design and operating effectiveness of key controls over the valuation of financial instruments. We selected samples and evaluated the valuation techniques, inputs and assumptions applied by the Group, including comparison with valuation techniques commonly used in the market and industry peers, validation of observable inputs using external market data, and comparison with valuation outcomes obtained from various pricing sources. For financial instruments whose valuations were calculated using significant unobservable inputs, as in the case of investments in unlisted equity, private fund investments and certain debt investments, we involved our valuation specialists to assess the valuation model for such financial instruments, performed independent valuations on selected samples and compared the valuation results with those of the Group. We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of fair value.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

In preparing the consolidated financial statements, the directors 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 of the Bank 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 HKSAs, 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.

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.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Choi Kam Cheong, Geoffrey.

Ernst & Young

Certified Public Accountants

Hong Kong

29 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2021	2020
Interest income		**1,057,334**	989,509
Interest expense		**(451,914)**	(413,600)
Net interest income	6	**605,420**	575,909
Fee and commission income		**138,637**	131,512
Fee and commission expense		**(17,145)**	(16,930)
Net fee and commission income	7	**121,492**	114,582
Net trading gain	8	**7,816**	4,313
Dividend income	9	**5,921**	3,182
Net gain arising from investment securities	10	**10,498**	5,765
Net gain on derecognition of financial assets measured at amortised cost	11	**4,634**	4,649
Other operating income, net:			
– Other operating income		**68,025**	47,874
– Other operating expense		**(59,100)**	(42,050)
Other operating income, net	12	**8,925**	5,824
Operating income		**764,706**	714,224
Operating expenses	13	**(219,182)**	(188,574)
		545,524	525,650
Credit impairment losses	14	**(167,949)**	(193,491)
Other impairment losses	15	**(766)**	3,562
Share of profits of associates and joint ventures		**1,603**	895
Profit before tax		**378,412**	336,616
Income tax expense	18	**(74,484)**	(63,037)
Net profit		**303,928**	273,579

The notes on pages 185 to 309 form part of these financial statements.

FOR THE YEAR ENDED 31 DECEMBER 2021 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2021	2020
Other comprehensive income:			
(1) Other comprehensive income that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		(25)	479
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income		(463)	(279)
Others		115	24
Subtotal		(373)	224
(2) Other comprehensive income that may be reclassified subsequently to profit or loss			
Fair value changes of debt instruments measured at fair value through other comprehensive income		12,943	(9,108)
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income		556	(762)
Reclassification adjustments included in profit or loss due to disposals		(423)	(491)
Net gain/(loss) on cash flow hedges		320	(61)
Exchange difference on translating foreign operations		(6,445)	(6,720)
Subtotal		6,951	(17,142)
Other comprehensive income for the year, net of tax		6,578	(16,918)
Total comprehensive income for the year		310,506	256,661
Net profit attributable to:			
Equity shareholders of the Bank		302,513	271,050
Non-controlling interests		1,415	2,529
		303,928	273,579
Total comprehensive income attributable to:			
Equity shareholders of the Bank		308,803	254,112
Non-controlling interests		1,703	2,549
		310,506	256,661
Basic and diluted earnings per share (in RMB Yuan)	19	1.19	1.06

The notes on pages 185 to 309 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	**31 December 2021**	31 December 2020
Assets:			
Cash and deposits with central banks	20	**2,763,892**	2,816,164
Deposits with banks and non-bank financial institutions	21	**155,107**	453,233
Precious metals		**121,493**	101,671
Placements with banks and non-bank financial institutions	22	**188,162**	368,404
Positive fair value of derivatives	23	**31,550**	69,029
Financial assets held under resale agreements	24	**549,078**	602,239
Loans and advances to customers	25	**18,170,492**	16,231,369
Financial investments	26		
Financial assets measured at fair value through profit or loss		**545,273**	577,952
Financial assets measured at amortised cost		**5,155,168**	4,505,243
Financial assets measured at fair value through other comprehensive income		**1,941,478**	1,867,458
Long-term equity investments	27	**18,875**	13,702
Fixed assets	29	**168,326**	172,505
Land use rights	30	**13,630**	14,118
Intangible assets	31	**5,858**	5,279
Goodwill	32	**2,141**	2,210
Deferred tax assets	33	**92,343**	92,950
Other assets	34	**331,113**	238,728
Total assets		**30,253,979**	28,132,254
Liabilities:			
Borrowings from central banks	36	**685,033**	781,170
Deposits from banks and non-bank financial institutions	37	**1,932,926**	1,943,634
Placements from banks and non-bank financial institutions	38	**299,275**	349,638
Financial liabilities measured at fair value through profit or loss	39	**229,022**	254,079
Negative fair value of derivatives	23	**31,323**	81,956
Financial assets sold under repurchase agreements	40	**33,900**	56,725
Deposits from customers	41	**22,378,814**	20,614,976
Accrued staff costs	42	**40,998**	35,460
Taxes payable	43	**86,342**	84,161
Provisions	44	**45,903**	54,114
Debt securities issued	45	**1,323,377**	940,197
Deferred tax liabilities	33	**1,395**	1,551
Other liabilities	46	**551,549**	545,240
Total liabilities		**27,639,857**	25,742,901

The notes on pages 185 to 309 form part of these financial statements.

AS AT 31 DECEMBER 2021 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	31 December 2021	31 December 2020
Equity:			
Share capital	47	**250,011**	250,011
Other equity instruments	48		
Preference shares		**59,977**	59,977
Perpetual bonds		**39,991**	39,991
Capital reserve	49	**134,925**	134,263
Other comprehensive income	50	**21,338**	15,048
Surplus reserve	51	**305,571**	275,995
General reserve	52	**381,621**	350,228
Retained earnings	53	**1,394,797**	1,239,295
Total equity attributable to equity shareholders of the Bank		**2,588,231**	2,364,808
Non-controlling interests		**25,891**	24,545
Total equity		**2,614,122**	2,389,353
Total liabilities and equity		**30,253,979**	28,132,254

Approved and authorised for issue by the Board of Directors on 29 March 2022.

Xu Jiandong	**Kenneth Patrick Chung**	**Michel Madelain**
Non-executive director	*Independent non-executive director*	*Independent non-executive director*

The notes on pages 185 to 309 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Attributable to equity shareholders of the Bank									
		Other equity instruments								
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
As at 1 January 2021	250,011	59,977	39,991	134,263	15,048	275,995	350,228	1,239,295	24,545	2,389,353
Movements during the year	–	–	–	662	6,290	29,576	31,393	155,502	1,346	224,769
(1) Total comprehensive income for the year	–	–	–	–	6,290	–	–	302,513	1,703	310,506
(2) Changes in share capital										
i Change in shareholdings in subsidiaries	–	–	–	662	–	–	–	–	109	771
(3) Profit distribution										
i Appropriation to surplus reserve	–	–	–	–	–	29,576	–	(29,576)	–	–
ii Appropriation to general reserve	–	–	–	–	–	–	31,393	(31,393)	–	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(81,504)	–	(81,504)
iv Dividends to other equity instruments holders	–	–	–	–	–	–	–	(4,538)	–	(4,538)
v Dividends to non-controlling interests holders	–	–	–	–	–	–	–	–	(466)	(466)
As at 31 December 2021	250,011	59,977	39,991	134,925	21,338	305,571	381,621	1,394,797	25,891	2,614,122

	Attributable to equity shareholders of the Bank									
		Other equity instruments								
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
As at 1 January 2020	250,011	79,636	39,991	134,537	31,986	249,178	314,389	1,116,529	18,870	2,235,127
Movements during the year	–	(19,659)	–	(274)	(16,938)	26,817	35,839	122,766	5,675	154,226
(1) Total comprehensive income for the year	–	–	–	–	(16,938)	–	–	271,050	2,549	256,661
(2) Changes in share capital										
i Capital injection by other shareholders	–	–	–	–	–	–	–	–	3,607	3,607
ii Capital deduction by other equity instruments holders	–	(19,659)	–	(274)	–	–	–	–	–	(19,933)
iii Disposal of subsidiaries	–	–	–	–	–	–	–	–	(15)	(15)
iv Change in shareholdings in subsidiaries	–	–	–	–	–	–	–	–	46	46
(3) Profit distribution										
i Appropriation to surplus reserve	–	–	–	–	–	26,817	–	(26,817)	–	–
ii Appropriation to general reserve	–	–	–	–	–	–	35,839	(35,839)	–	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(80,004)	–	(80,004)
iv Dividends to other equity instruments holders	–	–	–	–	–	–	–	(5,624)	–	(5,624)
v Dividends to non-controlling interests holders	–	–	–	–	–	–	–	–	(512)	(512)
As at 31 December 2020	250,011	59,977	39,991	134,263	15,048	275,995	350,228	1,239,295	24,545	2,389,353

The notes on pages 185 to 309 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2021	2020
Cash flows from operating activities			
Profit before tax		**378,412**	336,616
Adjustments for:			
– Credit impairment losses	14	**167,949**	193,491
– Other impairment losses	15	**766**	(3,562)
– Depreciation and amortisation	13	**27,295**	26,182
– Interest income from impaired financial assets		**(4,810)**	(3,924)
– Revaluation (gain)/loss on financial instruments measured at fair value through profit or loss		**(6,551)**	640
– Share of profits of associates and joint ventures		**(1,603)**	(895)
– Dividend income	9	**(5,921)**	(3,182)
– Unrealised foreign exchange (gain)/loss		**(348)**	14,133
– Interest expense on bonds issued		**19,405**	16,669
– Interest income from investment securities and net income from disposal		**(236,164)**	(215,482)
– Net (gain)/loss on disposal of fixed assets and other long-term assets		**(251)**	319
		338,179	361,005
Changes in operating assets:			
Net decrease/(increase) in deposits with central banks and with banks and non-bank financial institutions		**368,327**	(392,876)
Net decrease in placements with banks and non-bank financial institutions		**86,583**	144,967
Net decrease/(increase) in financial assets held under resale agreements		**52,784**	(45,096)
Net increase in loans and advances to customers		**(2,125,561)**	(1,917,020)
Net decrease in financial assets held for trading purposes		**47,290**	58,482
Net increase in other operating assets		**(105,043)**	(77,590)
		(1,675,620)	(2,229,133)
Changes in operating liabilities:			
Net (decrease)/increase in borrowings from central banks		**(93,844)**	230,568
Net increase in deposits from customers and from banks and non-bank financial institutions		**1,706,255**	2,519,121
Net decrease in placements from banks and non-bank financial institutions		**(45,999)**	(152,997)
Net decrease in financial liabilities measured at fair value through profit or loss		**(24,632)**	(26,382)
Net decrease in financial assets sold under repurchase agreements		**(22,366)**	(56,949)
Net increase/(decrease) in certificates of deposit issued		**265,824**	(156,782)
Income tax paid		**(77,540)**	(82,457)
Net increase in other operating liabilities		**66,461**	174,691
		1,774,159	2,448,813
Net cash from operating activities		**436,718**	580,685

The notes on pages 185 to 309 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2021	2020
Cash flows from investing activities			
Proceeds from sales and redemption of financial investments		**1,891,859**	2,160,828
Interest and dividends received		**236,568**	208,372
Proceeds from disposal of fixed assets and other long-term assets		**2,953**	1,630
Purchase of investment securities		**(2,623,732)**	(2,982,229)
Purchase of fixed assets and other long-term assets		**(21,235)**	(25,743)
Acquisition of subsidiaries, associates and joint ventures		**(4,961)**	(4,995)
Cash payment for other investing activities		**–**	(21)
Net cash used in investing activities		**(518,548)**	(642,158)
Cash flows from financing activities			
Issue of bonds		**210,676**	118,103
Cash received from subsidiaries' capital injection by non-controlling interests holders		**771**	676
Dividends paid		**(86,364)**	(86,140)
Repayment of borrowings		**(81,899)**	(79,240)
Cash payment for redemption of other equity instruments		**–**	(19,933)
Cash paid by subsidiaries for purchase of non-controlling interests holders' equity		**–**	(44)
Interest paid on bonds issued		**(17,805)**	(15,888)
Cash payment for other financing activities		**(9,256)**	(7,494)
Net cash from/(used in) financing activities		**16,123**	(89,960)
Effect of exchange rate changes on cash and cash equivalents		**(7,624)**	(21,976)
Net decrease in cash and cash equivalents		**(73,331)**	(173,409)
Cash and cash equivalents as at 1 January	54	**878,931**	1,052,340
Cash and cash equivalents as at 31 December	54	**805,600**	878,931
Cash flows from operating activities include:			
Interest received, excluding interest income from investment securities		**823,053**	770,747
Interest paid, excluding interest expense on bonds issued		**(360,694)**	(325,900)

The notes on pages 185 to 309 form part of these financial statements.

1 COMPANY INFORMATION

The history of China Construction Bank Corporation (the "Bank") dates back to 1954, which was previously known as the People's Construction Bank of China when it was established. It was responsible for the management and distribution of government funds for construction and infrastructure related projects under the state economic plan. The People's Construction Bank of China gradually evolved into a comprehensive commercial bank following the takeover of the function of granting policy loans by China Development Bank in 1994. In 1996, the People's Construction Bank of China changed its name to China Construction Bank ("CCB"). On 17 September 2004, China Construction Bank Corporation was established in the People's Republic of China (the "PRC") as a result of a separation procedure undertaken by its predecessor, China Construction Bank. In October 2005 and September 2007, the Bank's H shares and A shares were listed on the Hong Kong Stock Exchange (Stock Code: 939) and the Shanghai Stock Exchange (Stock Code: 601939), successively. As at 31 December 2021, the Bank issued the total ordinary share capital of RMB250,011 million, with a par value of RMB1.00 per share.

The Bank obtained its finance permit No.B0004H111000001 from the China Banking Regulatory Commission ("CBRC") (In 2018, it was renamed as China Banking and Insurance Regulatory Commission, hereinafter referred to as the "CBIRC") of the PRC. The Bank obtained its unified social credit code No.911100001000044477 from the Beijing Administration for Industry and Commerce. The registered office of the Bank is located at No.25, Finance Street, Xicheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, trustee, finance leasing, investment banking, insurance and other financial services. The Group mainly operates in Mainland China and also has a number of overseas branches and subsidiaries. For the purpose of these financial statements, Mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. Overseas refers to countries and regions other than Mainland China.

The Bank is under the supervision of the banking regulatory bodies empowered by the State Council of the PRC (the "State Council"). The overseas financial institutions of the Bank are required to comply with the regulatory requirements of their respective local jurisdictions. Central Huijin Investment Ltd. ("Huijin"), a wholly-owned subsidiary of China Investment Corporation ("CIC"), exercises its rights and obligations as an investor in accordance with laws on behalf of the PRC government.

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

2 BASIS OF PREPARATION

The Group uses the calendar year as the accounting year, which is from 1 January to 31 December.

These financial statements comprise the Bank and its subsidiaries and the Group's interests in associates and joint ventures.

(1) Basis of measurement

These financial statements have been prepared on the historical cost basis except that: (i) financial instruments at fair value through profit or loss are measured at fair value; (ii) derivative financial instruments are measured at fair value; (iii) financial assets measured at fair value through other comprehensive income are measured at fair value; and (iv) certain non-financial assets are measured at revalued amount. The measurement basis of major assets and liabilities is further explained in Note 4.

(2) Functional and presentation currency

These financial statements are presented in RMB, unless otherwise stated, rounded to the nearest million, which is the functional currency of the domestic operations of the Group. The functional currencies of overseas branches and subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into RMB for the preparation of these financial statements according to Note 4(2)(b).

(3) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 4(26).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

3 STATEMENT OF COMPLIANCE

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

The Group has adopted the following amendments for the first time for the current year.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform-Phase 2
Amendment to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

The Group's businesses affected by the Interest Rate Benchmark Reform consisted mainly of loans linked to the London Interbank Offered Rate (LIBOR), bond investments, derivative transactions, and debt instruments issued. At 31 December 2021, USD LIBOR based financial instruments held by the Group which will mature after 30 June 2023 as a proportion of financial assets or financial liabilities were minimal. The adoption of the above amendments does not have a significant impact on the Group's consolidated financial statements.

Except for those described above, the significant accounting policies adopted by the Group for the annual financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Consolidated financial statements

(a) Business combinations

The consideration transferred by the acquirer for the acquisition and the identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill in accordance with the accounting policies set out in Note 4(10). If this is less than the fair value of the identifiable net assets of the acquiree in the case of a bargain purchase, the difference is recognised in profit or loss.

Acquisition date mentioned above is the date that the Group effectively obtains control of the acquiree.

(b) Subsidiaries and non-controlling interests

Subsidiaries are all entities (including structured entities) over which the Bank has control. The Bank controls an entity when the Bank has the power over the entity, and is exposed to, or has the rights to the variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

For the separate financial statements of the Bank, investments in subsidiaries are accounted for at cost. At initial recognition, investment in subsidiaries is measured at the cost of acquisition determined at the acquisition date when the subsidiaries are acquired through business combination or the capital injected into the subsidiaries set up by the Group. Impairment losses on investments in subsidiaries are accounted for in accordance with the accounting policies as set out in Note 4(12).

The financial results and performance of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. When preparing the consolidated financial statements, the Bank makes necessary adjustments on the accounting period and accounting policies of subsidiaries to comply with those of the Bank.

Intragroup balances and transactions, and any profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The portion of a subsidiary's net assets that is attributable to equity interests that are not owned by the Bank, whether directly or indirectly through subsidiaries, is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated statement of financial position within total equity. The portion of net profit or loss and other comprehensive income of subsidiaries for the year attributable to non-controlling interests is separately presented in the consolidated statement of comprehensive income as a component of the Group's net profit and other comprehensive income.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(1) Consolidated financial statements (continued)

(c) Associates and joint arrangements

An associate is an enterprise in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policy decisions.

Joint arrangement is an arrangement of which two or more parties have joint control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Investments in associates or joint ventures are accounted for using the equity method in the consolidated financial statements and are initially recorded at acquisition cost, and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associates or joint ventures. The Group's share of the post-acquisition, post-tax results of the associates or joint ventures for the year is recognised in the consolidated statement of comprehensive income. The Group's interest in associates or joint ventures is included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures.

The Group discontinues recognising its share of net losses of the associates or joint ventures after the carrying amount of investments in associates and joint ventures together with any long-term interests that in substance form part of the Group's net investment in the associates or joint ventures are reduced to zero, except to the extent that the Group has incurred legal or constructive obligations to assume additional losses. Where the associates or joint ventures make net profits subsequently, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

(2) Translation of foreign currencies

(a) Translation of foreign currency transactions

Foreign currency transactions are, on initial recognition, translated into the functional currency at the spot exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the transaction dates. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; exchange differences are recognised in profit or loss, except for the differences arising from the translation of equity instruments designated at fair value through other comprehensive income, which are recognised in other comprehensive income.

(b) Translation of financial statements denominated in foreign currencies

Foreign currency financial statements of overseas branches and subsidiaries are translated into RMB for the preparation of consolidated financial statements. At the end of each reporting period, the assets and liabilities in the financial statements denominated in foreign currencies are translated into RMB at the spot exchange rates ruling at that date. All items within equity except for retained earnings are translated at the exchange rates ruling at the dates of the initial transactions. Income and expenses in the statement of comprehensive income are translated at the weighted average exchange rates for the year. Foreign exchange differences arising from foreign operations are recognised in "other comprehensive income" in the shareholders' equity in the statement of financial position. The effect of exchange rate changes on cash is presented separately in the statement of cash flows.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments

(a) Classification

The Group classifies financial instruments into different categories based on the business model used to manage financial assets and contractual cash flow characteristics or the purposes for which the liabilities were incurred. The categories are: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income ("FVOCI"), financial assets and liabilities measured at fair value through profit or loss ("FVPL"), and other financial liabilities.

The business model of the Group's management of financial assets refers to how the Group manages financial assets to generate cash flows. The business model determines whether the cash flow of financial assets managed by the Group is derived from contractual cash flows, sales of financial assets or both. Factors considered by the Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

The characteristics of the contractual cash flow of financial assets refer to the cash flow attributes agreed in the contract of financial instruments that reflect the economic characteristics of the relevant financial assets, that is, the contractual cash flows generated by the relevant financial assets on a specific date are only for payment of the principal and the interest based on the amount of principal outstanding. Of which, principal refers to the fair value of financial assets at initial recognition. The payment of the underlying interest, where the principal is the fair value of the financial asset at the time of initial recognition, and its amount may change during the lifetime of the financial asset due to prepayment and other reasons; 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.

Financial assets measured at amortised cost

Financial assets are classified as financial assets measured at amortised cost if both of the following conditions and is not designated as at FVPL are met: (i) the assets are managed within a business model whose objective is to hold assets in order to collect contractual cash flows; (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets measured at FVOCI include debt instruments measured at FVOCI and equity instrument designated as measured at FVOCI.

Financial assets are classified as financial assets measured at FVOCI if both of the following conditions and is not designated as at FVPL are met: (i) the assets are managed within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets; (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At inception, the Group may designate non-trading equity instruments as financial assets measured at FVOCI, and recognise dividend income in accordance with the relevant policies specified in Note 4(20)(c). Once the designation is made, it cannot be revoked.

Financial assets and liabilities measured at fair value through profit or loss (FVPL)

The Group classifies the financial assets other than financial assets measured at amortised cost and FVOCI as financial assets measured at FVPL.

Financial assets measured at FVPL include those held for trading purposes, those designated as measured at FVPL, those could not pass the solely payment of principal and interests ("SPPI") testing and the remaining equity investments which are not designated as measured at FVOCI.

Financial liabilities measured at FVPL include negative fair value of derivatives, and those designated as measured at FVPL.

Financial assets or financial liabilities are classified as held for trading if they are: (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a designated and effective hedging instruments or a financial guarantee contract).

At initial inception, the Group may designate financial assets as financial assets measured at FVPL if the designation can eliminate or significantly reduce accounting mismatch. Once the designation is made, it cannot be revoked.

Financial liabilities are designated as measured at FVPL upon initial recognition when: (i) the designation can eliminate or significantly reduce accounting mismatch; or (ii) the formal written file of the Group's risk management or investment strategy have clearly stated that the financial liability portfolio, or the portfolio of financial assets and financial liabilities, are managed, evaluated and reported to key management personnel on the basis of fair value. Once the designation is made, it cannot be revoked.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(a) Classification (continued)

Other financial liabilities

Other financial liabilities are financial liabilities other than those measured at FVPL and mainly comprise borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

(b) Derivatives and hedge accounting

The Group uses derivatives to hedge its exposure to foreign exchange and interest rate risks. Derivatives are recognised at fair value at the trade date upon initial recognition, and subsequently measured at fair value. The positive fair value is recognised as an asset while the negative fair value is recognised as a liability.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualified as a hedging instrument, and if so, the nature of the item being hedged. For derivatives not designated or qualified as hedging instruments, including those that are intended to provide effective economic hedges of specific interest rate and foreign exchange risks, but not qualified for hedge accounting, changes in the fair value of these derivatives are recognised in the consolidated statement of comprehensive income.

The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Group assess the hedge effectiveness both at hedge inception and on an ongoing basis.

(i) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in profit or loss, together with the changes in fair value of the hedged item attributable to the hedged risk. The net difference is recognised as ineffectiveness in the profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. If the hedged item is de-recognised, the unamortised carrying value adjustment is recognised immediately in the profit or loss.

(ii) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction that could ultimately affect the profit or loss.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The ineffective portion is recognised immediately in the profit or loss.

Amounts accumulated in other comprehensive income are reclassified to the profit or loss in the same periods when the hedged item affects the profit or loss.

When a hedging instrument expires or is sold, or the hedge designation is revoked or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss on the hedging instrument existing in other comprehensive income at that time remains in other comprehensive income and is reclassified to the profit or loss when the forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss existing in other comprehensive income is immediately transferred to the profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(c) Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host. If a hybrid contract contains a host that is an financial asset, the embedded derivative shall not be separated from the host and shall be classified and measured as a whole.

If a hybrid contract contains a host that is not an financial asset, an embedded derivative shall be separated from the host and accounted for as a derivative if, and only if: (i) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss. The Group could choose to measure the separated derivative at FVPL, or designate the entire hybrid contract as at FVPL.

(d) Recognition and derecognition

All financial assets and financial liabilities are recognised in the statement of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the contractual rights to receive the cash flows of the financial asset have been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset; or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the transferred credit asset, but has given up control of the credit asset or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of transfer of cash flows and transfers substantially all the risks and rewards of ownership of the financial asset or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the transferred credit assets, but has given up control of the credit asset.

When a financial asset is derecognised, the difference between the carrying amount of the financial asset derecognised and the consideration received, as well as the cumulative changes in fair value previously recognised in equity, is recognised in other comprehensive income.

When a financial asset is transferred, and if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The financial liability is derecognised only when: (i) the underlying present obligation specified in the contracts is discharged, cancelled or expired, or (ii) an agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(e) Measurement

Financial instruments are measured initially at fair value plus, in the case of a financial instrument not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instrument. Transaction costs for financial instruments measured at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, the Group measures different categories of financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss respectively. Financial liabilities other than those measured at fair value through profit or loss are measured at amortised cost using the effective interest method.

Financial assets measured at fair value through profit or loss

Gains and losses from changes in the fair value of financial assets measured at fair value through profit or loss are recognised in profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(e) Measurement (continued)

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at FVPL are measured at fair value, where the gain or loss arose are recognised in profit or loss. For the financial liabilities designated as measured at FVPL, they are accounted for in accordance with the following requirements: (i) the amount of changes in the fair value of the financial liability arising from changes in the Group's own credit risk should be included in other comprehensive income; (ii) other changes in fair value of the financial liabilities are recognised in current profit or loss. If the treatment of the impact of changes in the financial liabilities' own credit risk will create or enlarge the accounting mismatch in profit or loss in accordance with (i), the Group shall recognise the entire gain or loss of the financial liabilities (including the amount of the impact of changes in its own credit risk) in profit or loss. When the financial liabilities designated as at fair value through profit or loss is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to retained earnings.

Financial assets measured at FVOCI

The impairment losses, foreign exchange gains and losses and interest income calculated using effective interest method of financial assets measured at FVOCI are recognised in profit or loss. Besides, other changes of carrying amount are recognised in other comprehensive income.

When the debt instruments measured at FVOCI are sold, gains or losses on disposal are recognised in profit or loss. Gains or losses on disposal include those previously recognised in other comprehensive income being transferred to the profit or loss. For equity instrument investments designated as measured at FVOCI, once the designation is made, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss (the changes in fair value are recognised in retained earnings on disposal). Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Financial assets measured at amortised cost

The amortised cost of a financial asset should be measured with the initial recognition after the following adjustments: (i) deducting the repaid principal; (ii) adding or subtracting the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount; (iii) the loss provision for the accumulated accrual.

For financial assets measured at amortised cost, a gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired, and through the amortisation process.

Effective interest rate

The effective interest rate is the rate that exactly discount estimated future cash payments or receipts through the expected lifetime of the financial asset to the carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance). The calculation does not consider expected credit losses but includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate.

The Group determines interest income based on the gross carrying amount of financial assets multiplied by the effective interest rate, except (i) for purchased or sourced financial assets that have suffered credit impairment, from the initial recognition, interest income is calculated using the financial assets' amortised cost and credit-adjusted effective interest rate; (ii) for a purchased or sourced financial asset that has not suffered credit impairment but has become credit impaired in subsequent periods, interest income is determined using the financial asset's amortised cost and the effective interest rate. If the financial instrument no longer has credit impairment due to the improvement of its credit risk in the subsequent period, and this improvement can be objectively related to an event that occurs after the application of the above provisions, interest income should be recalculated using the effective interest rate multiplied by the gross carrying amount of the financial assets.

Credit-adjusted effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset. When calculating the credit-adjusted effective interest rate, an entity shall estimate the expected cash flows by considering all contractual terms of the financial asset (for example, prepayment, extension, call and similar options) and initial expected credit losses.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(f) Impairment

At the end of the reporting period, the Group performs impairment assessment and recognised loss provisions based on expected credit loss on financial assets measured at amortised cost and FVOCI, as well as loan commitments and financial guarantee contracts.

The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received discounted at the original real interest rate by the Group, that is, the present value of all cash shortages. Among them, financial assets that have been purchased or sourced by the Group and have suffered credit impairment shall be discounted according to the effective interest rate of the financial assets after credit adjustments.

The Group's method of measuring expected credit losses of financial instruments reflects the following elements: (i) unbiased weighted average probability determined by the results of evaluating a range of possible outcomes; (ii) time value of money; (iii) reasonable and evidence-based information about past events, current conditions, and future economic forecasts that are available at no additional cost or effort at the end of the reporting period.

At the end of each reporting period, the Group measures the expected credit losses ("ECL") of financial instruments at different stages and recognises its loss provision and its changes in the following cases: the financial instrument is in Stage 1 if the credit risk of the financial instrument has not increased significantly since the initial recognition, and the Group measures its loss provision based on the amount of expected credit loss of the financial instrument in the next 12 months; the financial instrument is in Stage 2 if the credit risk of the financial instrument has increased significantly since the initial recognition but are not yet credit-impaired is considered to be credit-impaired and the Group measures its loss provision based on the amount of lifetime expected credit loss of the financial instrument; the financial instrument is in Stage 3 if the financial instrument has credit impaired, and the Group measures its loss provision based on the amount of lifetime expected credit loss of the financial instrument. Regardless of whether the Group's assessment of credit losses is based on a single financial instrument or a combination of financial instruments, the increase or reversal of the loss provision resulting therefrom should be included in the current profit or loss as an impairment loss or gain.

For debt instruments measured at FVOCI, the Group recognises the allowance of impairment in other comprehensive income and impairment losses or gains in profit or loss, which should not change the book value of the financial assets set out in the statement of financial position.

For loss provision measured at the amount equivalent to the lifetime expected credit loss of the financial instrument previously, if, at the end of the current reporting period, the financial instrument is no longer having significant increase in credit risk since the initial recognition, the Group measures its loss provision based on the amount of its expected credit losses for the next 12 months, and the reversal of the loss provision arising from it is recognised as an impairment gain in profit or loss for the current reporting period.

For financial assets that have been purchased or sourced for credit impairment, the Group only recognises cumulative changes in lifetime expected credit losses after initial recognition at the end of the reporting period as loss provision. At the end of each reporting period, the Group recognises the amount of the change in lifetime expected credit losses as an impairment loss or gain in current profit or loss.

(g) Write off

When the Group determines that a loan has no reasonable prospect of recovery after the Group has completed all the necessary legal or other proceedings, the loan is written off against its allowance for impairment losses. If in a subsequent period the loan written off is recovered, the amount recovered will be recognised in profit or loss through credit impairment losses.

(h) Modification of contracts

If the renegotiation or modification of a contract between the Group and a counterparty does not result in derecognition of the financial assets, but lead to changes in contractual cash flows, the Group assesses whether a significant increase in credit risk has occurred, based on comparing the risk of a default occurring under the revised terms as at the end of the reporting period with that as at the date of initial recognition under original terms. The gross carrying amount of the financial asset is recalculated and the related gain or loss is recognised in profit or loss. The recalculated gross carrying amount of the financial asset is determined based on the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(i) Fair value measurement

If there is an active market for financial instruments, the fair value of financial instruments is based on the prices within the bid-ask spread that is most representative of fair value in the circumstances, and without any deduction for transaction costs that may occur on sales or disposals. A quoted price is from an active market where price information is readily and regularly available from an exchange, dealer, industry group or pricing service agency and that price information represents actual and regularly occurring orderly transactions.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include the price used by market participants in an orderly transaction, reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The Group selects valuation techniques that are commonly accepted by market participants for pricing the instruments and these techniques have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. Periodically, the Group reviews the valuation techniques and tests them for validity.

(j) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(k) Securitisations

The Group securitises certain loans, which generally involves the sale of these assets to structured entities, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of credit enhancement or subordinated tranches, or other residual interests ("retained interests"). Gains or losses on securitisation are the difference between the carrying amount of the transferred financial assets and the consideration received (including retained interest) which is recognised in profit or loss.

(l) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are not recognised. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

(4) Precious metals

Precious metals comprise gold and other precious metals. Precious metals that are acquired by the Group principally for trading purpose are initially recognised at fair value and re-measured at fair value less cost to sell. The changes in fair value less cost to sell are recognised in profit or loss. Precious metals that are not acquired by the Group principally for trading purpose are carried at lower of cost and net realisable value.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(5) Fixed assets

Fixed assets are assets held by the Group for the conduct of business and are expected to be used for more than one year. Construction in progress is the property and equipment under construction, which is transferred to fixed assets when ready for its intended use.

(a) Cost

Fixed assets are initially recognised at cost, except for the fixed assets and construction in progress obtained from CCB by the Bank which were recognised at the revalued amount as cost on the date of restructuring. The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of a self-constructed fixed asset comprises those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Where the individual components of an item of fixed asset have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognised as separate fixed assets.

Subsequent costs, including the cost of replacing part of an item of fixed assets, 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. Expenditures relating to ordinary maintenance of fixed assets are recognised in profit or loss.

(b) Depreciation and impairment

Depreciation is calculated to write off to the profit or loss the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives. Impaired fixed assets are depreciated net of accumulated impairment losses. No depreciation is provided on construction in progress.

The estimated useful lives, residual value rates and annual depreciation rates of respective fixed assets are as follows:

Types of assets	Estimated useful lives	Estimated net residual value rates	Annual depreciation rates
Bank premises	30-35 years	3%	2.8%-3.2%
Equipment	3-8 years	3%	12.1%-32.3%
Others	4-11 years	3%	8.8%-24.3%

Aircraft and vessels are used for the Group's operating lease business, depreciated using straight-line method over the expected useful life of 20 to 30 years (less the years in service at the time of purchase) with the estimated residual value rate varying from 2.9% to 4.8%.

The Group reviews the estimated useful life and estimated residual value rates of a fixed asset and the depreciation method applied at least once a financial year.

Impairment losses on fixed assets are accounted for in accordance with the accounting policies as set out in Note 4(12).

(c) Disposal

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the fixed asset and are recognised in profit or loss on the date of retirement or disposal.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(6) Lease

Identification of leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

Assessment of the lease term

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. If the Group has an option to extend the lease, that is, the Group has the right to extend the lease, and is reasonably certain to exercise that option, the lease term also includes periods covered by an option to extend the lease. If the Group has an option to terminate the lease, that is, the Group has the right to terminate the lease, but is reasonably certain not to exercise that option, the lease term includes periods covered by an option to terminate the lease. The Group reassesses whether it is reasonably certain to exercise an extension option, purchase option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in the circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term.

As lessee

For the accounting treatment of the Group as a lessee, see Note 4(7) and(14).

Lease modifications

Lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease, for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by:

(a) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope or term of the lease, and recognising the gain or loss relating to the partial or full termination of the lease in profit or loss; or

(b) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

Lessee's incremental borrowing rate

If the interest rate implicit in the lease cannot be readily determined, the Group measures the lease liability at the present value of the lease payments discounted using the lessee's incremental borrowing rate. According to the economic environment, the Group takes the observable interest rate as the reference basis for determining the incremental borrowing rate, then adjusts the observable interest rate based on its own circumstances, underlying assets, lease terms and amounts of lease liabilities to determine the applicable incremental borrowing rate.

Short-term leases and leases of low-value assets

If the Group subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset. The Group recognises lease payments on short-term leases and leases of low-value assets in the costs of the related asset or profit or loss on a straight-line basis over the lease term.

As lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date. The Group, as an intermediate lessor, classifies the sublease by reference to the right-of-use asset arising from the head lease.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(6) Lease (continued)

As lessor of a finance lease

At the commencement date of the lease, the Group recognises finance lease receivable and derecognises finance lease assets. The Group presents lease receivable at an amount equal to the net investment in the lease for the initial measurement. The net investment in the lease is the sum of any unguaranteed residual value accruing to the lessor and at the commencement date of the lease the lease payments receivable by a lessor under a finance lease discounted at the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the its net investment in the lease. Variable lease payments received by the Group that are not included in the measurement of the net investment in the lease are recognised in profit or loss as incurred.

The Group accounts for a modification to a finance lease as a separate lease if both:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a modification to a finance lease that is not accounted for as a separate lease, the Group accounts for the modification as follows:

(a) if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Group accounts for the lease modification as a new lease from the effective date of the modification, and measures the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification; or

(b) if the lease would have been classified as a finance lease had the modification been in effect at the inception date, the Group accounts for the lease modification in accordance with the requirements in Note 4(3) on the contract modifications or re-negotiation.

As lessor of an operating lease

Rent income under an operating lease is recognised on a straight-line basis over the lease term, through profit or loss. Variable lease payments that are not included in the measurement of lease receivables are charged to profit or loss as incurred. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Sale and leaseback transactions

The Group applies the requirements in Note 4(20) to assess and determine whether the transfer of an asset is accounted for as a sale of that asset.

As lessor

If the transfer of an asset satisfies the requirements to be accounted for as a sale of the asset, the Group, as a lessor, accounts for the purchase of the asset and for the lease applying the accounting requirements set forth; and if the transfer of an asset does not satisfy the requirements to be accounted for as a sale of the asset, the Group, as a lessor, does not recognise the transferred asset and recognises a financial asset equal to the transfer proceeds. The Group accounts for the financial asset applying Note 4(3).

(7) Right-of-use assets

The right-of-use assets of the Group mainly include right to use buildings and other equipment.

At the commencement date of the lease, the Group recognises a right-of-use asset. The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date of the lease less any lease incentives received; (iii) any initial direct cost incurred; and (iv) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The Group remeasures the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly, when the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognises the remaining amount of the remeasurement in profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(8) Land use rights

Land use rights are initially recognised at cost. The land use rights obtained from CCB by the Bank on the date of restructuring were recorded at the revalued amount. The cost of the land use rights is amortised on a straight-line basis over their authorised useful lives, and charged to the profit or loss. Impaired land use rights are amortised net of accumulated impairment losses.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 4(12).

(9) Intangible assets

Software and other intangible assets are initially recognised at cost. The cost less estimated residual values, if any, of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to the profit or loss. Impaired intangible assets are amortised net of accumulated impairment losses.

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 4(12).

(10) Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets. Goodwill is not amortised. Goodwill arising from a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination. The Group performs an impairment test on goodwill semi-annually.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable net assets over the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree is recognised immediately in profit or loss.

On disposal of the related CGU or group of CGUs, any attributable amount of goodwill net of allowances for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

Impairment loss on goodwill is accounted for in accordance with the accounting policies as set out in Note 4(12).

(11) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Repossessed assets in the form of financial assets are recognised and presented as the appropriate class of financial assets based on the business models and contractual cash flow characteristics, and repossessed assets that are not financial assets are recognised and reported in "other assets" in the balance sheet when the Group intends to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower.

When using repossessed assets as compensation for losses on loans and advances to customers and interest receivable, the Group recognizes repossessed assets in the form of financial assets at fair value, and records any taxes payable, advance payment for litigation fees, tax arrears and other transaction costs incurred to obtain repossessed assets in profit or loss or into the initial book value, respectively, depending on the type of financial assets. Repossessed assets that are not financial assets are initially recognized at the fair value of the rights given up by creditors, and the Group records any taxes payable, advance payment for litigation fees, tax arrears and other transaction costs incurred to obtain the repossessed assets into the book value of repossessed assets.

Repossessed assets that are not financial assets are recognized at book value less allowances for impairment losses measured in accordance with the accounting policies as set out in Note 4(12).

(12) Allowances for impairment losses on assets

The Group determines the impairment of assets, other than the impairment of deferred tax assets and financial assets, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that assets may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired and it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the CGU to which the asset belongs.

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets.

The recoverable amount of an asset (or CGU, group of CGUs) is the higher of its fair value less costs to sell and the present value of the expected future cash flows. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(12) Allowances for impairment losses on assets (continued)

(a) Testing CGU with goodwill for impairment

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the combination.

A CGU or group of CGUs to which goodwill has been allocated is tested for impairment by the Group semi-annually, or whenever there is an indication that the CGU or group of CGUs are impaired, by comparing the carrying amount of the CGU or group of CGUs, including the goodwill, with the recoverable amount of the CGU or group of CGUs. At the time of impairment testing of a CGU or group of CGUs to which goodwill has been allocated, there may be an indication of an impairment of an asset within the CGU containing the goodwill. In such circumstances, the Group tests the asset for impairment first, and recognises any impairment loss for that asset before testing for impairment on the CGU or group of CGUs containing the goodwill. Similarly, there may be an indication of an impairment of a CGU within a group of CGUs containing the goodwill. In such circumstances, the entity tests the CGU for impairment first, and recognises any impairment loss for that CGU, before testing for impairment the group of CGUs to which the goodwill is allocated.

(b) Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to the profit or loss.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or group of CGUs, pro rata on the basis of the carrying amount of each asset.

(c) Reversing an impairment loss

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

An impairment loss in respect of goodwill is not reversed.

(13) Employee benefits

Employee benefits are all forms of consideration given and compensations incurred by the Group in exchange for services rendered by employees or the termination of the employment relationship. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in cost of relevant assets or the expenses in profit or loss. Where payment or settlement is deferred and the effect of discount would be material, these amounts are stated at their present values in the statement of financial position.

(a) Post-employment benefits

The Group divides post-employment benefit plans into defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance for the employees during the reporting period, while defined benefit plans are mainly supplementary retirement benefits.

Defined contribution retirement schemes

Pursuant to the relevant laws and regulations in the PRC, employees in Mainland China have joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the local government organizations. The contributions are charged to the profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Annuity contributions

In addition to the statutory provision contributions, the Bank's employees have joined the annuity scheme set up by the Bank under "CCBC Annuity Scheme" (the "scheme") in accordance with state enterprise annuity regulations. The Bank has made annuity contributions in proportion to its employees' gross wages, which are expensed in profit or loss when the contributions are made.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(13) Employee benefits (continued)

(a) Post-employment benefits (continued)

Supplementary retirement benefits

The Group pays supplementary retirement benefits for its employees in Mainland China who retired on or before 31 December 2003 in addition to the contributions made to statutory insurance schemes. Such supplementary retirement benefits are defined benefit plans.

The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of obligations that the Group is committed to pay to the employees after their retirement using actuarial techniques. At the end of each reporting period, such obligations are discounted with interest yield of government bonds with similar duration. The service cost and net interest from the supplementary retirement benefits are recognised in profit or loss, and the remeasurements are recognised in other comprehensive income.

The liability recognised in the statement of financial position in respect of supplementary retirement benefits is the present value of supplementary retirement benefit obligations at the end of the reporting period less the fair value of plan assets.

(b) Termination benefits

Where the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision is recognised for the compensation arising from termination of employment relationship, with a corresponding charge to the profit or loss for the current period. An entity is required to recognise termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs.

(c) Early retirement expenses

The Group recognises the present value of all its liabilities to employees who voluntarily agreed to retire early. The early retirement benefit payments are made by the Group from the date of early retirement to the regulated retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

(d) Staff incentive plan

As approved by the board of directors, for the purposes of providing incentives and rewards to eligible employees for their past services, the Group awards a specified amount of staff compensation to the staff incentive plan independently managed by a designated staff committee for those eligible participating employees. The Group recognises its contribution to the plan when it has a present legal or constructive obligation to make such payment and a reliable estimate of the obligation can be made.

(14) Lease liabilities

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets. In calculating the present value of the lease payments, the Group uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss, except those in the costs of the related asset as required. Variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss as incurred, except those in the costs of the related asset as required.

After the commencement date, the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate if either: (i) there is a change in the in-substance fixed lease payments; (ii) there is a change in the amounts expected to be payable under a residual value guarantee; (iii) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; (iv) there is a change in the assessment of an option to purchase, extend or terminate the underlying asset, assessed in the context of a purchase option.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(15) Insurance contracts

Insurance contracts classification

Under the contract the insurer signed with the policyholder, the insurer may undertake insurance risk or other risks, or both insurance risk and other risks.

Where the Group undertakes both the insurance risk and other risks, and the insurance risk and other risks can be distinguished and separately measured, the insurance risk shall be separately accounted for as insurance contracts while the other risks shall be accounted for as either investment contracts or service contracts. Where the insurance risk and other risks cannot be distinguished from each other, or can be distinguished but cannot be separately measured, significant insurance risk test shall be performed at the contract's initial recognition date. If the insurance risk is significant, the contract is classified as an insurance contract; otherwise, it is classified as an investment contract or service contract.

Insurance income recognition

Insurance premium income is recognised when all of the following criteria are met:

(a) The insurance contract is issued, and related insurance risk is undertaken by the Group;

(b) The related economic benefits are likely to flow to the Group; and

(c) Related income can be reliably measured.

Insurance contract liabilities

When measuring insurance contract liabilities, the Group identifies insurance contracts where insurance risks are of similar nature as a measurement unit. Insurance contract liabilities are measured based on a reasonably estimated amount of payments that the Group is obliged to pay in order to fulfil relevant obligations under the insurance contract. Structured product that cannot be sold separately is classified as one measurement unit.

The Group performs liability adequacy test at the end of each reporting period. If the insurance contract liabilities re-calculated with the insurance actuarial method exceed their carrying amounts on the date of the liability adequacy test, an additional provision shall be made for the respective insurance contract liabilities based on the differences. Otherwise, no adjustment is made to the respective insurance contract liabilities.

(16) Provisions and contingent liabilities

A provision is recognised in the statement of financial position if, as the result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated 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 the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or non-occurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

(17) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument issued is an equity instrument if, and only if, both conditions (i) and (ii) below are met: (i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and (ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of direct issuance expenses.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(18) Financial guarantees and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of guarantee fees, and the best estimate of the loss provisions required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated statement of profit or loss.

The impairment allowance of loan commitments provided by the Group is measured by ECL. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the ECL on the undrawn commitment component from those on the loan component, the ECL on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined ECL exceed the gross carrying amount of the loan, the ECL are recognised as a provision.

(19) Fiduciary activities

The Group's fiduciary business refers to the management of assets for customers in accordance with custody agreements signed by the Group and securities investment funds, insurance companies, annuity plans and other organisations. The Group fulfils its fiduciary duty and receives relevant fees in accordance with these agreements, and does not take up any risks and rewards related to the assets under custody, which are recorded as off-balance sheet items.

The Group conducts entrusted lending business, whereby it enters into entrusted loan agreements with customers. Under the terms of these agreements, the customers provide funding (the "entrusted funds") to the Group, and the Group grants loans to third parties (the "entrusted loans") according to the instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no impairment assessments are made for these entrusted loans.

(20) Income recognition

(a) Interest income

Interest income for interest bearing debt instruments measured at amortized cost and fair value through other comprehensive income is recognised in profit or loss based on effective interest method. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis. The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period.

(b) Fee and commission income

Fee and commission income is recognised when the performance obligation is satisfied. For those services that are provided over a period of time, fee and commission income is accrued in accordance with the terms and conditions of the service agreement. For other services, fee and commission income is recognised when the transactions are completed.

(c) Dividend income

Dividend income from equity investments is recognised in profit or loss on the date when the Group's right to receive payment is established.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(21) Income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods. Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax losses and unused tax credits can be utilised.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that they relate to items 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.

At the end of each reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

(22) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(23) Profit distribution

Proposed dividends which are declared and approved after the end of each reporting period are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each reporting period in the note to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

(24) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. The Group's related parties include but are not limited to the following:

(a) the Bank's parents;

(b) the Bank's subsidiaries;

(c) other entities which are controlled by the Bank's parents;

(d) an investor who has joint control over the Group;

(e) an investor who can exercise significant influence over the Group;

(f) an associate of the Group;

(g) a joint venture entity of the Group;

(h) principal individual investors of the Group, and close family members of such individuals (principal individual investors are the individual investors who have the power, directly or indirectly, to control, jointly control or exercise significant influence over another party);

(i) key management personnel of the Group and close family members of such individuals (key management personnel represent those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity);

(j) key management personnel of the Bank's parents and close family members of such individuals;

(k) other entities that are controlled or jointly controlled by the Group's principal individual investors, key management personnel, or close family members of such individuals;

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(24) Related parties (continued)

(l) a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group; and

(m) joint ventures and their subsidiaries, or associates and their subsidiaries, of other member units (including parent companies and subsidiaries) of the Bank's corporate group, joint ventures and their subsidiaries, or associates and their subsidiaries, of companies that exercise joint control of the Bank, joint ventures and their subsidiaries of the companies that have a significant influence on the Bank, subsidiaries of joint ventures, and subsidiaries of associates.

(25) Operating segments

The identification of operating segments of the Group is on the basis of internal reports that are regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the segment and assess its performance. On the basis of the operating segments, the Group identifies the reportable segments, using a combination of factors including products and services, geographical areas, regulatory environments etc., which the management has chosen for organization. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

The amount reported for each operating segment item is the measure reported to the chief operating decision makers for the purposes of allocating resources to the segment and assessing its performance. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

(26) Significant accounting estimates and judgements

(a) Classification of financial assets

The Group's significant judgments in determining the classification of financial assets include the analysis of business models and contractual cash flow characteristics.

The Group determines the business model for the management of financial assets at the level of portfolios and considers the factors such as how the asset's performance is evaluated and reported to key management personnel, the risks affecting the performance of financial assets and the way in which financial assets are managed, and how managers are compensated.

In assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group uses the following key judgements: whether the principals may change because of the changes of time distribution or amount during the life period due to the reasons such as prepayment; whether the interest includes only the time value of money, credit risk, other basic borrowing risks and the consideration of costs and profits. For example, whether the amount prepaid reflects only the principal that has not yet been paid and the interest based on the outstanding principal, as well as reasonable compensation paid for the early termination of the contract.

(b) Expected credit losses

The measurement of the expected credit loss allowance for the investment in financial assets measured at amortised cost and debt instruments measured at FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit losses is further detailed in Note 61(1).

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Determining the forward-looking information and weightings for different types of products/markets when measuring expected credit losses; and
- Establishing groups of financial instruments with similar risk characteristics for the purpose of measuring expected credit losses.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 61(1) credit risk.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(26) Significant accounting estimates and judgements (continued)

(c) Fair value of financial instruments

The fair value of financial instruments that are traded in an active market is based on their quoted market prices in an active market at the valuation date. A quoted market price is a price from an active market where price information is readily and regularly available from an exchange or from a dealer quotation and where this price information represents actual and recurring orderly transactions.

For all other financial instruments, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, foreign currency exchange rates, credit spreads and the liquidity premium. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on the maximising observable market data at the end of each reporting period. However, where market data is not available, the Group needs to make the best estimates on such unobservable market inputs.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants in an orderly transaction.

(d) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(e) Employee retirement benefit obligations

The Group has established liabilities in connection with benefits paid to certain retired employees. The amounts of employee benefit expense and liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's other comprehensive income and liability related to its employee retirement benefit obligations.

(f) Scope of consolidation

The Group has taken into consideration all facts and circumstances in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

5 TAXATION

The Group's main applicable taxes and tax rates are as follows:

Value added tax ("VAT")

Pursuant to the 'Circular on the Comprehensive Plan for Levying VAT in place of Business Tax' (Cai Shui [2016] No.36) jointly issued by the Ministry of Finance ("MOF") and the State Administration of Taxation, business tax that used to be levied on taxable income of the Bank and its subsidiaries in Mainland China was replaced by VAT from 1 May 2016, and the main VAT taxation rate is 6%.

City construction tax

City construction tax is calculated as 1% to 7% of VAT.

Education surcharge

Education surcharge is calculated as 3% of VAT.

Local education surcharge

Local education surcharge is calculated as 2% of VAT.

Income tax

The income tax rate that is applicable to the Bank and its subsidiaries in Mainland China is 25%. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is set off to the extent allowed under the relevant income tax laws of the PRC.

6 NET INTEREST INCOME

	2021	2020
Interest income arising from:		
Deposits with central banks	36,775	35,537
Deposits with banks and non-bank financial institutions	9,653	12,306
Placements with banks and non-bank financial institutions	5,245	9,366
Financial assets held under resale agreements	12,894	11,966
Investment securities	225,706	209,803
Loans and advances to customers		
– Corporate loans and advances	394,804	361,371
– Personal loans and advances	365,833	339,230
– Discounted bills	6,424	9,930
Total	1,057,334	989,509
Interest expense arising from:		
Borrowings from central banks	(20,384)	(19,406)
Deposits from banks and non-bank financial institutions	(36,052)	(40,026)
Placements from banks and non-bank financial institutions	(4,937)	(8,551)
Financial assets sold under repurchase agreements	(817)	(938)
Debt securities issued	(31,483)	(30,827)
Deposits from customers		
– Corporate deposits	(155,532)	(143,287)
– Personal deposits	(202,709)	(170,565)
Total	(451,914)	(413,600)
Net interest income	605,420	575,909

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

6 NET INTEREST INCOME (CONTINUED)

(1) Interest income from impaired financial assets is listed as follows:

	2021	2020
Impaired loans and advances	4,770	3,838
Other impaired financial assets	40	86
Total	4,810	3,924

(2) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debt securities issued.

7 NET FEE AND COMMISSION INCOME

	2021	2020
Fee and commission income		
Electronic banking service fees	28,942	29,007
Bank card fees	21,148	21,374
Agency service fees	19,283	17,366
Wealth management service fees	18,550	15,574
Commission on trust and fiduciary activities	17,284	15,593
Settlement and clearing fees	13,220	12,542
Consultancy and advisory fees	11,658	11,577
Guarantee fees	3,981	3,917
Credit commitment fees	1,358	1,309
Others	3,213	3,253
Total	138,637	131,512
Fee and commission expense		
Bank card transaction fees	(5,976)	(6,037)
Inter-bank transaction fees	(1,277)	(1,148)
Others	(9,892)	(9,745)
Total	(17,145)	(16,930)
Net fee and commission income	121,492	114,582

8 NET TRADING GAIN

	2021	2020
Debt securities	4,132	4,255
Derivatives	2,909	(345)
Equity investments	(251)	12
Others	1,026	391
Total	7,816	4,313

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

9 DIVIDEND INCOME

	2021	2020
Dividend income from equity investments measured at fair value through profit or loss	5,904	3,165
Dividend income from equity investments measured at fair value through other comprehensive income	17	17
Total	5,921	3,182

10 NET GAIN ARISING FROM INVESTMENT SECURITIES

	2021	2020
Net gain related to financial assets designated as measured at fair value through profit or loss	2,579	5,121
Net loss related to financial liabilities designated as measured at fair value through profit or loss	(11,815)	(10,300)
Net gain related to other financial assets and liabilities measured at fair value through profit or loss	18,246	9,825
Net gain related to financial assets measured at fair value through other comprehensive income	1,449	823
Others	39	296
Total	10,498	5,765

11 NET GAIN ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

For the year ended 31 December 2021, a net gain on derecognition of financial assets measured at amortised cost mainly attributes to the Group's issuance of asset-backed securities, which led to net gains of RMB4,533 million arising from derecognition of loans and advances to customers (for the year ended 31 December 2020: net gains of RMB4,338 million).

12 OTHER OPERATING INCOME, NET

Other operating income

	2021	2020
Insurance related income	44,148	31,406
Foreign exchange gains	7,333	5,262
Rental income	3,679	3,488
Others	12,865	7,718
Total	68,025	47,874

Foreign exchange gains or losses includes gains and losses in connection with the translation of foreign currency denominated monetary assets and liabilities, and net realised and unrealised gains and losses on foreign exchange derivatives (including those foreign exchange swaps, foreign exchange options and cross currency swaps entered into in order to economically hedge positions in foreign currency assets).

Other operating expense

	2021	2020
Insurance related costs	46,972	32,766
Others	12,128	9,284
Total	59,100	42,050

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

13 OPERATING EXPENSES

	2021	2020
Staff costs		
– Salaries, bonuses, allowances and subsidies	79,673	71,356
– Defined contribution plans	14,664	12,261
– Housing funds	7,273	6,809
– Union running costs and employee education costs	3,463	2,624
– Early retirement expenses	1	17
– Compensation to employees for termination of employment relationship	5	5
– Others	13,159	11,281
	118,238	104,353
Premises and equipment expenses		
– Depreciation charges	24,055	23,381
– Rent and property management expenses	4,164	4,299
– Maintenance	3,205	3,424
– Utilities	1,810	1,657
– Others	2,308	2,168
	35,542	34,929
Taxes and surcharges	7,791	7,325
Amortisation expenses	3,240	2,801
Other general and administrative expenses	54,371	39,166
Total	219,182	188,574

14 CREDIT IMPAIRMENT LOSSES

	2021	2020
Loans and advances to customers	160,324	167,139
Financial investments		
– Financial assets measured at amortised cost	15,830	7,919
– Financial assets measured at fair value through other comprehensive income	468	(244)
Off-balance sheet credit business	2,704	(3,601)
Others	(11,377)	22,278
Total	167,949	193,491

15 OTHER IMPAIRMENT LOSSES

	2021	2020
Other impairment losses	766	(3,562)

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

16 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The aggregate of the emoluments before individual income tax of directors and supervisors who held office during the year is as follows:

	2021				
	Fees RMB'000	Remuneration paid RMB'000	Contributions to defined contribution retirement schemes RMB'000	Other benefits in kind (Note (v)) RMB'000	Total (Note (i)) RMB'000
Executive directors					
Tian Guoli (Note (vi))	–	619	53	154	826
Non-executive directors					
Xu Jiandong (Notes (iii))	–	–	–	–	–
Zhang Qi (Note (iii))	–	–	–	–	–
Tian Bo (Note (iii))	–	–	–	–	–
Xia Yang (Note (iii))	–	–	–	–	–
Shao Min (Notes (ii) & (iii))	–	–	–	–	–
Liu Fang (Notes (ii) & (iii))	–	–	–	–	–
Independent non-executive directors					
Malcolm Christopher McCarthy	410	–	–	–	410
Kenneth Patrick Chung	440	–	–	–	440
Graeme Wheeler	440	–	–	–	440
Michel Madelain	410	–	–	–	410
William Coen (Note (ii))	195	–	–	–	195
Leung Kam Chung (Note (ii))	101	–	–	–	101
Supervisors					
Wang Yongqing (Note (vi))	–	619	53	154	826
Yang Fenglai (Note (vi))	–	1,112	36	217	1,365
Lin Hong (Note (ii))	–	–	–	–	–
Wang Yi (Note (iv))	50	–	–	–	50
Liu Jun (Note (ii))	–	–	–	–	–
Deng Aibing (Note (ii))	–	–	–	–	–
Zhao Xijun	290	–	–	–	290
Liu Huan	270	–	–	–	270
Ben Shenglin	250	–	–	–	250
Former executive directors					
Wang Jiang (Notes (ii) & Note(vi))	–	568	48	143	759
Lyu Jiajin (Notes (ii) & (vi))	–	233	21	53	307
Former non-executive directors					
Feng Bing (Notes (ii) & (iii))	–	–	–	–	–
Anita Fung Yuen Mei (Notes (ii))	195	–	–	–	195
Carl Walter (Notes (ii))	220	–	–	–	220
Former supervisors					
Wu Jianhang (Notes (ii) & (vi))	–	557	25	106	688
Lu Kegui (Note (ii) & (iv))	50	–	–	–	50
Cheng Yuanguo (Notes (ii) & (iv))	13	–	–	–	13
	3,334	3,708	236	827	8,105

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

16 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

The aggregate of the emoluments before individual income tax of directors and supervisors who held office during the year is as follows (continued):

	2020			
	Annual remuneration payable (Allowances) RMB'000	Employer's contribution to social insurances, enterprise annuity, supplemental medical insurance and housing Provident fund RMB'000	Other monetary income RMB'000	Incentive income for 2018-2020 tenure RMB'000
Executive directors				
Tian Guoli (Note (vi))	861	164	–	713
Lyu Jiajin (Notes (ii) & (vi))	388	91	–	111
Non-executive directors				
Feng Bing (Notes (ii) & (iii))	–	–	–	–
Xu Jiandong (Notes (iii))	–	–	–	–
Zhang Qi (Note (iii))	–	–	–	–
Tian Bo (Note (iii))	–	–	–	–
Xia Yang (Note (iii))	–	–	–	–
Independent non-executive directors				
Anita Fung Yuen Mei (Note (ii))	390	–	–	–
Malcolm Christopher McCarthy	410	–	–	–
Carl Walter (Note (ii))	440	–	–	–
Kenneth Patrick Chung	440	–	–	–
Graeme Wheeler	440	–	–	–
Michel Madelain	390	–	–	–
Supervisors				
Wang Yongqing (Note (vi))	861	164	–	348
Wu Jianhang (Notes (ii) & (vi))	2,000	235	–	–
Yang Fenglai (Notes (vi))	1,000	119	–	–
Lu Kegui (Notes (ii) & (iv))	50	–	–	–
Cheng Yuanguo (Notes (ii) & (iv))	50	–	–	–
Wang Yi (Notes (iv))	50	–	–	–
Zhao Xijun	290	–	–	–
Liu Huan	125	–	–	–
Ben Shenglin	125	–	–	–
Former executive directors				
Liu Guiping (Notes (vi))	790	148	–	389
Zhang Gengsheng (Notes (vi))	452	83	–	550
Former non-executive directors				
Zhu Hailin (Notes (iii))	–	–	–	–
Former supervisors				
Fang Qiuyue (Notes (vi))	667	58	–	–
	10,219	1,062	–	2,111

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

16 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Notes:

(i) The amounts of emoluments for the year ended 31 December 2021 in respect of the services rendered by the directors and supervisors are subject to the approval of the Annual General Meeting.

(ii) Upon election at the 2021 first extraordinary general meeting of the Bank and approval of the Board of the Bank, Mr. Wang Jiang commenced his position as vice chairman and the executive director of the Bank from March 2021. Upon election at the 2020 first extraordinary general meeting of the Bank and approval of the CBIRC, Ms. Shao Min and Ms. Liu Fang commenced their positions as non-executive directors of the Bank from January 2021. Upon election at the 2020 annual general meeting of the Bank and approval of the CBIRC, Mr. Leung Kam Chung, Antony commenced his position as independent non-executive director of the Bank from October 2021. Upon election at the 2020 first extraordinary general meeting of the Bank and approval of the CBIRC, Mr. William Coen commenced his position as independent non-executive director of the Bank from June 2021.

Due to change of job, Mr. Wang Jiang ceased to serve as vice chairman and executive director of the Bank from March 2022. Due to the expiration of their term of office, Ms. Anita Fung Yuen Mei and Mr. Carl Walter ceased to serve as independent non-executive director of the Bank from June 2021. Due to change of job, Mr. Lyu Jiajin ceased to serve as executive director of the Bank from May 2021. Due to change of work, Ms. Feng Bing ceased to serve as non-executive director of the Bank from January 2021.

Upon election at the 2021 second extraordinary general meeting of the Bank, Mr. Lin Hong commenced his position as shareholder representative supervisors of the Bank from December 2021. Upon election at the second session of the fifth employee representatives' meeting of the Bank, Mr. Liu Jun and Mr. Deng Aibing commenced their positions as employee representative supervisors of the Bank from December 2021.

Due to the expiration of his term of office, Mr. Lu Kegui ceased to serve as employee representative supervisor of the Bank from December 2021. Due to the expiration of his term of office, Mr. Wu Jianhang ceased to serve as shareholder representative supervisors of the Bank from June 2021. Due to change of work, Mr. Cheng Yuanguo ceased to serve as employee representative supervisor of the Bank from March 2021. Upon appointment of the Board of the Bank and approval of the CBIRC, Mr. Cheng Yuanguo commenced his position as chief risk officer of the Bank from April 2021.

(iii) The Bank did not need to pay the emoluments of non-executive directors appointed by Huijin for the services rendered in 2021 and 2020.

(iv) The amounts only included fees for their services as supervisors.

The compensation of Mr. Cheng Yuanguo who serve as chief risk officer during the year is disclosed in Note 60.

(v) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

(vi) The total compensation package for these directors and supervisors for the year ended 31 December 2021 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have a significant impact on the Group's financial statements for the year ended 31 December 2021. The final compensation will be disclosed in a separate announcement when determined.

(vii) The total compensation package for certain directors and supervisors for the year ended 31 December 2020 had not been finalised in accordance with regulations of the PRC relevant authorities as at the date that the 2020 financial statements were announced. The aforesaid total compensation package for the directors and supervisors for the year ended 31 December 2020 was the final amount.

(viii) From 2015 onwards, remuneration of the Bank's leaders administered by central authorities has been paid in accordance with relevant policies relating to the central remuneration reform.

None of the directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2021 and 2020.

17 INDIVIDUALS WITH HIGHEST EMOLUMENTS

None of the five individuals with the highest emoluments are directors or supervisors whose emoluments are disclosed in Note 16. The aggregate of the emoluments before individual income tax of the five highest paid individuals during the year is as follows:

	2021 RMB'000	2020 RMB'000
Salaries and allowance	12,329	12,514
Variable compensation	25,142	29,881
Contributions to defined contribution retirement schemes	758	628
Other benefit in kind	574	581
	38,803	43,604

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

17 INDIVIDUALS WITH HIGHEST EMOLUMENTS (CONTINUED)

The numbers of these individuals whose emoluments before individual income tax are within the following bands is set out below.

	2021	2020
RMB6,500,001 – RMB7,000,000	1	–
RMB7,000,001 – RMB7,500,000	2	–
RMB7,500,001 – RMB8,000,000	–	–
RMB8,000,001 – RMB8,500,000	–	1
RMB8,500,001 – RMB9,000,000	2	3
RMB9,000,001 – RMB9,500,000	–	–
RMB9,500,001 – RMB10,000,000	–	1
RMB10,000,001 – RMB10,500,000	–	–
RMB10,500,001 – RMB11,000,000	–	–
RMB11,000,001 – RMB11,500,000	–	–
RMB11,500,001 – RMB12,000,000	–	–

None of these individuals received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2021 and 2020.

18 INCOME TAX EXPENSE

(1) Income tax expense

	2021	2020
Current tax	79,228	78,345
– Mainland China	77,135	75,721
– Hong Kong	1,231	1,252
– Other countries and regions	862	1,372
Adjustments for prior years	(709)	906
Deferred tax	(4,035)	(16,214)
Total	74,484	63,037

The provisions for income taxes for Mainland China and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from Mainland China and Hong Kong operations for the reporting period, respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(2) Reconciliation between income tax expense and accounting profit

	Note	2021	2020
Profit before tax		378,412	336,616
Income tax calculated at the 25% statutory tax rate		94,603	84,154
Effects of different applicable rates of tax prevailing in other countries/regions		(89)	(116)
Non-deductible expenses	(a)	28,519	21,454
Non-taxable income	(b)	(47,840)	(43,361)
Adjustments on income tax for prior years which affect profit or loss		(709)	906
Income tax expense		74,484	63,037

(a) Non-deductible expenses primarily include non-deductible losses resulting from write-offs, impairment losses, and items that are in excess of deductible amount under the relevant PRC tax regulations such as staff costs and entertainment expenses.

(b) Non-taxable income primarily includes interest income from PRC government bonds and local government bonds.

19 EARNINGS PER SHARE

Basic earnings per share for the years ended 31 December 2021 and 2020 have been computed by dividing the net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the years.

For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares declared in respect of the period and the perpetual bond interest paid in the period should be deducted from the amount attributable to equity shareholders of the Bank.

The conversion feature of preference shares are considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur for the years ended 31 December 2021 and 2020, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculations.

	2021	2020
Net profit attributable to equity shareholders of the Bank	302,513	271,050
Less: Profit for the year attributable to other equity instruments holders of the Bank	(4,538)	(5,624)
Net profit attributable to ordinary shareholders of the Bank	297,975	265,426
Weighted average number of ordinary shares (in millions of shares)	250,011	250,011
Basic earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	1.19	1.06
Diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	1.19	1.06

20 CASH AND DEPOSITS WITH CENTRAL BANKS

	Note	31 December 2021	31 December 2020
Cash		48,613	49,068
Deposits with central banks			
– Statutory deposit reserves	(1)	2,160,485	2,285,486
– Surplus deposit reserves	(2)	520,700	434,199
– Fiscal deposits and others		33,032	46,323
Accrued interest		1,062	1,088
Total		2,763,892	2,816,164

(1) The Group places statutory deposit reserves with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserves are not available for use in the Group's daily business.

As at the end of the reporting period, the Bank's statutory deposit reserve rates in Mainland China were as follows:

	31 December 2021	31 December 2020
Reserve rate for RMB deposits	10.00%	11.00%
Reserve rate for foreign currency deposits	9.00%	5.00%

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by the PBOC.

The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(2) The surplus deposit reserve maintained with the PBOC is mainly for the purpose of clearing.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

21 DEPOSITS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	31 December 2021	31 December 2020
Banks	146,243	440,339
Non-bank financial institutions	8,003	11,602
Accrued interest	986	1,590
Gross balances	155,232	453,531
Allowances for impairment losses (Note 35)	(125)	(298)
Net balances	155,107	453,233

(2) Analysed by geographical sectors

	31 December 2021	31 December 2020
Mainland China	122,172	405,588
Overseas	32,074	46,353
Accrued interest	986	1,590
Gross balances	155,232	453,531
Allowances for impairment losses (Note 35)	(125)	(298)
Net balances	155,107	453,233

For the years ended 31 December 2021 and 2020, the book value of deposits with banks and non-bank financial institutions was in Stage 1. The book value and the impairment loss allowances do not involve the transfers between stages.

22 PLACEMENTS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	31 December 2021	31 December 2020
Banks	96,021	258,711
Non-bank financial institutions	91,551	108,478
Accrued interest	1,004	1,525
Gross balances	188,576	368,714
Allowances for impairment losses (Note 35)	(414)	(310)
Net balances	188,162	368,404

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

22 PLACEMENTS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS (CONTINUED)

(2) Analysed by geographical sectors

	31 December 2021	31 December 2020
Mainland China	**115,485**	291,791
Overseas	**72,087**	75,398
Accrued interest	**1,004**	1,525
Gross balances	**188,576**	368,714
Allowances for impairment losses (Note 35)	**(414)**	(310)
Net balances	**188,162**	368,404

As at 31 December 2021, the Group's placements with banks and non-bank financial institutions with a total principal of RMB16,250 million (as at 31 December 2020: nil) had been designated as Stage 2, with corresponding impairment loss allowances of RMB67 million (as at 31 December 2020: nil). All the remaining placements with banks and non-bank financial institutions were designated as Stage 1.

23 DERIVATIVES AND HEDGE ACCOUNTING

(1) Analysed by type of contracts

		31 December 2021			31 December 2020		
	Note	**Notional amounts**	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Interest rate contracts		**584,102**	**1,870**	**2,296**	650,225	1,802	4,168
Exchange rate contracts		**3,183,567**	**27,578**	**27,772**	3,461,021	63,881	73,376
Other contracts	(a)	**130,138**	**2,102**	**1,255**	126,071	3,346	4,412
Total		**3,897,807**	**31,550**	**31,323**	4,237,317	69,029	81,956

(2) Analysed by counterparty credit risk-weighted assets

	Note	**31 December 2021**	31 December 2020
Counterparty credit default risk-weighted assets			
– Interest rate contracts		**3,387**	4,073
– Exchange rate contracts		**39,036**	38,946
– Other contracts	(a)	**16,082**	10,015
Subtotal		**58,505**	53,034
Risk-weighted assets for credit valuation adjustment		**13,618**	14,739
Total		**72,123**	67,773

The notional amounts of derivatives only represent the unsettled transaction volume as at the end of the reporting period, instead of the amount of risk assets. Since 1 January 2013, the Group has adopted Capital Rules for Commercial Banks (Provisional) and other related policies. According to the rules set out by the CBIRC, the counterparty credit risk-weighted assets included risk-weighted assets for credit valuation adjustments with the considerations of counterparty status and maturity characteristic, and included back-to-back client-driven transactions. The risk-weighted assets for counterparty credit risk of derivatives of the Group were calculated in accordance with the Rules on Measuring Derivative Counterparty Default Risk Assets since 1 January 2019.

(a) Other contracts mainly consist of precious metals and commodity contracts.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

23 DERIVATIVES AND HEDGE ACCOUNTING (CONTINUED)

(3) Hedge accounting

The following designated hedging instruments are included in the derivative financial instruments disclosed above.

	31 December 2021			31 December 2020		
	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	47,695	197	(522)	29,692	62	(1,131)
Cross currency swaps	29	–	–	30	–	(3)
Cash flow hedges						
Foreign exchange swaps	11,102	49	(55)	7,082	273	(82)
Cross currency swaps	636	–	(48)	654	–	(95)
Interest rate swaps	2,894	7	(18)	8,028	–	(160)
Total	62,356	253	(643)	45,486	335	(1,471)

(a) Fair value hedges

The Group uses interest rate swaps and cross currency swaps to hedge against changes in fair value of financial assets measured at fair value through other comprehensive income, debt securities issued, and loans and advances to customers arising from changes in interest rates and exchange rates.

Net gains/(losses) on fair value hedges are as follows:

	2021	2020
Net gains/(losses) on		
– hedging instruments	686	(837)
– hedged items	(672)	824

The gain and loss arising from the ineffective portion of fair value hedges was immaterial for the year ended 31 December 2021 and 2020.

(b) Cash flow hedges

The Group uses foreign exchange swaps, cross currency swaps and interest rate swaps to hedge against exposures to cash flow variability primarily from foreign exchange and interest rate risks of deposits from customers, loans and advances to customers, debt securities issued, placements from banks and non-bank financial institutions, and placements with banks and non-bank financial institutions. The maturities of hedging instruments and hedged items are both within five years.

For the year ended 31 December 2021, the Group's net gain from the cash flow hedges of RMB320 million was recognised in other comprehensive income (for the year ended 31 December 2020: net loss from cash flow hedges of RMB61 million), and the gain and loss arising from the ineffective portion of cash flow hedges was immaterial.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

24 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Financial assets held under resale agreements analysed by underlying assets are shown as follows:

	31 December 2021	31 December 2020
Debt securities		
– Government bonds	259,628	200,006
– Debt securities issued by policy banks, banks and non-bank financial institutions	253,753	289,459
– Corporate bonds	–	133
Subtotal	513,381	489,598
Discounted bills	35,590	112,458
Accrued interest	199	350
Total	549,170	602,406
Allowances for impairment losses (Note 35)	(92)	(167)
Net balances	549,078	602,239

For the year ended 31 December 2021 and 2020, the book value of financial assets held under resale agreements was in Stage 1. The book value and the impairment loss allowances do not involve the transfers between stages.

25 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by measurement

	Note	31 December 2021	31 December 2020
Loans and advances to customers measured at amortised cost		18,380,916	16,476,817
Less: allowances for impairment losses		(637,338)	(556,063)
Carrying amount of loans and advances to customers measured at amortised cost	(a)	17,743,578	15,920,754
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	(b)	379,469	259,061
Carrying amount of loans and advances to customers measured at fair value through profit or loss	(c)	3,761	9,890
Accrued interest		43,684	41,664
Carrying amount of loans and advances to customers		18,170,492	16,231,369

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(1) Analysed by measurement (continued)

(a) Loans and advances to customers measured at amortised cost

	31 December 2021	31 December 2020
Corporate loans and advances		
– Loans	10,267,665	9,028,785
– Finance leases	135,601	136,849
	10,403,266	9,165,634
Personal loans and advances		
– Residential mortgages	6,449,580	5,885,022
– Personal consumer loans	240,147	274,635
– Personal business loans	226,463	138,481
– Credit cards	899,127	828,943
– Others	162,333	184,102
	7,977,650	7,311,183
Gross loans and advances to customers measured at amortised cost	18,380,916	16,476,817
Stage 1	(310,207)	(275,428)
Stage 2	(154,465)	(108,099)
Stage 3	(172,666)	(172,536)
Allowances for impairment losses (Note 35)	(637,338)	(556,063)
Net loans and advances to customers measured at amortised cost	17,743,578	15,920,754

(b) Loans and advances to customers measured at fair value through other comprehensive income

	31 December 2021	31 December 2020
Discounted bills	379,469	259,061

(c) Loans and advances to customers measured at fair value through profit or loss

	31 December 2021	31 December 2020
Corporate loans and advances	3,761	9,890

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(2) Analysed by assessment method of expected credit losses

	31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross loans and advances to customers measured at amortised cost	**17,525,964**	**588,881**	**266,071**	**18,380,916**
Less: allowances for impairment losses	**(310,207)**	**(154,465)**	**(172,666)**	**(637,338)**
Carrying amount of loans and advances to customers measured at amortised cost	**17,215,757**	**434,416**	**93,405**	**17,743,578**
Provision percentage for loans and advances to customers measured at amortised cost	**1.77%**	**26.23%**	**64.89%**	**3.47%**
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	**376,355**	**3,114**	**–**	**379,469**
Allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	**(900)**	**(216)**	**–**	**(1,116)**

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances to customers measured at amortised cost	15,682,498	533,590	260,729	16,476,817
Less: allowances for impairment losses	(275,428)	(108,099)	(172,536)	(556,063)
Carrying amount of loans and advances to customers measured at amortised cost	15,407,070	425,491	88,193	15,920,754
Provision percentage for loans and advances to customers measured at amortised cost	1.76%	20.26%	66.17%	3.37%
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	255,470	3,591	–	259,061
Allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(603)	(237)	–	(840)

For loans and advances to customers designated as Stages 1 and Stage 2 as well as personal loans and advances designated as Stage 3, management assessed ECL using the risk parameter modelling approach that incorporated relevant parameters such as probability of default, loss given default, and exposure at default. For corporate loans and advances and discounted bills designated as Stage 3, management calculated ECL using the discounted cash flow method.

The segmentation of the loans mentioned above is defined in Note 61(1).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(3) Movements of allowances for impairment losses

	Note	2021			
		Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021		**275,428**	**108,099**	**172,536**	**556,063**
Transfers:					
Transfers in/(out) to Stage 1		**9,277**	**(8,793)**	**(484)**	**–**
Transfers in/(out) to Stage 2		**(10,303)**	**12,817**	**(2,514)**	**–**
Transfers in/(out) to Stage 3		**(2,551)**	**(21,749)**	**24,300**	**–**
Newly originated or purchased financial assets		**153,274**	**–**	**–**	**153,274**
Transfer out/repayment	(a)	**(107,775)**	**(19,250)**	**(47,119)**	**(174,144)**
Remeasurements	(b)	**(7,143)**	**83,341**	**72,186**	**148,384**
Write-off		**–**	**–**	**(59,999)**	**(59,999)**
Recoveries of loans and advances written off		**–**	**–**	**13,760**	**13,760**
As at 31 December 2021		**310,207**	**154,465**	**172,666**	**637,338**

	Note	2020			
		Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020		240,027	92,880	149,251	482,158
Transfers:					
Transfers in/(out) to Stage 1		4,187	(3,944)	(243)	–
Transfers in/(out) to Stage 2		(10,992)	11,901	(909)	–
Transfers in/(out) to Stage 3		(3,804)	(27,823)	31,627	–
Newly originated or purchased financial assets		141,273	–	–	141,273
Transfer out/repayment	(a)	(94,802)	(15,131)	(45,863)	(155,796)
Remeasurements	(b)	(461)	50,216	85,229	134,984
Write-off		–	–	(57,383)	(57,383)
Recoveries of loans and advances written off		–	–	10,827	10,827
As at 31 December 2020		275,428	108,099	172,536	556,063

(a) Transfer out/repayment refers to transfer of creditor's rights, securitisation of assets, debt-to-equity swaps and reversal of loss provisions due to repayment of debts in the form of other assets, as well as repayment of loans.

(b) Remeasurements comprise the impact of changes in Probability of Default ("PD"), Loss Given Default ("LGD") or Exposure at Default ("EAD"); changes in model assumptions and methodologies; loss provisions change due to stage-transfer; unwinding of discount; and the impact of exchange rate changes, etc.

The loss provisions disclosed above are for loans and advances to customers measured at amortised cost.

For the year ended 31 December 2021, the changes of gross carrying amounts of loans and advances to customers with a significant impact on the Group's impairment allowance were mainly resulted from the credit business in Mainland China, including:

For the year ended 31 December 2021, the gross carrying amount of domestic branches corporate loans and advances to customers transferred from Stage 1 to Stage 2 was RMB186,590 million (for the year ended 31 December 2020: RMB145,679 million). The gross carrying amount of loans transferred from Stage 2 to Stage 3 was RMB62,236 million (for the year ended 31 December 2020: RMB84,321 million). The gross carrying amount of loans transferred from Stage 2 to Stage 1 was RMB27,972 million (for the year ended 31 December 2020: RMB16,182 million). The changes of impairment allowances resulting from loans transferred from Stage 1 to Stage 3, and Stage 3 to Stage 1 and Stage 2 was not significant (for the year ended 31 December 2020: not significant). For the year ended 31 December 2021, the changes of impairment allowances resulting from stage-transfer of domestic branch personal loans and advances to customers were not significant (for the year ended 31 December 2020: not significant).

For the year ended 31 December 2021, the gross carrying amount of the loans of which impairment allowances were transferred from Stage 3 to Stage 2, and from Stage 3 or Stage 2 to Stage 1, due to the modification of contractual cash flows of domestic branches which did not result in derecognition was not significant (for the year ended 31 December 2020: not significant).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(4) Overdue loans analysed by overdue period

	31 December 2021				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	15,751	19,292	8,068	4,137	47,248
Guaranteed loans	8,809	14,063	27,182	6,087	56,141
Loans secured by property and other immovable assets	22,588	19,086	20,726	4,178	66,578
Other pledged loans	1,698	2,708	1,657	431	6,494
Total	48,846	55,149	57,633	14,833	176,461
As a percentage of gross loans and advances to customers	0.26%	0.29%	0.31%	0.08%	0.94%

	31 December 2020				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	15,572	20,264	6,769	684	43,289
Guaranteed loans	12,862	18,439	29,069	2,300	62,670
Loans secured by property and other immovable assets	25,531	20,083	19,350	4,400	69,364
Other pledged loans	334	1,679	4,700	187	6,900
Total	54,299	60,465	59,888	7,571	182,223
As a percentage of gross loans and advances to customers	0.32%	0.36%	0.36%	0.05%	1.09%

Overdue loans represent loans of which the whole or part of the principal or interest is overdue for 1 day or more.

(5) Packaged disposal of non-performing loans

For the year ended 31 December 2021, the Group's total amount of non-performing loans sold through packaged disposal to external asset management companies was RMB5,985 million (for the year ended 31 December 2020: RMB24,830 million).

(6) Write-off

According to the Group's write-off policy, it is required to continue to recover the bad debts that are written off. For the year ended 31 December 2021, the amount of loans and advances to customers that the Group has written off under litigation-related condition but still under enforcement was RMB21,081 million (for the year ended 31 December 2020: RMB28,575 million).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS

(1) Analysed by measurement

	Note	31 December 2021	31 December 2020
Financial assets measured at fair value through profit or loss	(a)	**545,273**	577,952
Financial assets measured at amortised cost	(b)	**5,155,168**	4,505,243
Financial assets measured at fair value through other comprehensive income	(c)	**1,941,478**	1,867,458
Total		**7,641,919**	6,950,653

(a) Financial assets measured at fair value through profit or loss

Analysed by nature

	Note	31 December 2021	31 December 2020
Held-for-trading purposes			
– Debt securities	(i)	**123,857**	170,365
– Equity instruments and funds	(ii)	**931**	1,415
		124,788	171,780
Financial assets designated as measured at fair value through profit or loss			
– Other debt instruments	(iii)	**–**	61,180
		–	61,180
Others			
– Credit investments	(iv)	**19,613**	14,202
– Debt securities	(v)	**136,747**	115,571
– Funds and others	(vi)	**264,125**	215,219
		420,485	344,992
Total		**545,273**	577,952

Analysed by type of issuers

Held-for-trading purposes

(i) Debt securities

	31 December 2021	31 December 2020
Government	**16,936**	20,173
Central banks	**211**	–
Policy banks	**34,105**	51,723
Banks and non-bank financial institutions	**28,966**	33,769
Enterprises	**43,639**	64,700
Total	**123,857**	170,365
Listed (Note)	**123,461**	170,365
– of which in Hong Kong	**1,326**	712
Unlisted	**396**	–
Total	**123,857**	170,365

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(1) Analysed by measurement (continued)

(a) Financial assets measured at fair value through profit or loss (continued)

Analysed by type of issuers (continued)

Held-for-trading purposes (continued)

(ii) Equity instruments and funds

	31 December 2021	31 December 2020
Banks and non-bank financial institutions	**575**	681
Enterprises	**356**	734
Total	**931**	1,415
Listed	**405**	1,385
– of which in Hong Kong	**91**	629
Unlisted	**526**	30
Total	**931**	1,415

Financial assets designated as measured at fair value through profit or loss

(iii) Other debt instruments

	31 December 2021	31 December 2020
Banks and non-bank financial institutions	**–**	32,150
Enterprises	**–**	29,030
Total	**–**	61,180

Other debt instruments were mainly deposits with banks and non-bank financial institutions, debt securities and credit assets invested by principal guaranteed wealth management products.

The amounts of changes in the fair value of these financial assets that were attributable to changes in credit risk were considered not significant during the year presented and cumulatively as at 31 December 2021 and 2020.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(1) Analysed by measurement (continued)

(a) *Financial assets measured at fair value through profit or loss (continued)*

Analysed by type of issuers (continued)

Others

(iv) Credit investments

	31 December 2021	31 December 2020
Banks and non-bank financial institutions	4,071	663
Enterprises	15,542	13,539
Total	19,613	14,202
Listed	–	643
– of which in Hong Kong	–	198
Unlisted	19,613	13,559
Total	19,613	14,202

(v) Debt securities

	31 December 2021	31 December 2020
Policy banks	7,499	7,361
Banks and non-bank financial institutions	128,045	108,185
Enterprises	1,203	25
Total	136,747	115,571
Listed (Note)	135,766	115,325
– of which in Hong Kong	265	–
Unlisted	981	246
Total	136,747	115,571

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(vi) Funds and others

	31 December 2021	31 December 2020
Banks and non-bank financial institutions	116,539	86,628
Enterprises	147,586	128,591
Total	264,125	215,219
Listed	51,408	74,164
– of which in Hong Kong	1,283	1,086
Unlisted	212,717	141,055
Total	264,125	215,219

There was no significant limitation on the ability of the Group to dispose of financial assets measured at FVPL.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(1) Analysed by measurement (continued)

(b) Financial assets measured at amortised cost

Analysed by type of issuers

	31 December 2021	31 December 2020
Government	4,417,350	3,799,421
Central banks	4,799	5,231
Policy banks	293,199	300,679
Banks and non-bank financial institutions	141,458	130,946
Enterprises	214,569	177,534
Special government bond	49,200	49,200
Subtotal	5,120,575	4,463,011
Accrued interest	68,821	62,470
Gross balances	5,189,396	4,525,481
Allowances for impairment losses		
–Stage 1	(17,737)	(13,211)
–Stage 2	(1,427)	(282)
–Stage 3	(15,064)	(6,745)
Subtotal	(34,228)	(20,238)
Net balances	5,155,168	4,505,243
Listed (Note)	5,039,270	4,341,559
– of which in Hong Kong	5,500	7,747
Unlisted	115,898	163,684
Total	5,155,168	4,505,243
Market value of listed bonds	5,133,633	4,371,059

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(1) Analysed by measurement (continued)

(c) Financial assets measured at fair value through other comprehensive income

Analysed by nature

	Note	31 December 2021	31 December 2020
Debt securities	(i)	**1,934,061**	1,860,503
Equity instruments	(ii)	**7,417**	6,955
Total		**1,941,478**	1,867,458

Analysed by type of issuers

(i) Debt securities

	31 December 2021	31 December 2020
Government	**1,200,061**	1,159,963
Central banks	**38,103**	34,295
Policy banks	**413,845**	400,032
Banks and non-bank financial institutions	**99,382**	88,887
Enterprises	**120,348**	130,324
Accumulated change of fair value charged in other comprehensive income	**36,527**	21,231
Subtotal	**1,908,266**	1,834,732
Accrued interest	**25,795**	25,771
Total	**1,934,061**	1,860,503
Listed (Note)	**1,865,916**	1,785,650
– of which in Hong Kong	**68,435**	57,198
Unlisted	**68,145**	74,853
Total	**1,934,061**	1,860,503

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(ii) Equity instruments

	31 December 2021		31 December 2020	
	Fair value	Dividend income during the year	Fair value	Dividend income during the year
Equity instruments	**7,417**	**17**	6,955	16

For the year ended 31 December 2021 and 2020, the Group neither sold any of the investments above nor transferred any cumulative profit or loss in equity.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(2) Movements of allowances for impairment losses

(a) Financial assets measured at amortised cost

	Note	2021			
		Stage 1	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2021		**13,211**	**282**	**6,745**	**20,238**
Transfers:					
Transfers in/(out) to Stage 1		**–**	**–**	**–**	**–**
Transfers in/(out) to Stage 2		**(13)**	**13**	**–**	**–**
Transfers in/(out) to Stage 3		**–**	**(111)**	**111**	**–**
Newly originated or purchased financial assets		**5,073**	**916**	**7,364**	**13,353**
Financial assets derecognised during the year		**(1,494)**	**(112)**	**(623)**	**(2,229)**
Remeasurements	(i)	**878**	**429**	**3,399**	**4,706**
Foreign exchange and other movements		**82**	**10**	**(1,932)**	**(1,840)**
As at 31 December 2021		**17,737**	**1,427**	**15,064**	**34,228**

	Note	2020			
		Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020		8,932	134	3,636	12,702
Transfers:					
Transfers in/(out) to Stage 1		–	–	–	–
Transfers in/(out) to Stage 2		(3)	3	–	–
Transfers in/(out) to Stage 3		(38)	(14)	52	–
Newly originated or purchased financial assets		4,703	–	–	4,703
Financial assets derecognised during the year		(1,493)	(48)	(33)	(1,574)
Remeasurements	(i)	1,182	219	3,389	4,790
Foreign exchange and other movements		(72)	(12)	(299)	(383)
As at 31 December 2020		13,211	282	6,745	20,238

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(2) Movements of allowances for impairment losses (continued)

(b) Financial assets measured at fair value through other comprehensive income

		2021			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021		3,334	11	–	3,345
Transfers:					
Transfers in/(out) to Stage 1		11	(11)	–	–
Transfers in/(out) to Stage 2		(9)	9	–	–
Transfers in/(out) to Stage 3		(1)	–	1	–
Newly originated or purchased financial assets		641	3	–	644
Financial assets derecognised during the year		(856)	–	–	(856)
Remeasurements	(i)	417	159	104	680
Foreign exchange and other movements		103	(70)	(35)	(2)
As at 31 December 2021		3,640	101	70	3,811

		2020			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020		3,580	–	–	3,580
Transfers:					
Transfers in/(out) to Stage 1		–	–	–	–
Transfers in/(out) to Stage 2		(6)	6	–	–
Transfers in/(out) to Stage 3		–	–	–	–
Newly originated or purchased financial assets		1,490	–	–	1,490
Financial assets derecognised during the year		(1,896)	–	–	(1,896)
Remeasurements	(i)	157	5	–	162
Foreign exchange and other movements		9	–	–	9
As at 31 December 2020		3,334	11	–	3,345

(i) Remeasurements mainly comprise the impact of changes in PD, LGD, EAD, and credit loss changes due to stage-transfer.

As at 31 December 2021, the Group's financial assets measured at amortised cost with carrying amount of RMB18,296 million (as at 31 December 2020: RMB10,420 million) and financial assets measured at fair value through other comprehensive income with carrying amount of RMB74 million (as at 31 December 2020: Nil) were impaired and classified as Stage 3, financial assets measured at amortised cost with carrying amount of RMB5,241 million (as at 31 December 2020: RMB2,047 million) and financial assets measured at fair value through other comprehensive income with carrying amount of RMB1,469 million (as at 31 December 2020: 1,528 million) were classified as Stage 2, and the remaining financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income were classified as Stage 1.

For the year ended 31 December 2021, the increase in the Group's Stage 1 financial assets due to newly originated or purchased financial assets amounted to RMB1,568,530 million (for the year ended 31 December 2020: RMB1,786,779 million), the decrease in Stage 1 financial assets due to derecognition amounted to RMB833,474 million (for the year ended 31 December 2020: RMB925,069 million), and there were no significant changes in the balances of financial assets classified as Stage 2 and 3. Both the amounts of financial assets transferred between stages and the amounts of financial assets with modifications of contractual cash flows that did not result in a derecognition were not significant.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

27 LONG-TERM EQUITY INVESTMENTS

(1) Investments in subsidiaries

(a) Investment balance

	Note	31 December 2021	31 December 2020
CCB Financial Asset Investment Co., Ltd. ("CCB Investment")	(i)	**27,000**	12,000
CCB Wealth Management Co., Ltd.("CCB Wealth Management")		**15,000**	15,000
CCB Financial Leasing Co., Ltd. ("CCB Financial Leasing")		**11,163**	11,163
CCB Brazil Financial Holding – Investimentos e Participações Ltda.		**9,542**	9,542
CCB Trust Co., Ltd. ("CCB Trust")		**7,429**	7,429
CCB Life Insurance Co., Ltd. ("CCB Life")		**6,962**	6,962
China Construction Bank (Europe) S.A. ("CCB Europe")		**4,406**	4,406
China Construction Bank (London) Limited ("CCB London")	(ii)	**2,861**	2,861
PT Bank China Construction Bank Indonesia Tbk ("CCB Indonesia")		**2,215**	2,215
CCB Pension Management Co., Ltd. ("CCB Pension")		**1,955**	1,955
Sino-German Bausparkasse Co., Ltd. ("Sino-German Bausparkasse")		**1,502**	1,502
China Construction Bank (Malaysia) Berhad ("CCB Malaysia")		**1,334**	1,334
China Construction Bank (New Zealand) Limited ("CCB New Zealand")		**976**	976
China Construction Bank (Russia) Limited Liability Company ("CCB Russia")		**851**	851
Golden Fountain Finance Limited ("Golden Fountain")		**676**	676
CCB Principal Asset Management Co., Ltd. ("CCB Principal Asset Management")		**130**	130
CCB International Group Holdings Limited ("CCBIG")		**–**	–
Subtotal		**94,002**	79,002
Less: Allowance for impairment losses		**(8,110)**	(8,110)
Total		**85,892**	70,892

(i) In January 2021, the Bank increased capital of CCB Investment by RMB15,000 million with its own funds. CCB Investment has remained a wholly-owned subsidiary of the Bank.

(ii) The Group steadily pressed ahead with business integration of its London entities. As of 31 December 2021, CCB London's application for termination of business has been approved by domestic and overseas regulators, and subsequent work is still underway.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

27 LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(1) Investments in subsidiaries (continued)

(b) Except for CCB Indonesia, the major subsidiaries of the Group are unlisted enterprises, details of the investments in subsidiaries are as follows:

Name of company	Principal place of business	Particulars of issued and paid-up capital	Kind of legal entity	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank	Method of investment
CCB Investment	Beijing, the PRC	RMB27,000 million	Company with Limited Liability	Investment	100%	–	100%	Establishment
CCB Wealth Management	Shenzhen, the PRC	RMB15,000 million	Company with Limited Liability	Wealth Management	100%	–	100%	Establishment
CCB Financial Leasing	Beijing, the PRC	RMB11,000 million	Company with Limited Liability	Financial Leasing	100%	–	100%	Establishment
CCB Brazil Financial Holding – Investimentos e Participações Ltda.	Sao Paulo, Brasil	R$4,281 million	Company with Limited Liability	Investment	99.99%	0.01%	100%	Acquisition
CCB Trust	Anhui, the PRC	RMB10,500 million	Company with Limited Liability	Trust business	67%	–	67%	Acquisition
CCB Life	Shanghai, the PRC	RMB7,120 million	Company Limited by Shares	Insurance	51%	–	51%	Acquisition
CCB Europe	Luxembourg	EUR550 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB London	London, United Kingdom	US$200 million RMB1,500 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB Indonesia	Jakarta, Indonesia	IDR3,791,973 million	Company Limited by Shares	Commercial Banking	60%	–	60%	Acquisition
CCB Pension	Beijing, the PRC	RMB2,300 million	Company with Limited Liability	Pension Management	85%	–	85%	Establishment
Sino-German Bausparkasse	Tianjin, the PRC	RMB2,000 million	Company with Limited Liability	House savings	75.10%	–	75.10%	Establishment
CCB Malaysia	Kuala Lumpur, Malaysia	MYR823 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB New Zealand	Auckland, New Zealand	NZD199 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB Russia	Moscow, Russia	RUB4,200 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
Golden Fountain	British Virgin Islands	US$50,000	Company with Limited Liability	Investment	100%	–	100%	Acquisition
CCB Principal Asset Management	Beijing, the PRC	RMB200 million	Company with Limited Liability	Fund management services	65%	–	65%	Establishment
CCBIG	Hong Kong, the PRC	HK$1	Company with Limited Liability	Investment	100%	–	100%	Establishment
CCB International (Holdings) Limited ("CCB International")	Hong Kong, the PRC	US$601 million	Company with Limited Liability	Investment	–	100%	100%	Acquisition
China Construction Bank (Asia) Corporation Limited ("CCB Asia")	Hong Kong, the PRC	HK$6,511 million RMB17,600 million	Company Limited by Shares	Commercial Banking	–	100%	100%	Acquisition
China Construction Bank (Brasil) Banco Múltiplo S/A. ("CCB Brasil")	Sao Paulo, Brasil	R$2,957 million	Company Limited by Shares	Commercial Banking	–	100%	100%	Acquisition

(c) As at 31 December 2021, the amount of the non-controlling interests of the subsidiaries was immaterial to the Group.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

27 LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(2) Interests in associates and joint ventures

(a) The movements of the Group's interests in associates and joint ventures are as follows:

	Note	2021	2020
As at 1 January		**13,702**	11,353
Increase in capital during the year	(i)	**4,961**	4,995
Decrease in capital during the year		**(1,152)**	(3,214)
Share of profits		**1,603**	895
Cash dividend receivable		**(150)**	(162)
Effect of exchange difference and others		**(89)**	(165)
As at 31 December		**18,875**	13,702

In April 2021, the Bank intended to contribute RMB8,000 million to the National Green Development Fund Co., Ltd. upon approval by the CBIRC; In May 2021, the Bank completed the first phase of investment of RMB800 million.

(b) Details of the interests in major associates and joint ventures are as follows:

Name of Company	Principal place of business	Particulars of issued and paid-up capital	Principal activities	% of ownership held	% of voting held	Total assets at year end	Total liabilities at year end	Revenue for the year	Net profit for the year
Guoxin Jianxin Equity Investment Fund (Chengdu) Partnership (Limited Partnership)	Chengdu, the PRC	RMB9,274 million	Equity investment	50.00%	50.00%	10,236	1	872	784
CCB Gold Investment Infrastructure Equity Investment Fund (Tianjin) Partnership (Limited Partnership)	Tianjin, the PRC	RMB3,500 million	Equity investment	48.57%	40.00%	3,958	–	238	238
Diamond String Limited	Hong Kong, the PRC	HK$10,000	Property investment	50.00%	50.00%	1,569	1,474	215	102
Shanxi State-owned Enterprises Reform Financial Asset Equity Investment Fund Partnership (Limited Partnership)	Xi 'an, the PRC	RMB1,004 million	Equity investment	50.00%	50.00%	1,004	–	–	–
Maotai CCBT Private Equity Fund (Limited Partnership)	Guiyang, the PRC	RMB681 million	Investment management and consultancy	38.11%	40.00%	1,188	–	10	(3)

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

28 STRUCTURED ENTITIES

(1) Unconsolidated structured entities

Unconsolidated structured entities of the Group include trust plans, asset management plans, funds, asset-backed securities and wealth management products held for investment purposes, and non-principal guaranteed wealth management products, trust plans and funds, etc., which are issued or established by the Group for providing wealth management services to customers and earning management fees, commission and custodian fees in return.

As at 31 December 2021 and 2020, the assets recognised for the Group's interests in the unconsolidated structured entities above included related investment and management fee, commission and custodian fee receivables accrued. The related carrying amount presented in the line items in the consolidated statement of financial position and the maximum exposure were as follows:

	31 December 2021	31 December 2020
Financial investments		
Financial assets measured at fair value through profit or loss	121,693	93,206
Financial assets measured at amortised cost	25,692	41,407
Financial assets measured at fair value through other comprehensive income	617	703
Long-term equity investments	13,340	9,028
Other assets	4,431	2,840
Total	165,773	147,184

For the years ended 31 December 2021 and 2020, the income from these unconsolidated structured entities held by the Group presented in the line items in the consolidated statement of comprehensive income was as follows:

	2021	2020
Interest income	3,347	2,032
Fee and commission income	18,858	14,722
Net trading gain/(loss)	169	(126)
Dividend income	937	1,050
Net gain arising from investment securities	3,163	2,955
Share of profits of associates and joint ventures	1,252	660
Total	27,726	21,293

As at 31 December 2021, the balance of the non-principal guaranteed wealth management products set up by the Group amounted to RMB2,372,279 million (as at 31 December 2020: RMB2,167,886 million), and the balance of trust plans, funds and asset management plans issued or established by the Group amounted to RMB3,182,800 million (as at 31 December 2020: RMB3,068,334 million). For the year ended 31 December 2021, the Group also entered into a small number of resale agreements with the above-mentioned non-principal guaranteed wealth management products. These resale agreements transactions were conducted in accordance with market price or general commercial terms and conditions, and the gains or losses from such transactions had no significant impact on the Group.

(2) Consolidated structured entities

Structured entities included in the Group's scope of consolidation consisted mainly of asset management plans and trust plans partially invested by the Group.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

29 FIXED ASSETS

	Bank premises	Construction in progress	Equipment	Aircraft and vessels	Others	Total
Cost/Deemed cost						
As at 1 January 2021	141,234	17,242	52,750	34,698	46,834	292,758
Additions	905	5,373	5,645	3,356	2,080	17,359
Transfer in/(out)	5,188	(10,241)	2,374	–	2,679	–
Other movements	(721)	(746)	(4,537)	(2,525)	(4,545)	(13,074)
As at 31 December 2021	146,606	11,628	56,232	35,529	47,048	297,043
Accumulated depreciation						
As at 1 January 2021	(47,755)	–	(35,927)	(5,872)	(30,207)	(119,761)
Charge for the year	(4,947)	–	(6,155)	(1,483)	(5,016)	(17,601)
Other movements	201	–	4,421	273	4,540	9,435
As at 31 December 2021	(52,501)	–	(37,661)	(7,082)	(30,683)	(127,927)
Allowances for impairment losses (Note 35)						
As at 1 January 2021	(392)	(1)	–	(96)	(3)	(492)
Charge for the year	–	–	–	(304)	–	(304)
Other movements	2	1	–	3	–	6
As at 31 December 2021	(390)	–	–	(397)	(3)	(790)
Net carrying value						
As at 1 January 2021	93,087	17,241	16,823	28,730	16,624	172,505
As at 31 December 2021	93,715	11,628	18,571	28,050	16,362	168,326

	Bank premises	Construction in progress	Equipment	Aircraft and vessels	Others	Total
Cost/Deemed cost						
As at 1 January 2020	137,641	16,726	57,893	30,810	48,141	291,211
Additions	2,299	5,993	5,636	5,604	3,425	22,957
Transfer in/(out)	2,749	(5,281)	48	–	2,484	–
Other movements	(1,455)	(196)	(10,827)	(1,716)	(7,216)	(21,410)
As at 31 December 2020	141,234	17,242	52,750	34,698	46,834	292,758
Accumulated depreciation						
As at 1 January 2020	(43,405)	–	(40,035)	(4,525)	(32,085)	(120,050)
Charge for the year	(4,676)	–	(6,444)	(1,654)	(4,578)	(17,352)
Other movements	326	–	10,552	307	6,456	17,641
As at 31 December 2020	(47,755)	–	(35,927)	(5,872)	(30,207)	(119,761)
Allowances for impairment losses (Note 35)						
As at 1 January 2020	(393)	(1)	–	(24)	(3)	(421)
Charge for the year	–	–	–	(79)	–	(79)
Other movements	1	–	–	7	–	8
As at 31 December 2020	(392)	(1)	–	(96)	(3)	(492)
Net carrying value						
As at 1 January 2020	93,843	16,725	17,858	26,261	16,053	170,740
As at 31 December 2020	93,087	17,241	16,823	28,730	16,624	172,505

Notes:

(1) Other movements include disposals, retirements and exchange differences of fixed assets.

(2) As at 31 December 2021, the ownership documentation for the Group's bank premises with a net carrying value of RMB11,997 million (as at 31 December 2020: RMB12,002 million) was being finalised. However, management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

30 LAND USE RIGHTS

	2021	2020
Cost/Deemed cost		
As at 1 January	22,652	22,793
Additions	145	2
Disposals	(105)	(143)
As at 31 December	22,692	22,652
Amortisation		
As at 1 January	(8,399)	(7,919)
Charge for the year	(546)	(524)
Disposals	18	44
As at 31 December	(8,927)	(8,399)
Allowances for impairment losses (Note 35)		
As at 1 January	(135)	(136)
Disposals	–	1
As at 31 December	(135)	(135)
Net carrying value		
As at 1 January	14,118	14,738
As at 31 December	13,630	14,118

The Group's right-of-use assets include the above fully prepaid land use rights and other right-of-use assets disclosed in note 34(2).

31 INTANGIBLE ASSETS

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2021	13,494	1,475	14,969
Additions	2,779	129	2,908
Disposals	(98)	(571)	(669)
As at 31 December 2021	16,175	1,033	17,208
Amortisation			
As at 1 January 2021	(9,100)	(581)	(9,681)
Charge for the year	(1,883)	(93)	(1,976)
Disposals	79	237	316
As at 31 December 2021	(10,904)	(437)	(11,341)
Allowances for impairment losses (Note 35)			
As at 1 January 2021	–	(9)	(9)
Additions	–	–	–
Disposals	–	–	–
As at 31 December 2021	–	(9)	(9)
Net carrying value			
As at 1 January 2021	4,394	885	5,279
As at 31 December 2021	5,271	587	5,858

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

31 INTANGIBLE ASSETS (CONTINUED)

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2020	11,698	1,423	13,121
Additions	2,075	131	2,206
Disposals	(279)	(79)	(358)
As at 31 December 2020	13,494	1,475	14,969
Amortisation			
As at 1 January 2020	(8,071)	(541)	(8,612)
Charge for the year	(1,277)	(77)	(1,354)
Disposals	248	37	285
As at 31 December 2020	(9,100)	(581)	(9,681)
Allowances for impairment losses (Note 35)			
As at 1 January 2020	–	(7)	(7)
Additions	–	(2)	(2)
Disposals	–	–	–
As at 31 December 2020	–	(9)	(9)
Net carrying value			
As at 1 January 2020	3,627	875	4,502
As at 31 December 2020	4,394	885	5,279

32 GOODWILL

(1) The goodwill is mainly attributable to the expected synergies arising from the acquisition of CCB Asia, CCB Brasil and CCB Indonesia. The movements of the goodwill are as follows:

	2021	2020
As at 1 January	**2,210**	2,809
Effect of exchange difference	**(69)**	(222)
Allowances for impairment losses (Note 35)	**–**	(377)
As at 31 December	**2,141**	2,210

(2) Impairment test for CGU containing goodwill

The Group calculated the recoverable amounts of CGUs (including goodwill) in accordance with accounting policies. The Group estimated present values of future cash flows of CGUs using expected future cash flow projections based on financial forecasts approved by management. The average growth rates used by the Group were consistent with the forecasts in industry reports, while the discount rates reflected specific risks relating to relevant segments. The Group estimated net amounts of fair value less costs of disposal based on net assets within the CGUs.

As at 31 December 2021, the Group's goodwill impairment provision amounted to RMB321 million (as at 31 December 2020: RMB377 million), mainly due to goodwill impairment of CCB Brasil CGU.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

33 DEFERRED TAX

	31 December 2021	31 December 2020
Deferred tax assets	92,343	92,950
Deferred tax liabilities	(1,395)	(1,551)
Total	90,948	91,399

(1) Analysed by nature

	31 December 2021		31 December 2020	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	(46,115)	(11,538)	(19,059)	(4,700)
– Allowances for impairment losses	432,616	107,959	406,810	101,782
– Employee benefits	18,237	4,538	15,331	3,801
– Others	(26,222)	(8,616)	(32,582)	(7,933)
Total	378,516	92,343	370,500	92,950
Deferred tax liabilities				
– Fair value adjustments	(6,059)	(1,382)	(5,910)	(1,283)
– Others	(361)	(13)	(1,469)	(268)
Total	(6,420)	(1,395)	(7,379)	(1,551)

(2) Movements of deferred tax

	Fair value adjustments	Allowances for impairment losses	Employee benefits	Others	Total
As at 1 January 2021	(5,983)	101,782	3,801	(8,201)	91,399
Recognised in profit or loss	(2,451)	6,177	737	(428)	4,035
Recognised in other comprehensive income	(4,486)	–	–	–	(4,486)
As at 31 December 2021	(12,920)	107,959	4,538	(8,629)	90,948
As at 1 January 2020	(9,503)	82,330	4,348	(5,318)	71,857
Recognised in profit or loss	192	19,452	(547)	(2,883)	16,214
Recognised in other comprehensive income	3,328	–	–	–	3,328
As at 31 December 2020	(5,983)	101,782	3,801	(8,201)	91,399

The Group did not have significant unrecognised deferred tax as at the end of the reporting period.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

34 OTHER ASSETS

	Note	31 December 2021	31 December 2020
Repossessed assets	(1)		
– Buildings		1,336	1,458
– Land use rights		64	115
– Others		248	421
		1,648	1,994
Clearing and settlement accounts		83,268	23,004
Right-of-use assets	(2)	26,416	25,982
Fee and commission receivables		23,724	22,405
Policyholder account assets and accounts receivable of insurance business		12,825	10,435
Leasehold improvements		2,520	2,632
Deferred expenses		1,569	1,299
Others		185,793	156,412
Gross balance		337,763	244,163
Allowances for impairment losses (Note 35)			
– Repossessed assets		(980)	(1,197)
– Others		(5,670)	(4,238)
Net balance		331,113	238,728

(1) For the year ended 31 December 2021, the original cost of repossessed assets disposed of by the Group amounted to RMB376 million (for the year ended 31 December 2020: RMB652 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and transfer.

(2) Right-of-use assets

	Bank premises	Others	Total
Cost			
As at 1 January 2021	38,685	80	38,765
Additions	9,955	30	9,985
Other movements	(5,097)	(12)	(5,109)
As at 31 December 2021	43,543	98	43,641
Accumulated depreciation			
As at 1 January 2021	(12,745)	(38)	(12,783)
Charge for the year	(8,013)	(22)	(8,035)
Other movements	3,584	9	3,593
As at 31 December 2021	(17,174)	(51)	(17,225)
Net carrying value			
As at 1 January 2021	25,940	42	25,982
As at 31 December 2021	26,369	47	26,416

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

34 OTHER ASSETS (CONTINUED)

(2) Right-of-use assets (continued)

	Bank premises	Others	Total
Cost			
As at 1 January 2020	30,610	104	30,714
Additions	10,617	14	10,631
Other movements	(2,542)	(38)	(2,580)
As at 31 December 2020	38,685	80	38,765
Accumulated depreciation			
As at 1 January 2020	(6,221)	(33)	(6,254)
Charge for the year	(7,669)	(26)	(7,695)
Other movements	1,145	21	1,166
As at 31 December 2020	(12,745)	(38)	(12,783)
Net carrying value			
As at 1 January 2020	24,389	71	24,460
As at 31 December 2020	25,940	42	25,982

The Group's right-of-use assets include the above assets and land use rights disclosed in note 30.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

35 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES

		2021				
	Note	As at 1 January	(Reversal)/ charge for the year	Transfer (out)/in	Write-off and others	As at 31 December
Deposits with banks and non-bank financial institutions	21	298	(173)	–	–	125
Precious metals		9	4	–	–	13
Placements with banks and non-bank financial institutions	22	310	95	–	9	414
Financial assets held under resale agreements	24	167	(75)	–	–	92
Loans and advances to customers	25	556,063	160,048	(18,774)	(59,999)	637,338
Financial assets measured at amortised cost	26(2) (a)	20,238	15,830	(913)	(927)	34,228
Fixed assets	29	492	304	–	(6)	790
Land use rights	30	135	–	–	–	135
Intangible assets	31	9	–	–	–	9
Goodwill	32	377	–	(56)	–	321
Other assets	34	5,435	4,302	–	(3,087)	6,650
Total		583,533	180,335	(19,743)	(64,010)	680,115

		2020				
	Note	As at 1 January	Charge/ (reversal) for the year	Transfer (out)/in	Write-off and others	As at 31 December
Deposits with banks and non-bank financial institutions	21	218	80	–	–	298
Precious metals		38	(29)	–	–	9
Placements with banks and non-bank financial institutions	22	225	86	(1)	–	310
Financial assets held under resale agreements	24	63	104	–	–	167
Loans and advances to customers	25	482,158	167,448	(36,160)	(57,383)	556,063
Financial assets measured at amortised cost	26(2)(a)	12,702	7,919	(383)	–	20,238
Fixed assets	29	421	79	–	(8)	492
Land use rights	30	136	–	–	(1)	135
Intangible assets	31	7	2	–	–	9
Goodwill	32	–	377	–	–	377
Other assets	34	4,793	3,016	–	(2,374)	5,435
Total		500,761	179,082	(36,544)	(59,766)	583,533

Transfer (out)/in includes exchange differences.

36 BORROWINGS FROM CENTRAL BANKS

	31 December 2021	31 December 2020
Mainland China	640,154	740,904
Overseas	37,992	31,815
Accrued interest	6,887	8,451
Total	685,033	781,170

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

37 DEPOSITS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	31 December 2021	31 December 2020
Banks	219,393	248,404
Non-bank financial institutions	1,703,197	1,689,533
Accrued interest	10,336	5,697
Total	1,932,926	1,943,634

(2) Analysed by geographical sectors

	31 December 2021	31 December 2020
Mainland China	1,773,838	1,797,413
Overseas	148,752	140,524
Accrued interest	10,336	5,697
Total	1,932,926	1,943,634

38 PLACEMENTS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	31 December 2021	31 December 2020
Banks	275,835	331,259
Non-bank financial institutions	22,294	17,103
Accrued interest	1,146	1,276
Total	299,275	349,638

(2) Analysed by geographical sectors

	31 December 2021	31 December 2020
Mainland China	156,883	171,124
Overseas	141,246	177,238
Accrued interest	1,146	1,276
Total	299,275	349,638

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

39 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2021	31 December 2020
Principal guaranteed wealth management products	-	56,961
Financial liabilities related to precious metals	31,372	31,453
Structured financial instruments	197,650	165,665
Total	229,022	254,079

The Group's financial liabilities measured at fair value through profit or loss are those designated as measured at fair value through profit or loss. As at the end of the reporting period, the difference between the fair value of these financial liabilities and the contractual payables at maturity was not material. The amounts of changes in the fair value of these financial liabilities that were attributable to changes in credit risk were considered not significant during the year presented and cumulatively as at 31 December 2021 and 2020.

40 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

	31 December 2021	31 December 2020
Debt securities		
– Government bonds	20,768	42,111
– Debt securities issued by policy banks, banks and non-bank financial institutions	9,565	10,488
– Corporate bonds	2,764	1,478
Subtotal	33,097	54,077
Discounted bills	778	1,408
Others	-	1,198
Accrued interest	25	42
Total	33,900	56,725

41 DEPOSITS FROM CUSTOMERS

	31 December 2021	31 December 2020
Demand deposits		
– Corporate customers	6,616,784	6,354,893
– Personal customers	4,920,726	4,716,452
Subtotal	11,537,510	11,071,345
Time deposits (including call deposits)		
– Corporate customers	3,949,459	3,596,898
– Personal customers	6,541,654	5,670,385
Subtotal	10,491,113	9,267,283
Accrued interest	350,191	276,348
Total	22,378,814	20,614,976

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

41 DEPOSITS FROM CUSTOMERS (CONTINUED)

Deposits from customers include:

		31 December 2021	31 December 2020
(1)	Pledged deposits		
	– Deposits for acceptance	79,552	63,427
	– Deposits for guarantee	38,268	42,540
	– Deposits for letter of credit	17,944	17,760
	– Others	191,702	190,387
	Total	327,466	314,114
(2)	Outward remittance and remittance payables	12,824	17,542

42 ACCRUED STAFF COSTS

	Note	2021			
		As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		23,230	79,673	(75,187)	27,716
Housing funds		251	7,273	(7,216)	308
Union running costs and employee education costs		5,764	3,463	(2,320)	6,907
Post-employment benefits	(1)	596	14,842	(14,801)	637
Early retirement benefits		1,005	12	(99)	918
Compensation to employees for termination of employment relationship		–	5	(5)	–
Others	(2)	4,614	13,159	(13,261)	4,512
Total		35,460	118,427	(112,889)	40,998

	Note	2020			
		As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		24,025	71,356	(72,151)	23,230
Housing funds		355	6,809	(6,913)	251
Union running costs and employee education costs		4,983	2,624	(1,843)	5,764
Post-employment benefits	(1)	3,970	12,261	(15,635)	596
Early retirement benefits		1,396	32	(423)	1,005
Compensation to employees for termination of employment relationship		2	5	(7)	–
Others	(2)	4,344	11,281	(11,011)	4,614
Total		39,075	104,368	(107,983)	35,460

The Group had no overdue balance of accrued staff costs as at the end of the reporting period.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

42 ACCRUED STAFF COSTS (CONTINUED)

(1) Post-employment benefits

(a) *Defined contribution plans*

	2021			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	529	8,981	(8,778)	732
Unemployment insurance	49	318	(322)	45
Annuity contribution	874	5,365	(5,518)	721
Total	1,452	14,664	(14,618)	1,498

	2020			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	608	6,551	(6,630)	529
Unemployment insurance	42	225	(218)	49
Annuity contribution	3,683	5,485	(8,294)	874
Total	4,333	12,261	(15,142)	1,452

(b) *Defined benefit plans – Supplementary retirement benefits*

The Group's obligations in respect of the supplementary retirement benefits as at the end of the reporting period were calculated using the projected unit credit method and reviewed by an external independent actuary, Towers Watson Management Consulting (Shenzhen) Co., Ltd.

	Present value of defined benefit plan obligations		Fair value of plan assets		Net assets of defined benefit plans	
	2021	2020	2021	2020	2021	2020
As at 1 January	5,266	5,776	6,122	6,139	(856)	(363)
Cost of the net defined benefit liability in profit or loss						
– Interest costs	160	169	190	183	(30)	(14)
Remeasurements of the defined benefit liability in other comprehensive income						
– Actuarial losses/(gains)	178	(105)	–	–	178	(105)
– Returns on plan assets	–	–	153	374	(153)	(374)
Other changes						
– Benefits paid	(521)	(574)	(521)	(574)	–	–
As at 31 December	5,083	5,266	5,944	6,122	(861)	(856)

Interest cost was recognised in operating expenses.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

42 ACCRUED STAFF COSTS (CONTINUED)

(1) Post-employment benefits (continued)

(b) Defined benefit plans – Supplementary retirement benefits (continued)

(i) Principal actuarial assumptions of the Group as at the end of the reporting period were as follows:

	31 December 2021	31 December 2020
Discount rate	2.75%	3.25%
Health care cost increase rate	7.00%	7.00%
Average expected future lifetime of eligible employees	11.0 years	11.4 years

Mortality assumptions are based on China Life Insurance Mortality Table (2010-2013). The Table published historical statistics in China.

(ii) The sensitivity of the present value of supplementary retirement benefit obligations to changes in the weighted principal assumption is:

	Impact on present value of supplementary retirement benefit obligations	
	Increase in assumption by 0.25%	Decrease in assumption by 0.25%
Discount rate	(100)	103
Health care cost increase rate	41	(39)

(iii) As at 31 December 2021, the weighted average duration of supplementary retirement benefit obligations of the Group was 8.0 years (as at 31 December 2020: 7.9 years).

(iv) Plan assets of the Group are as follows:

	31 December 2021	31 December 2020
Cash and cash equivalents	590	315
Equity instruments	823	1,007
Debt instruments and others	4,531	4,800
Total	5,944	6,122

(2) Accrued staff costs – others mainly include employee welfare, medical insurance, maternity insurance and employment injury insurance.

43 TAXES PAYABLE

	31 December 2021	31 December 2020
Income tax	73,128	72,174
Value added tax	10,665	9,701
Others	2,549	2,286
Total	86,342	84,161

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

44 PROVISIONS

	Note	31 December 2021	31 December 2020
Expected credit losses from the off-balance sheet credit business	(1)	**34,515**	31,833
Expected losses from other businesses	(2)	**11,388**	22,281
Total		**45,903**	54,114

(1) Movements of loss provisions from off-balance sheet credit business:

	Note	**2021**			
		Stage 1	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2021		**26,480**	**4,009**	**1,344**	**31,833**
Transfers:					
Transfers in/(out) to Stage 1		**56**	**(56)**	**–**	**–**
Transfers in/(out) to Stage 2		**(112)**	**141**	**(29)**	**–**
Transfers in/(out) to Stage 3		**(1)**	**(37)**	**38**	**–**
Newly originated		**19,758**	**–**	**–**	**19,758**
Decreased		**(16,691)**	**(3,247)**	**(728)**	**(20,666)**
Remeasurements	(a)	**(1,297)**	**4,810**	**77**	**3,590**
As at 31 December 2021		**28,193**	**5,620**	**702**	**34,515**

	Note	2020			
		Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020		24,773	4,401	6,305	35,479
Transfers:					
Transfers in/(out) to Stage 1		13	(13)	–	–
Transfers in/(out) to Stage 2		(236)	248	(12)	–
Transfers in/(out) to Stage 3		(10)	(46)	56	–
Newly originated		20,706	–	–	20,706
Decreased		(15,227)	(3,586)	(5,865)	(24,678)
Remeasurements	(a)	(3,539)	3,005	860	326
As at 31 December 2020		26,480	4,009	1,344	31,833

(a) Remeasurements comprise the impact of changes in PD, LGD or EAD; changes in model assumptions and methodologies; loss provision changes due to stage-transfer; and the impact of exchange rate changes.

(2) Other businesses include off-balance sheet businesses other than the off-balance sheet credit business, outstanding litigations and the precious metal leasing business.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

45 DEBT SECURITIES ISSUED

	Note	31 December 2021	31 December 2020
Certificates of deposit issued	(1)	**792,112**	537,050
Bonds issued	(2)	**141,864**	125,871
Subordinated bonds issued	(3)	**45,996**	79,986
Eligible Tier 2 capital bonds issued	(4)	**337,358**	193,049
Accrued interest		**6,047**	4,241
Total		**1,323,377**	940,197

(1) Certificates of deposit issued were mainly issued by the head office, overseas branches, CCB Europe, CCB New Zealand and CCB International.

(2) Bonds issued

Issue date	Maturity date	Interest rate per annum	Issue place	Currency	31 December 2021	31 December 2020
05/09/2014	05/09/2021	4.00%	Taiwan	RMB	–	600
18/11/2014	18/11/2021	3.95%	Taiwan	RMB	–	1,000
18/11/2014	18/11/2024	4.08%	Taiwan	RMB	**600**	600
30/03/2016	30/03/2021	4.08%	Mainland China	RMB	–	3,500
31/05/2016	31/05/2021	2.75%	Hong Kong	USD	–	1,951
21/10/2016	21/10/2021	2.25%	Hong Kong	USD	–	4,579
09/11/2016	09/11/2021	3.05%	Mainland China	RMB	–	800
13/06/2017	13/06/2022	2.75%	Hong Kong	USD	**3,817**	3,925
25/10/2017	25/10/2022	3.15%	Hong Kong	USD	**636**	654
09/11/2017	09/11/2022	3.93%	Auckland	NZD	**652**	708
04/12/2017	04/12/2022	3.00%	Hong Kong	USD	**2,544**	2,616
13/03/2018	13/03/2021	3.20%	Auckland	NZD	–	47
17/04/2018	26/03/2021	3M LIBOR+0.75%	Hong Kong	USD	–	523
18/04/2018	18/04/2021	4.88%	Mainland China	RMB	–	6,000
30/04/2018	30/04/2021	3M LIBOR+0.75%	Hong Kong	USD	–	131
04/05/2018	04/05/2021	3M LIBOR+0.80%	Hong Kong	USD	–	164
08/06/2018	08/06/2021	3M LIBOR+0.73%	Hong Kong	USD	–	5,887
08/06/2018	08/06/2023	3M LIBOR+0.83%	Hong Kong	USD	**3,817**	3,925
19/06/2018	19/06/2023	4.01%	Auckland	NZD	**435**	472
12/07/2018	12/07/2023	3M LIBOR+1.25%	Hong Kong	USD	**2,545**	2,616
20/07/2018	20/07/2021	4.48%	Mainland China	RMB	–	3,000
21/08/2018	19/06/2023	4.005%	Auckland	NZD	**152**	165
23/08/2018	23/08/2021	4.25%	Mainland China	RMB	–	2,500
24/09/2018	24/09/2021	3M LIBOR+0.75%	Hong Kong	USD	–	6,541
24/09/2018	24/09/2021	3M EURIBOR +0.60%	Luxembourg	EUR	–	4,022
20/12/2018	20/12/2021	3M LIBOR+0.75%	Auckland	USD	–	654
16/05/2019	16/05/2024	3.50%	Hong Kong	USD	**2,536**	2,603
16/05/2019	16/05/2029	3.88%	Hong Kong	USD	**1,272**	1,308
26/06/2019	24/06/2022	0.21%	Japan	JPY	**1,105**	1,268
26/08/2019	26/08/2022	3.30%	Mainland China	RMB	**6,300**	6,300
26/08/2019	26/08/2024	3.40%	Mainland China	RMB	**3,000**	3,000
11/09/2019	16/05/2024	3.50%	Hong Kong	USD	**1,908**	1,962
12/09/2019	12/08/2022	3M LIBOR+0.68%	Auckland	USD	**637**	654
22/10/2019	22/10/2022	0.05%	Luxembourg	EUR	**3,600**	4,022
24/10/2019	24/10/2024	3M LIBOR+0.77%	Hong Kong	USD	**4,262**	4,383
22/11/2019	22/11/2024	2.393%	Auckland	NZD	**370**	401
10/12/2019	10/11/2022	3-month New Zealand benchmark interest rate +0.88%	Auckland	NZD	**391**	425
20/12/2019	20/06/2022	3M LIBOR +0.63%	Luxembourg	USD	**1,904**	1,967

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

45 DEBT SECURITIES ISSUED (CONTINUED)

(2) Bonds issued (continued)

Issue date	Maturity date	Interest rate per annum	Issue place	Currency	31 December 2021	31 December 2020
16/03/2020	15/03/2023	2.68%	Mainland China	RMB	**6,000**	6,000
16/03/2020	15/03/2025	2.75%	Mainland China	RMB	**5,000**	5,000
19/03/2020	19/03/2022	2.95%	Hong Kong	RMB	**802**	802
21/07/2020	21/07/2025	1.99%	Hong Kong	USD	**2,876**	2,950
25/09/2020	25/09/2023	0.954%	Auckland	NZD	**652**	708
28/09/2020	28/09/2025	1.78%	Hong Kong	USD	**1,272**	1,308
28/09/2020	28/09/2030	2.55%	Hong Kong	USD	**636**	654
27/10/2020	29/10/2023	3.50%	Mainland China	RMB	**20,000**	20,000
03/11/2020	05/11/2023	3.70%	Mainland China	RMB	**2,600**	2,600
26/01/2021	26/01/2024	3.30%	Mainland China	RMB	**20,000**	–
02/02/2021	04/02/2024	3.65%	Mainland China	RMB	**2,240**	–
07/04/2021	12/04/2024	3.55%	Mainland China	RMB	**2,200**	–
22/04/2021	22/04/2023	2.85%	Singapore	RMB	**1,997**	–
22/04/2021	22/04/2024	0.043%	Luxembourg	EUR	**5,760**	–
22/04/2021	22/04/2024	0.86%	Hong Kong	USD	**3,817**	–
22/04/2021	22/04/2026	1.46%	Hong Kong	USD	**3,499**	–
27/05/2021	01/06/2024	3.33%	Mainland China	RMB	**1,950**	–
28/06/2021	28/06/2024	0.06%	Luxembourg	EUR	**5,760**	–
22/07/2021	22/07/2026	1.80%	Hong Kong	USD	**2,690**	–
15/09/2021	15/09/2026	1.60%	Hong Kong	USD	**2,232**	–
29/09/2021	29/09/2026	1.50%	Hong Kong	USD	**4,453**	–
21/12/2021	21/12/2024	0.01%	Hong Kong	USD	**3,078**	–
Total nominal value					**141,997**	125,895
Less: Unamortised issuance costs					**(133)**	(24)
Carrying value as at year end					**141,864**	125,871

(3) Subordinated bonds issued

The carrying value of the Group's subordinated bonds issued upon the approval of the PBOC and the CBIRC is as follows:

Issue date	Maturity date	Interest rate per annum	Currency	Note	31 December 2021	31 December 2020
03/11/2011	07/11/2026	5.70%	RMB	(a)	**–**	40,000
20/11/2012	22/11/2027	4.99%	RMB	(b)	**40,000**	40,000
28/01/2021	01/02/2031	4.30%	RMB	(c)	**6,000**	–
Total nominal value					**46,000**	80,000
Less: Unamortised issuance cost					**(4)**	(14)
Carrying value					**45,996**	79,986

(a) The Group has chosen to exercise the option to redeem all the bonds on 7 November 2021.

(b) The Group has an option to redeem the bonds on 22 November 2022, subject to approval from the relevant authority.

(c) The Group has an option to redeem part or all of the bonds on 1 February 2026, subject to registration from the PBOC and the CBIRC.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

45 DEBT SECURITIES ISSUED (CONTINUED)

(4) Eligible Tier 2 capital bonds issued

Issue date	Maturity date	Interest rate per annum	Currency	Note	31 December 2021	31 December 2020
18/08/2014	18/08/2029	5.98%	RMB	(a)	**20,000**	20,000
25/09/2018	25/09/2028	4.86%	RMB	(b)	**43,000**	43,000
29/10/2018	29/10/2028	4.70%	RMB	(c)	**40,000**	40,000
27/02/2019	27/02/2029	4.25%	USD	(d)	**11,768**	12,100
24/06/2020	24/06/2030	2.45%	USD	(e)	**12,723**	13,081
10/09/2020	14/09/2030	4.20%	RMB	(f)	**65,000**	65,000
06/08/2021	10/08/2031	3.45%	RMB	(g)	**65,000**	–
06/08/2021	10/08/2036	3.80%	RMB	(h)	**15,000**	–
05/11/2021	09/11/2031	3.60%	RMB	(i)	**35,000**	–
05/11/2021	09/11/2036	3.80%	RMB	(j)	**10,000**	–
10/12/2021	14/12/2031	3.48%	RMB	(k)	**12,000**	–
10/12/2021	14/12/2036	3.74%	RMB	(l)	**8,000**	–
Total nominal value					**337,491**	193,181
Less: Unamortised issuance cost					**(133)**	(132)
Carrying value as at year end					**337,358**	193,049

(a) The Group has an option to redeem the bonds on 18 August 2024, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(b) The Group has an option to redeem the bonds on 25 September 2023, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(c) The Group has an option to redeem the bonds on 29 October 2023, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(d) The Group has an option to redeem the bonds on 27 February 2024, subject to approval from the relevant authority. If they are not redeemed by the Group, the interest rate will be reset on 27 February 2024 and increase by 1.88% on the basis of the five-year USD treasury benchmark applicable on the interest reset date. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(e) The Group has an option to redeem the bonds on 24 June 2025, subject to approval from the relevant authority. If they are not redeemed by the Group, the interest rate will be reset on 24 June 2025 and increase by 2.15% on the basis of the five-year USD treasury benchmark applicable on the interest reset date. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

45 DEBT SECURITIES ISSUED (CONTINUED)

(4) Eligible Tier 2 capital bonds issued (continued)

(f) The Group has an option to redeem the bonds on 14 September 2025, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(g) The Group has an option to redeem the bonds on 10 August 2026, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(h) The Group has an option to redeem the bonds on 10 August 2031, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(i) The Group has an option to redeem the bonds on 9 November 2026, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(j) The Group has an option to redeem the bonds on 9 November 2031, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(k) The Group has an option to redeem the bonds on 14 December 2026, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(l) The Group has an option to redeem the bonds on 14 December 2031, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

46 OTHER LIABILITIES

	Note	**31 December 2021**	31 December 2020
Insurance related liabilities		**208,711**	172,327
Payment and collection clearance accounts		**40,905**	47,169
Clearing and settlement accounts		**25,161**	93,031
Lease liabilities	(1)	**23,749**	23,591
Deferred income		**17,492**	17,894
Dormant accounts		**8,178**	7,195
Capital expenditure payable		**6,460**	9,673
Cash pledged and rental income received in advance		**6,068**	8,850
Accrued expenses		**5,804**	5,225
Others		**209,021**	160,285
Total		**551,549**	545,240

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

46 OTHER LIABILITIES (CONTINUED)

(1) Lease liabilities

Maturity analysis – undiscounted analysis

	31 December 2021	31 December 2020
Within one year	**8,950**	7,037
Between one year and five years	**10,220**	13,975
More than five years	**8,941**	7,031
Total undiscounted lease liabilities	**28,111**	28,043
Lease liabilities	**23,749**	23,591

47 SHARE CAPITAL

	31 December 2021	31 December 2020
Listed in Hong Kong (H shares)	**240,417**	240,417
Listed in Mainland China (A shares)	**9,594**	9,594
Total	**250,011**	250,011

All H and A shares are ordinary shares, have a par value of RMB1 per share and rank pari passu with the same rights and benefits.

48 OTHER EQUITY INSTRUMENTS

(1) Preference shares

(a) Preference shares outstanding as at the end of the reporting period

Financial instrument outstanding	Issuance date	Classification	Initial interest rate	Issuance price	Quantity (million shares)	Total amount: Currency	Total amount: Original currency	Total amount: (RMB)	Maturity date	Redemption/ conversion conditions
2017 Domestic Preference Shares	21 December 2017	Equity instruments	4.75%	RMB100 per share	600	RMB	60,000	60,000	No maturity date	None
Less: Issuance fee								(23)		
Carrying amount								59,977		

(b) Key terms

Dividend

The nominal dividend rate of the Domestic Preference Shares is adjusted on a phase-by-phase basis. It is the sum of the benchmark rate plus the fixed interest spread, and is adjusted every five years. The fixed interest spread is determined as the nominal dividend rate set for issuance less the benchmark rate at the time of issuance, and will not be subject to future adjustments. The dividends for domestic preference shares are non-cumulative. The Bank has the right to cancel dividend distribution on Domestic Preference Shares, and the cancellation does not constitute a default event. The Bank may, at its discretion, use the cancelled dividends to repay other indebtedness due and payable. If the Bank cancels all or part of the dividends on the Domestic Preference Shares, the Bank shall make no profit distribution to shareholders holding ordinary shares from the day after the cancellation proposal is adopted by the General Shareholders' Meeting to the day when full distribution of dividends is resumed. The cancellation of dividends on Domestic Preference Shares will not constitute other restrictions to the Bank except for the distribution of dividends to ordinary shareholders.

The dividends on the Domestic Preference Shares are distributed annually.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

48 OTHER EQUITY INSTRUMENTS (CONTINUED)

(1) Preference shares (continued)

(b) *Key terms (continued)*

Redemption

The Bank may, subject to CBIRC approval and compliance with the redemption preconditions, redeem in whole or in part of the Domestic Preference Shares after at least five years from the completion date of the issuance (i.e., 27 December 2017). The redemption period begins from the first day of the redemption and ends on the day when all Domestic Preference Shares are redeemed or converted. The redemption price of the Domestic Preference Shares shall be their issue price plus any dividends accrued but unpaid in the current period.

Compulsory conversion of preference shares

If an Additional Tier 1 Capital Instrument Trigger Event occurs, i.e., the Core Tier 1 Capital Adequacy Ratio of the Bank has fallen to 5.125% or below, the Bank has the right to, without prior consent from the shareholders of the Domestic Preference Shares and as agreed, convert all or part of the Domestic Preference Shares issued and outstanding to ordinary A shares, to restore the Bank's Core Tier 1 Capital Adequacy Ratio to above the trigger point (i.e., 5.125%). In the case of partial conversion, the Domestic Preference Shares shall be subject to the same proportion and conditions of conversion. Once Domestic Preference Shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances.

When a Tier 2 Capital Instrument Trigger Event occurs, the Bank has the right to, without prior consent of the shareholders of the Domestic Preference Shares and as agreed, convert all the Domestic Preference Shares issued and outstanding to ordinary A shares. Once Domestic Preference Shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances. A Tier 2 Capital Instrument Trigger Event is the earlier of the following two scenarios: (i) the CBIRC having decided that without a conversion or write-off of the Bank's capital, the Bank would become non-viable; and (ii) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. When the compulsory conversion of preference shares occurs, the Bank shall report to the CBIRC for approval and decision, and perform the announcement obligation according to the regulations of the Securities Law and China Securities Regulatory Commission ("CSRC").

The Bank classifies preference shares issued as an equity instrument and presented as an equity item on the statement of financial position. Capital raised from the issuance of the above preference shares, after deduction of the expenses relating to the issuance, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratios.

(c) *Changes in preference shares outstanding*

	1 January 2021		Increase/(Decrease)		31 December 2021	
Financial instrument outstanding	Amount (million shares)	Carrying value	Amount (million shares)	Carrying value	Amount (million shares)	Carrying value
2017 Domestic Preference Shares	600	59,977	–	–	600	59,977
Total	600	59,977	–	–	600	59,977

(2) Perpetual bonds

(a) *Perpetual bonds outstanding at the end of the year*

Financial instrument outstanding	Issuance date	Classification	Initial interest rate	Issuance price	Quantity (million pieces)	Currency	Total amount	Maturity date	Redemption /write-down conditions
Undated Additional Tier 1 Capital Bonds	13 November 2019	Equity instruments	4.22%	100 per unit	400	RMB	40,000	No maturity date	None
Less: Issuance fee							(9)		
Carrying amount							39,991		

48 OTHER EQUITY INSTRUMENTS (CONTINUED)

(2) Perpetual bonds (continued)

(b) Key terms

Distribution rate and distribution payment

The distribution rate of the Undated Additional Tier 1 Capital Bonds (or "the Bonds") will be adjusted at defined intervals, with a distribution rate adjustment period every 5 years since the payment settlement date. In any distribution rate adjusted period, the distribution payments on the Bonds will be made at a prescribed fixed distribution rate. The distribution rate is determined by a benchmark rate plus a fixed spread.

The Bank shall have the right to cancel, in whole or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Bank will take into full consideration the interest of the holders of the Bonds. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. In the case of cancelling any distributions on the Bonds, no matter in whole or in part, the Bank shall not make any distribution to the ordinary shareholders from the next day following the resolution being approved by the general shareholders meeting, until its decision to resume the distribution payments in whole to the holders of the Bonds. The distributions on the Bonds are non-cumulative, namely, upon cancellation, any amount of distribution unpaid to the holders of the Bonds in the applicable period will not accumulate or compound to the subsequent distribution period thereafter.

The distributions of the Bonds will be payable annually.

Conditional redemption rights of the Bank

From the fifth anniversary since the issuance of the Bonds, the Bank may redeem whole or part of the Bonds on each distribution payment date (including the fifth distribution payment date since the issuance). If, after the issuance, the Bonds no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the whole but not part of the Bonds.

The exercise of the Bank's redemption right shall be subject to the consent of the CBIRC and the satisfaction of the following preconditions: (i) the Bank shall use capital instruments of the same or better quality to replace the instruments to be redeemed, and such replacement shall only be carried out at conditions which are sustainable for the income capacity; (ii) or the capital position of the Bank after the redemption right is exercised will remain well above the regulatory capital requirements stipulated by the CBIRC.

Write-down/write-off clauses

Upon the occurrence of an Additional Tier 1 Capital Trigger Event, namely, the Bank's Core Tier 1 Capital Adequacy Ratio having fallen to 5.125% (or below), the Bank has the right, subject to the approval of the CBIRC but without the need for the consent of the holders of the Bonds, to write down whole or part of the aggregate amount of the Bonds then issued and outstanding, in order to restore the Core Tier 1 Capital Adequacy Ratio to above 5.125%. In the case of a partial write-down, all of the Bonds then issued and outstanding shall be written down on a pro rata basis, according to the outstanding amount, with all other Additional Tier 1 Capital instruments with equivalent write-down clauses of the Bank.

Upon the occurrence of a Tier 2 Capital Trigger Event, the Bank has the right to write off in whole, without the need for the consent of the holders of the Bonds, the aggregate amount of the Bonds then issued and outstanding. A Tier 2 Capital Trigger Event refers to the earlier of the following events: (i) the CBIRC having decided that the Bank would become non-viable without a write-off; (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. Upon write-off of the bonds, such bonds are to be permanently cancelled and will not be restored under any circumstances.

Subordination

The claims in respect of the Bonds will be subordinated to the claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Bonds; will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

The Bank classifies the Bonds issued as an equity instrument and presented as an equity item on the statement of financial position. Capital raised from the issuance of the Bonds, after deduction of the expenses relating to the issuance, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratios.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

48 OTHER EQUITY INSTRUMENTS (CONTINUED)

(2) Perpetual bonds (continued)

(c) *Changes in perpetual bonds outstanding*

	1 January 2021		Increase/(Decrease)		31 December 2021	
Financial instrument outstanding	Amount (million pieces)	Carrying value	Amount (million pieces)	Carrying value	Amount (million pieces)	Carrying value
Undated Additional Tier 1 Capital Bonds	400	39,991	–	–	400	39,991
Total	400	39,991	–	–	400	39,991

(3) Interests attributable to the holders of equity instruments

Items	31 December 2021	31 December 2020
1. Total equity attributable to equity holders of the Bank	2,588,231	2,364,808
(1) Equity attributable to ordinary equity holders of the Bank	2,488,263	2,264,840
(2) Equity attributable to other equity holders of the Bank	99,968	99,968
Of which: net profit	4,538	5,624
dividends received	4,538	5,624
2. Total equity attributable to non-controlling interests	25,891	24,545
(1) Equity attributable to non-controlling interests of ordinary shares	22,438	21,092
(2) Equity attributable to non-controlling interests of other equity instruments	3,453	3,453

49 CAPITAL RESERVE

	31 December 2021	31 December 2020
Share premium	134,925	134,263

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

50 OTHER COMPREHENSIVE INCOME

	Other comprehensive income of the statement of financial position			Other comprehensive income of the statement of comprehensive income				
				2021				
	1 January 2021	Net-of-tax amount attributable to equity shareholders of the Bank	31 December 2021	The amount before income taxes	Less: Reclassification adjustments included in profit or loss due to disposals	Less: Income taxes	Net-of-tax amount attributable to equity shareholders of the Bank	Net-of-tax amount attributable to non-controlling interests
(1) Other comprehensive income that will not be reclassified to profit or loss								
Remeasurements of post-employment benefit obligations	272	(25)	247	(25)	–	–	(25)	–
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	764	(463)	301	(617)	–	154	(463)	–
Others	604	115	719	115	–	–	115	–
(2) Other comprehensive income that may be reclassified subsequently to profit or loss								
Fair value changes of debt instruments measured at fair value through other comprehensive income	16,372	12,233	28,605	17,538	(564)	(4,454)	12,233	287
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	3,139	556	3,695	742	–	(186)	556	–
Net loss on cash flow hedges	(300)	320	20	320	–	–	320	–
Exchange difference on translating foreign operations	(5,803)	(6,446)	(12,249)	(6,445)	–	–	(6,446)	1
Total	15,048	6,290	21,338	11,628	(564)	(4,486)	6,290	288

	Other comprehensive income of the statement of financial position			Other comprehensive income of the statement of comprehensive income				
				2020				
	1 January 2020	Net-of-tax amount attributable to equity shareholders of the Bank	31 December 2020	The amount before income taxes	Less: Reclassification adjustments included in profit or loss due to disposals	Less: Income taxes	Net-of-tax amount attributable to equity shareholders of the Bank	Net-of-tax amount attributable to non-controlling interests
(1) Other comprehensive income that will not be reclassified to profit or loss								
Remeasurements of post-employment benefit obligations	(207)	479	272	479	–	–	479	–
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	1,043	(279)	764	(372)	–	93	(279)	–
Others	580	24	604	24	–	–	24	–
(2) Other comprehensive income that may be reclassified subsequently to profit or loss								
Fair value changes of debt instruments measured at fair value through other comprehensive income	25,974	(9,602)	16,372	(11,924)	(655)	2,980	(9,602)	3
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	3,901	(762)	3,139	(1,017)	–	255	(762)	–
Net loss on cash flow hedges	(239)	(61)	(300)	(61)	–	–	(61)	–
Exchange difference on translating foreign operations	934	(6,737)	(5,803)	(6,720)	–	–	(6,737)	17
Total	31,986	(16,938)	15,048	(19,591)	(655)	3,328	(16,938)	20

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

51 SURPLUS RESERVE

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund.

The Bank is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF on 15 February 2006. After making appropriations to the statutory surplus reserve fund, the Bank may also allocate its net profit to the discretionary surplus reserve fund upon approval by shareholders in Annual General Meetings.

52 GENERAL RESERVE

The general reserve of the Group is set up based upon the requirements of:

	Note	**31 December 2021**	31 December 2020
MOF	(1)	**372,509**	341,307
Hong Kong Banking Ordinance	(2)	**2,124**	2,124
Other regulatory bodies in Mainland China	(3)	**6,290**	6,104
Other overseas regulatory bodies		**698**	693
Total		**381,621**	350,228

(1) Pursuant to relevant regulations issued by the MOF, the Bank has to appropriate a certain amount of its net profit as general reserve to cover potential losses against its assets. In accordance with the "Regulation on Management of Financial Institutions for Reserves" (Cai Jin [2012] No. 20) issued by the MOF on 30 March 2012, the general reserve balance for financial institutions should not be lower than 1.5% of the ending balance of gross risk-bearing assets.

(2) Pursuant to the requirements of the Hong Kong Banking Ordinance, the Group's banking operations in Hong Kong are required to set aside amounts in a regulatory reserve in respect of losses which it will, or may, incur on loans and advances to customers, in addition to impairment losses recognised in accordance with the accounting policies of the Group. Transfers to and from the regulatory reserve are made through retained earnings.

(3) Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiaries are required to appropriate a certain amount of its net profit as general reserve.

53 PROFIT DISTRIBUTION

In the Annual General Meeting held on 25 June 2021, the shareholders approved the profit distribution for the year ended 31 December 2020. The Bank appropriated cash dividend for the year ended 31 December 2020 in an aggregate amount of RMB81,504 million.

In the Board of Directors' Meeting, held on 29 October 2021, the directors approved the payment of dividends to domestic preference shareholders. The dividends for domestic preference shares distributed were RMB2,850 million, calculated using the nominal dividend rate of 4.75% (including taxes) as set in the terms and conditions.

On 15 November 2021, according to the initial annual interest rate of 4.22% before the first interest rate reset date determined by the terms of the Undated Additional Tier 1 Capital Bonds, the interest on perpetual bonds issued by the bank was RMB1,688 million.

On 29 March 2022, Board of Directors proposed the following profit distribution scheme for the year ended 31 December 2021:

(1) Appropriate statutory surplus reserve amounted to RMB29,576 million, based on 10% of the net profit of the Bank amounted to RMB295,764 million for the year ended 31 December 2021 (for the year ended 31 December 2020: RMB26,817 million). It has been recorded in "Surplus reserve" as at the balance sheet date.

(2) Appropriate general reserve amounted to RMB31,202 million, pursuant to relevant regulations issued by MOF (for the year ended 31 December 2020: RMB35,482 million).

(3) Declare cash dividend RMB0.364 per share before tax and in aggregation amount of RMB91,004 million to all shareholders (for the year ended 31 December 2020: RMB0.326 per share and RMB81,504 million in aggregation). Proposed dividends as at the balance sheet date are not recognised as a liability.

Above proposed profit distribution scheme is subject to the approval of the shareholders in the Annual General Meeting. Cash dividends will be distributed to all shareholders registered at the relevant date upon approval.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

54 NOTES TO THE STATEMENT OF CASH FLOWS

Cash and cash equivalents

	31 December 2021	31 December 2020
Cash	**48,613**	49,068
Surplus deposit reserves with central banks	**520,700**	434,199
Demand deposits with banks and non-bank financial institutions	**62,698**	75,870
Time deposits with banks and non-bank financial institutions with original maturity with or within three months	**58,458**	112,194
Placements with banks and non-bank financial institutions with original maturity with or within three months	**115,131**	207,600
Total	**805,600**	878,931

55 TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

Securities lending transactions

Counterparties are allowed to sell or repledge securities lent under securities lending agreements in the absence of any default by the Group, but at the same time, they have an obligation to return such securities upon the maturity of the securities lending agreements. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 31 December 2021, the carrying value of debt securities lent to counterparties was RMB6,444 million (as at 31 December 2020: RMB4,010 million).

Credit asset securitisation transactions

The Group enters into securitisation transactions in its normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors. The Group may retain interests in the form of holding subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement, otherwise the financial assets are derecognised.

As at 31 December 2021, loans with an original carrying amount of RMB963,501 million (as at 31 December 2020: RMB829,400 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 31 December 2021, the amount of assets that the Group continued to recognise was RMB100,036 million (as at 31 December 2020: RMB88,625 million). As at 31 December 2021, the carrying amount of assets and liabilities with continuing involvement that the Group continued to recognise was RMB100,036 million (as at 31 December 2020: RMB88,951 million).

With respect to credit asset securitizations that did not qualify for derecognition as a whole, the Group continued to recognise credit assets that had been transferred, and recorded the consideration received as a financial liability. As at 31 December 2021, the carrying amount of transferred credit assets that the Group had continued to recognise was RMB8,262 million and the carrying amount of their associated financial liabilities was RMB9,191 million.

As at 31 December 2021, the carrying amount of asset-backed securities held in the securitisation transaction derecognised by the Group was RMB3,548 million (as at 31 December 2020: RMB1,340 million), and its maximum loss exposure approximates to the carrying amount.

56 OPERATING SEGMENTS

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense". Interest income and expense earned from third parties are referred to as "external net interest income/expense".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and results are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

(1) Geographical segments

The Group operates principally in Mainland China with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in Mainland China. The Group also has bank branch operations in Hong Kong, Macau, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg, Toronto, London, Zurich, Dubai, Chile, Astana, Labuan, Auckland, etc., and certain subsidiaries operating in Hong Kong, London, Moscow, Luxembourg, British Virgin Islands, Auckland, Jakarta, San Paulo and Kuala Lumpur, etc.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

Geographical segments of the Group, as defined for management reporting purposes, are defined as follows:

- "Yangtze River Delta" refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;
- "Pearl River Delta" refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;
- "Bohai Rim" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;
- the "Central" region refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province and Anhui Province;
- the "Western" region refers to the following areas where the tier-1 branches of the Bank operate: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and
- the "Northeastern" region refers to the following areas where the tier-1 branches of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

56 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments (continued)

	Year ended 31 December 2021								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	70,090	64,960	38,437	80,228	64,601	4,528	269,321	13,255	605,420
Internal net interest income/ (expense)	31,928	27,071	51,023	33,563	32,523	21,577	(197,327)	(358)	–
Net interest income	102,018	92,031	89,460	113,791	97,124	26,105	71,994	12,897	605,420
Net fee and commission income	19,900	26,302	20,522	18,551	13,097	4,054	16,343	2,723	121,492
Net trading gain/(loss)	762	287	376	279	91	18	6,658	(655)	7,816
Dividend income	621	6	4,510	188	57	–	350	189	5,921
Net (loss)/gain arising from investment securities	(1,699)	(989)	14	(1,532)	6,529	(260)	9,774	(1,339)	10,498
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(5)	–	1	–	–	–	4,638	–	4,634
Other operating (expense)/ income, net	(5,147)	298	1,544	(112)	1,602	50	5,248	5,442	8,925
Operating income	116,450	117,935	116,427	131,165	118,500	29,967	115,005	19,257	764,706
Operating expenses	(33,108)	(27,853)	(33,808)	(38,346)	(34,315)	(12,539)	(22,372)	(16,841)	(219,182)
Credit impairment losses	(22,820)	(30,808)	(18,589)	(29,423)	(25,175)	(13,610)	(23,883)	(3,641)	(167,949)
Other impairment losses	(80)	(16)	(109)	(9)	(2)	(12)	(356)	(182)	(766)
Share of profits/(losses) of associates and joint ventures	27	(27)	673	728	–	–	–	202	1,603
Profit before tax	60,469	59,231	64,594	64,115	59,008	3,806	68,394	(1,205)	378,412
Capital expenditure	2,346	1,367	2,403	2,357	1,790	1,018	4,951	3,606	19,838
Depreciation and amortisation	3,570	3,059	4,262	4,631	3,843	1,675	3,823	2,432	27,295
	31 December 2021								
Segment assets	5,444,119	4,291,522	6,954,239	4,801,733	4,272,993	1,530,966	10,690,368	1,405,894	39,391,834
Long-term equity investments	1,546	374	6,314	7,141	–	–	800	2,700	18,875
	5,445,665	4,291,896	6,960,553	4,808,874	4,272,993	1,530,966	10,691,168	1,408,594	39,410,709
Deferred tax assets									92,343
Elimination									(9,249,073)
Total assets									30,253,979
Segment liabilities	5,368,006	4,213,453	6,813,042	4,717,418	4,207,630	1,525,839	8,765,778	1,276,369	36,887,535
Deferred tax liabilities									1,395
Elimination									(9,249,073)
Total liabilities									27,639,857
Off-balance sheet credit commitments	611,802	582,097	643,588	656,275	448,345	152,793	–	274,994	3,369,894

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

56 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments (continued)

	Year ended 31 December 2020								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	64,500	60,987	36,662	76,140	62,290	7,353	257,261	10,716	575,909
Internal net interest income/ (expense)	27,451	23,726	46,961	28,551	29,472	18,001	(177,338)	3,176	–
Net interest income	91,951	84,713	83,623	104,691	91,762	25,354	79,923	13,892	575,909
Net fee and commission income	16,620	24,764	18,337	15,896	11,799	4,050	20,056	3,060	114,582
Net trading gain/(loss)	96	204	174	324	104	16	4,126	(731)	4,313
Dividend income	88	7	1,927	650	10	–	89	411	3,182
Net gain/(loss) arising from investment securities	4,273	(778)	(787)	(586)	(40)	(617)	3,200	1,100	5,765
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(13)	10	29	–	–	–	4,612	11	4,649
Other operating (expense)/ income, net	(3,576)	377	1,569	64	1,585	7	3,503	2,295	5,824
Operating income	109,439	109,297	104,872	121,039	105,220	28,810	115,509	20,038	714,224
Operating expenses	(28,835)	(24,624)	(29,637)	(34,160)	(30,153)	(11,692)	(15,452)	(14,021)	(188,574)
Credit impairment losses	(22,994)	(31,459)	(25,623)	(45,476)	(19,352)	(12,688)	(29,696)	(6,203)	(193,491)
Other impairment losses	6	(54)	(205)	–	(6)	(65)	4,343	(457)	3,562
Share of (losses)/profits of associates and joint ventures	(3)	–	260	579	–	–	–	59	895
Profit before tax	57,613	53,160	49,667	41,982	55,709	4,365	74,704	(584)	336,616
Capital expenditure	3,280	1,401	2,638	2,559	1,899	1,031	5,321	7,363	25,492
Depreciation and amortisation	3,662	3,230	4,453	4,921	4,025	1,806	2,215	1,870	26,182
	31 December 2020								
Segment assets	4,873,490	3,942,366	6,667,011	4,416,305	3,985,433	1,451,185	10,577,145	1,433,729	37,346,664
Long-term equity investments	604	–	4,850	7,196	–	–	–	1,052	13,702
	4,874,094	3,942,366	6,671,861	4,423,501	3,985,433	1,451,185	10,577,145	1,434,781	37,360,366
Deferred tax assets									92,950
Elimination									(9,321,062)
Total assets									28,132,254
Segment liabilities	4,836,646	3,915,742	6,596,879	4,397,877	3,963,977	1,453,094	8,585,097	1,313,100	35,062,412
Deferred tax liabilities									1,551
Elimination									(9,321,062)
Total liabilities									25,742,901
Off-balance sheet credit commitments	608,353	588,398	693,095	648,284	446,579	162,120	–	266,701	3,413,530

56 OPERATING SEGMENTS (CONTINUED)

(2) Business segments

Business segments, as defined for management reporting purposes, are as follows:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking and wealth management services, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking and wealth management services, card business, remittance services and agency services, etc.

Treasury business

This segment covers the Group's treasury operations. The treasury business segment enters into inter-bank money market transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currencies for its own account. The treasury business segment carries out customer-driven derivatives, foreign currency and precious metal trading. Its function also includes the management of the Group's overall liquidity position, including the issuance of debt securities.

Others

These represent equity investments and the revenues, results, assets and liabilities of overseas branches and subsidiaries.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

56 OPERATING SEGMENTS (CONTINUED)

(2) Business segments (continued)

	Year ended 31 December 2021				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	209,477	165,850	205,328	24,765	605,420
Internal net interest income/(expense)	67,387	122,044	(189,052)	(379)	–
Net interest income	276,864	287,894	16,276	24,386	605,420
Net fee and commission income	36,068	60,906	16,257	8,261	121,492
Net trading (loss)/gain	(1,568)	(52)	7,684	1,752	7,816
Dividend income	–	–	36	5,885	5,921
Net (loss)/gain arising from investment securities	(7,962)	(2,769)	18,205	3,024	10,498
Net gain/(loss) on derecognition of financial assets measured at amortised cost	995	3,538	105	(4)	4,634
Other operating income, net	51	610	4,810	3,454	8,925
Operating income	304,448	350,127	63,373	46,758	764,706
Operating expenses	(85,646)	(102,205)	(12,534)	(18,797)	(219,182)
Credit impairment losses	(112,464)	(33,213)	(13,038)	(9,234)	(167,949)
Other impairment losses	(14)	–	(465)	(287)	(766)
Share of profits of associates and joint ventures	–	–	–	1,603	1,603
Profit before tax	106,324	214,709	37,336	20,043	378,412
Capital expenditure	6,007	8,251	742	4,838	19,838
Depreciation and amortisation	9,638	13,236	1,191	3,230	27,295
	31 December 2021				
Segment assets	10,242,492	7,989,445	10,646,401	1,479,905	30,358,243
Long-term equity investments	–	–	–	18,875	18,875
	10,242,492	7,989,445	10,646,401	1,498,780	30,377,118
Deferred tax assets					92,343
Elimination					(215,482)
Total assets					30,253,979
Segment liabilities	12,097,392	11,827,180	1,839,462	2,089,910	27,853,944
Deferred tax liabilities					1,395
Elimination					(215,482)
Total liabilities					27,639,857
Off-balance sheet credit commitments	1,978,176	1,116,724	–	274,994	3,369,894

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

56 OPERATING SEGMENTS (CONTINUED)

(2) Business segments (continued)

	Year ended 31 December 2020				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	187,158	174,543	190,605	23,603	575,909
Internal net interest income/(expense)	69,181	92,384	(152,742)	(8,823)	–
Net interest income	256,339	266,927	37,863	14,780	575,909
Net fee and commission income	35,390	57,586	15,804	5,802	114,582
Net trading (loss)/gain	(1,656)	(37)	4,313	1,693	4,313
Dividend income	–	–	1	3,181	3,182
Net (loss)/gain arising from investment securities	(5,746)	(2,512)	5,729	8,294	5,765
Net gain on derecognition of financial assets measured at amortised cost	–	4,338	274	37	4,649
Other operating income, net	66	834	2,308	2,616	5,824
Operating income	284,393	327,136	66,292	36,403	714,224
Operating expenses	(71,198)	(90,202)	(10,485)	(16,689)	(188,574)
Credit impairment losses	(146,460)	(30,887)	(4,219)	(11,925)	(193,491)
Other impairment losses	(120)	–	4,327	(645)	3,562
Share of profits of associates and joint ventures	–	–	–	895	895
Profit before tax	66,615	206,047	55,915	8,039	336,616
Capital expenditure	6,179	8,725	762	9,826	25,492
Depreciation and amortisation	9,294	13,124	1,146	2,618	26,182
	31 December 2020				
Segment assets	9,235,872	7,409,563	10,077,510	1,472,784	28,195,729
Long-term equity investments	–	–	–	13,702	13,702
	9,235,872	7,409,563	10,077,510	1,486,486	28,209,431
Deferred tax assets					92,950
Elimination					(170,127)
Total assets					28,132,254
Segment liabilities	11,502,039	10,639,882	1,693,095	2,076,461	25,911,477
Deferred tax liabilities					1,551
Elimination					(170,127)
Total liabilities					25,742,901
Off-balance sheet credit commitments	2,115,619	1,031,210	–	266,701	3,413,530

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 ENTRUSTED LENDING BUSINESS

As at the end of the reporting period, the entrusted loans and entrusted funds were as follows:

	31 December 2021	31 December 2020
Entrusted loans	3,852,573	3,572,599
Entrusted funds	3,852,573	3,572,599

58 PLEDGED ASSETS

(1) Assets pledged as securities

The Group's collaterals for liabilities or contingent liabilities include financial assets such as securities and bills, which mainly serve as collaterals for repurchase agreements, derivative contracts and local statutory requirements. As at 31 December 2021, the carrying values of the Group's financial assets pledged as collaterals amounted to approximately RMB1,079,782 million (31 December 2020: RMB1,137,581 million).

(2) Collateral accepted as securities for assets

As part of the resale agreements, the Group has received securities that were allowed to sell or repledge in the absence of default by their owners. As at 31 December 2021 and 31 December 2020, the Group did not hold any collateral for resale agreements which was permitted to sell or repledge in the absence of default for the transactions.

59 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Credit commitments

Credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, financial guarantees, letters of credit, etc. The Group assesses and makes allowance for any probable losses accordingly.

The contractual amounts of loan commitments and credit card overdraft commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers.

As credit commitments may expire without being drawn upon, the contractual amounts set out in the following table do not represent the expected future cash outflows.

	31 December 2021	31 December 2020
Loan commitments		
– with an original maturity within one year	65,623	94,762
– with an original maturity of one year or more	350,767	488,350
Credit card commitments	1,149,306	1,068,582
	1,565,696	1,651,694
Bank acceptances	322,698	278,231
Financing guarantees	48,127	46,656
Non-financing guarantees	1,241,473	1,236,368
Sight letters of credit	41,858	43,329
Usance letters of credit	143,941	141,600
Others	6,101	15,652
Total	3,369,894	3,413,530

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

59 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(2) Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the CBIRC and depends on the status of the counterparty and the maturity characteristics.

	31 December 2021	31 December 2020
Credit risk-weighted amount of contingent liabilities and commitments	**1,118,908**	1,108,129

(3) Capital commitments

As at 31 December 2021, the Group's contracted for but not disbursed capital commitments amounted to RMB5,781 million (as at 31 December 2020: RMB15,004 million).

(4) Underwriting obligations

As at 31 December 2021, there was no unexpired underwriting commitment of the Group (as at 31 December 2020: Nil).

(5) Government bond redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 31 December 2021, were RMB65,119 million (as at 31 December 2020: RMB74,435 million).

(6) Outstanding litigations and disputes

As at 31 December 2021, the Group was the defendant in certain pending litigations and disputes with gross claims of RMB8,765 million (as at 31 December 2020: RMB9,424 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 44). The Group considers that the provisions made are reasonable and adequate.

(7) Provision against commitments and contingent liabilities

The Group assessed and made provisions for any probable outflow of economic benefits in relation to the commitments and contingent liabilities in accordance with their accounting policies.

(8) Impact of the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions*

In accordance with the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions* jointly issued by the PBOC and three other ministries as well as the PBOC's announcement to extend the transition period to 2021, financial institutions with difficulty in completing the rectification may apply for disposal of assets on a case-by-case basis. In addition to assets for which the Group had applied to regulators for disposal on a case-by-case basis, the Group has completed the rectification of legacy wealth management business and recognised its impact in 2021 financial statements in terms of provisions and credit impairment losses. The Group will duly implement relevant policies and regulatory requirements, and continue to assess and disclose relevant impact, and strive to complete the rectification as soon as possible.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Transactions with parent companies and their affiliates

The parent companies of the Group are CIC and Huijin.

As approved by the State Council, CIC was established on 29 September 2007 with registered capital of RMB1,550,000 million. As a wholly-owned subsidiary of CIC, Huijin exercises its rights and obligations as an investor on behalf of the PRC government in accordance with laws.

Huijin was incorporated on 16 December 2003 as a wholly-state-owned investment company. It was registered in Beijing with registered capital of RMB828,209 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations. As at 31 December 2021, Huijin directly held 57.11% of shares of the Bank.

The related companies under parent companies include the subsidiaries under parent companies and other associates and joint ventures.

The Group's transactions with parent companies and their affiliates mainly include deposit taking, entrusted asset management, operating leases, lending, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts with a nominal value of RMB46,000 million (as at 31 December 2020: RMB80,000 million). These are bearer bonds and tradable in the secondary market. The Group has no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

(a) Transactions with parent companies

In the ordinary course of the business, material transactions that the Group entered into with parent companies are as follows:

Amounts

	2021		2020	
	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income	1,438	0.14%	1,987	0.20%
Interest expense	220	0.05%	158	0.04%
Net trading gain	1	0.01%	34	0.79%

Balances outstanding as at the end of the reporting period

	31 December 2021		31 December 2020	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Loans and advances to customers	–	–	4,000	0.02%
Financial investments				
Financial assets measured at fair value through profit or loss	30	0.01%	104	0.02%
Financial assets measured at amortised cost	24,444	0.47%	23,490	0.52%
Financial assets measured at fair value through other comprehensive income	14,489	0.75%	20,163	1.08%
Deposits from banks and non-bank financial institutions	–	–	12	0.00%
Deposits from customers	52,271	0.23%	5,681	0.03%
Credit commitments	288	0.01%	288	0.01%

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(1) Transactions with parent companies and their affiliates (continued)

(b) Transactions with the affiliates of parent companies

In the ordinary course of the business, material transactions that the Group entered into with the affiliates of parent companies are as follows:

Amounts

		2021		2020	
	Note	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income		18,272	1.73%	18,413	1.86%
Interest expense		3,184	0.70%	3,508	0.85%
Fee and commission income		394	0.28%	221	0.17%
Fee and commission expense		84	0.49%	359	2.12%
Net trading gain		381	4.87%	289	6.70%
Net gain arising from investment securities		3,616	34.44%	2,119	36.76%
Operating expenses	(i)	1,028	0.47%	810	0.43%

Balances outstanding as at the end of the reporting period

		31 December 2021		31 December 2020	
	Note	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Deposits with banks and non-bank financial institutions		25,124	16.20%	85,722	18.91%
Placements with banks and non-bank financial institutions		52,385	27.84%	138,354	37.55%
Positive fair value of derivatives		4,054	12.85%	14,013	20.30%
Financial assets held under resale agreements		72,244	13.16%	35,743	5.94%
Loans and advances to customers		82,059	0.45%	72,800	0.45%
Financial investments					
Financial assets measured at fair value through profit or loss		103,301	18.94%	97,007	16.78%
Financial assets measured at amortised cost		158,579	3.08%	200,448	4.45%
Financial assets measured at fair value through other comprehensive income		229,918	11.84%	221,531	11.86%
Other assets		–	–	53	0.02%
Deposits from banks and non-bank financial institutions	(ii)	105,969	5.48%	124,039	6.38%
Placements from banks and non-bank financial institutions		111,136	37.14%	119,434	34.16%
Financial liabilities measured at fair value through profit or loss		3	0.00%	90	0.04%
Negative fair value of derivatives		4,477	14.29%	12,037	14.69%
Financial assets sold under repurchase agreements		1,860	5.49%	1,291	2.28%
Deposits from customers		75,397	0.34%	74,052	0.36%
Other liabilities		9,366	1.70%	6,587	1.21%
Credit commitments		9,581	0.28%	14,193	0.42%

(i) Operating expenses mainly represent fees for related services provided by parent companies and their affiliates.

(ii) Deposits from the affiliates of parent companies are unsecured and are repayable under normal commercial terms.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(2) Transactions with associates and joint ventures of the Group

Transactions between the Group and its associates and joint ventures are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group.

In the ordinary course of the business, material transactions that the Group entered into with associates and joint ventures are as follows:

Amounts

	2021	2020
Interest income	410	171
Interest expense	305	55
Fee and commission income	130	69
Fee and commission expense	–	4
Operating expenses	99	119

Balances outstanding as at the end of the reporting period

	31 December 2021	31 December 2020
Loans and advances to customers	9,907	7,959
Other assets	1,168	913
Financial liabilities measured at fair value through profit or loss	9	7
Deposits from customers	6,940	8,047
Other liabilities	923	6,709
Credit commitments	322	303

(3) Transactions between the Bank and its subsidiaries

Transactions between the Bank and its subsidiaries are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions are conducted between the Group and non-related companies outside the Group. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 4(1)(b).

In the ordinary course of the business, material transactions that the Bank entered into with its subsidiaries are as follows:

Amounts

	2021	2020
Interest income	2,002	1,871
Interest expense	847	1,160
Fee and commission income	3,053	2,257
Fee and commission expense	697	775
Dividend income	676	557
Operating expenses	8,381	6,407
Other operating expense, net	152	101

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(3) Transactions between the Bank and its subsidiaries (continued)

Balances outstanding as at the end of the reporting period

	31 December 2021	31 December 2020
Deposits with banks and non-bank financial institutions	2,728	3,166
Placements with banks and non-bank financial institutions	129,824	119,347
Positive fair value of derivatives	216	177
Loans and advances to customers	8,244	5,875
Financial investments		
Financial assets measured at fair value through profit or loss	1,374	654
Financial assets measured at amortised cost	1,273	1,206
Financial assets measured at fair value through other comprehensive income	22,301	18,262
Other assets	37,792	37,967

	31 December 2021	31 December 2020
Deposits from banks and non-bank financial institutions	17,791	11,905
Placements from banks and non-bank financial institutions	32,988	39,189
Financial liabilities measured at fair value through profit or loss	–	109
Negative fair value of derivatives	156	317
Deposits from customers	12,328	7,399
Debt securities issued	–	50
Other liabilities	5,806	9,015

As at 31 December 2021, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary was RMB12,219 million (as at 31 December 2020: RMB16,455 million).

As at 31 December 2021, the transactions between subsidiaries of the Group were mainly debt securities issued and deposits with banks and non-bank financial institutions, and the balances of the above transactions were RMB693 million and RMB1,265 million respectively (as at 31 December 2020, the transactions between subsidiaries of the Group were debt securities issued and deposits with banks and non-bank financial institutions, and the balances of the above transactions were RMB1,457 million and RMB1,022 million, respectively).

(4) Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations. Transactions with other state-owned entities include but are not limited to: lending and deposit taking; taking and placing of inter-bank balances; entrusted lending and other custody services; insurance and securities agency, and other intermediary services; purchase, sale, underwriting and redemption of bonds issued by other state-owned entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(5) Transactions with the Annuity Scheme and Plan Assets

Apart from the obligations for defined contributions to the Annuity Scheme and regular banking transactions, there were no other transactions between the Group and the Annuity Scheme in 2021 and 2020.

As at 31 December 2021, the fair value of the Group's supplementary retirement benefit plan assets managed by CCB Principal Asset Management and CCB Pension was RMB3,828 million (as at 31 December 2020: RMB3,918 million), and management fees payable to CCB Principal Asset Management and CCB Pension were RMB22.08 million (as at 31 December 2020: RMB28.05 million).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(6) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives. The Group enters into banking transactions with key management personnel in the normal course of business. For the years ended 31 December 2021 and 2020, there were no material transactions and balances with key management personnel.

The compensation of directors and supervisors is disclosed in Note 16. The senior executives' annual compensation before individual income tax during the year is as follows:

	2021			
	Remuneration paid RMB'000	Contributions to defined contribution retirement schemes RMB'000	Other benefits in kind (Note (i)) RMB'000	Total (Note (ii)) RMB'000
Executive Vice Presidents				
Ji Zhihong	557	53	146	756
Wang Hao	557	53	146	756
Zhang Min	557	53	146	756
Li Yun	186	18	55	259
Secretary to the Board				
Hu Changmiao	1,335	53	220	1,608
Chief Information Officer				
Jin Panshi	890	36	143	1,069
Chief Risk Officer				
Cheng Yuanguo	890	36	139	1,065
Former Chief Risk Officer				
Jin Yanmin	353	17	72	442
Former Chief Financial Officer				
Zhang Yi	441	18	78	537
	5,766	337	1,145	7,248

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(6) Key management personnel (continued)

	2020			
	Annual remuneration payable (Allowances) RMB'000	Employer's contribution to social insurances, enterprise annuity, supplemental medical insurance and housing provident fund RMB'000	Other Monetary income RMB'000	Incentive income for 2018-2020 tenure RMB'000
Executive Vice Presidents				
Ji Zhihong	775	159	–	350
Wang Hao	258	61	–	74
Zhang Min	64	15	–	19
Chief Risk Officer				
Jin Yanmin	2,399	243	–	–
Secretary to the Board				
Hu Changmiao	2,399	239	–	–
Former Executive Vice President				
Huang Yi	258	46	–	494
Former Chief Financial Officer				
Xu Yiming	799	60	–	–
	6,952	823	–	937

(i) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

(ii) The total compensation package for these key management personnel for the year ended 31 December 2021 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation to be adjusted for is not expected to have significant impact on the Group's financial statements for the year ended 31 December 2021. The final compensation will be disclosed in a separate announcement when determined.

(iii) The total compensation package for certain key management personnel for the year ended 31 December 2020 had not been finalised in accordance with regulations of the PRC relevant authorities as at the date that the 2020 financial statements were announced. The aforesaid total compensation package for the key management personnel for the year ended 31 December 2020 has been reviewed and approved by the Board meeting of the Bank and the shareholders' general meeting of the Bank.

(iv) From 2015 onwards, remuneration of the Bank's leaders administered by central authorities has been paid in accordance with relevant policies relating to the central remuneration reform.

(7) Loans, quasi-loans and other credit transactions to directors, supervisors and senior executives

The Group had no material balance of loans, quasi-loans and other credit transactions to directors, supervisors and senior executives as at the end of reporting period. Those loans, quasi-loans and other credit transactions to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.

61 RISK MANAGEMENT

The Group has exposure to the following risks:

– credit risk

– market risk

– liquidity risk

– operational risk

– insurance risk

This note presents information about the Group's exposures to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management.

Risk management framework

The Board performs risk management responsibilities pursuant to the Bank's Articles of Association and regulatory requirements. The Risk Management Committee under the Board is responsible for developing risk management strategies, supervising the implementation, and assessing the overall risk profile on a regular basis. The Board reviews the statements of risk appetite regularly and transmits risk appetite through policies. The Board of Supervisors supervises the construction of the comprehensive risk management system, as well as the performance of the Board and senior management in delivering comprehensive risk management responsibilities. Senior management is responsible for implementing risk strategies developed by the Board and organising the comprehensive risk management work across the Group.

Chief Risk Officer of the Bank assists the President with the corresponding risk management work within designated responsibilities. Risk Management Department is the leading management department responsible for the Group's comprehensive risk management, and its subordinate department, Market Risk Management Department takes the lead in market risk management. Credit Management Department is the leading management department responsible for the overall credit risk management and country risk management. Asset & Liability Management Department is the leading management department responsible for the management of liquidity risk and interest rate risk of banking book. Internal Control & Compliance Department is the leading management department responsible for operational risk and information technology risk management. Public Relations & Corporate Culture Department is in charge of reputational risk management. Strategy and Policy Coordination Department is the leading management department responsible for strategic risk management. Other specialised departments are responsible for other respective risks.

The Bank attached great importance to the risk management of subsidiaries, implemented management requirements of the parent bank through the corporate governance mechanism, continuously improved the quality and efficiency of the performance of the Board of Directors of the subsidiaries, and required the subsidiaries to focus on their main businesses, operate steadily, and establish a sound risk control system. It further highlighted the transmission of risk appetite at the Group level within the group risk management framework, and implemented refined and differentiated management of different types of subsidiaries. It strengthened the Group's consolidation and credit management to avoid lending beyond credit limits. It continued to promote the establishment of risk views of subsidiaries, and effectively improved the digital level of risk early warning and risk monitoring of subsidiaries. It strengthened overall planning and coordination and improved the long-term mechanism for risk management of the asset management business at the subsidiaries.

(1) Credit risk

Credit risk management

Credit risk represents the financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group.

Credit business

The Risk Management Department takes the lead in the development and implementation of the credit risk measurement tools including customers rating and facilities grading. The Credit Management Department is responsible for establishing credit risk management policies and monitoring the quality of credit assets. The Special Assets Resolution Department is responsible for the special assets resolutions. The Credit Approval Department is responsible for the Group's comprehensive credit limits and credit approval of various credit businesses. While the Credit Management Department takes the lead, both the Credit Management Department and the Credit Approval Department will coordinate with the Corporate Banking Department, the Inclusive Finance Department, the Institutional Banking Department, the International Business Department, the Strategic Clients Department, the Housing Finance & Personal Lending Department, the Credit Card Center, and the Legal Affairs Department to implement the credit risk management policies and procedures.

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

Credit risk management (continued)

Credit business (continued)

With respect to the credit risk management of corporate and institutional business, the Group has accelerated the adjustment of its credit portfolio structure, enhanced post-lending monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned the credit acceptance and exit policies, and optimised its economic capital and credit risk limit management. All these policies have been implemented to maintain the stability of asset quality. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. The Group performs pre-lending evaluations by assessing the entity's credit ratings based on internal rating criteria and assessing the risk and rewards with respect to the proposed project. Credit approvals are granted by designated Credit Approval Officers. The Group continually carries out post-lending monitoring, particularly those related to targeted industries, geographical segments, products and clients. Any adverse events that may significantly affect a borrower's repayment ability are reported timely and measures are implemented to prevent and control risks.

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. Customer relationship managers are required to assess the income, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and recommendations to the loan-approval departments for consent. The Group pays great attention to post-lending monitoring of personal loans, focuses on borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the recovery process according to standard recovery procedures.

To mitigate risks, the Group requests the customers to provide collateral or guarantees where appropriate. A refined management system and operating procedure for collateral have been developed, and there is a guideline to specify the suitability of accepting specific types of collateral. Collateral values, structures and legal covenants are regularly reviewed to ensure that they still serve their intended purposes and conform to market practices.

Treasury business

For risk management purposes, credit risk arising from debt securities and derivatives exposures is managed independently and information thereon is disclosed in Notes (1)(i) and (1)(j) below. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

Measurement of expected credit losses (ECL)

(A) Segmentation of financial instruments

The Group adopts a "three-stage" model for impairment based on changes in credit risk since initial recognition or by determining whether the financial instruments are credit-impaired, to estimate the expected credit losses.

The key definition of the three stages are summarised below:

Stage 1: For financial instruments with no significant increase in credit risk after initial recognition, expected credit losses in the next 12 months are recognised.

Stage 2: For financial instruments with significant increase in credit risk since initial recognition, but with no objective evidence of impairment, lifetime expected credit losses are recognised.

Stage 3: For financial instruments with objective evidence of impairment on the balance sheet date, lifetime expected credit losses are recognised.

(B) Significant increase in credit risk ("SICR")

The Group assesses at least quarterly whether the credit risk of a financial instrument has increased significantly since initial recognition. The Group compares the risk of default of financial instruments as at the balance sheet date with that as at the date of initial recognition for an individual financial instrument or a group of financial instruments with similar credit risk characteristics to determine whether the credit risk has increased significantly since initial recognition. The Group sufficiently considers all reasonable and supportable information in related assessments, including regulatory and business environment, internal and external credit rating of customer, customer repayment ability, customer operation capacity, contract terms of the loan, asset price, market interest rate, customer repayment behaviors, and forward-looking information.

The Group has set qualitative and quantitative criteria for assessing whether the credit risk of financial instruments has increased significantly since initial recognition. For example, the credit risk of corporate loans and advances whose internal credit ratings have fallen to level 15 and below, and of bond investments whose internal credit ratings have fallen by 2 and more levels, is regarded as having increased significantly.

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

Measurement of expected credit losses (ECL) (continued)

(B) Significant increase in credit risk ("SICR") (continued)

Usually, the credit risk of loans overdue for more than 30 days is regarded as having increased significantly.

For borrowers who were eligible for temporary deferral in principal repayment and interest payment, deferred repayment and other credit support measures in the wake of COVID-19, the Group, by reference to guidelines by relevant regulators, did not consider such support measures as an automatic trigger of a significant increase in credit risk. The Group continued to make judgment based on substantive risk assessment and comprehensively considered the operation and repayment capacity of borrowers, as well as factors such as the impact of COVID-19, on these borrowers, to assess whether the credit risk of relevant financial instruments had increased significantly since initial recognition.

(C) Definition of default and credit-impaired assets

The Group considers a financial asset as having defaulted when it is credit-impaired. Generally, financial assets overdue for more than 90 days on contractual payment terms shall be considered as having credit-impaired.

In order to evaluate whether a financial asset is impaired, the Group considers the following criteria:

- Significant financial difficulty of the borrower or issuer;
- Breach of contract terms, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons, making a concession to a borrower experiencing financial difficulty that the Group would not otherwise consider;
- It is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- Disappearance of an active market for financial assets because of financial difficulties;
- A financial asset purchased or originated by a large discount which reflects the fact of credit-impairment having occurred;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including adverse changes in the payment status of borrowers in the Group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the Group; and
- Other objective evidence indicating there is a credit impairment of the financial asset.

The Group's definition of default has been consistently applied to the estimates of PD, LGD and EAD during the ECL measurement.

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

Measurement of expected credit losses (ECL) (continued)

(D) Explanation of parameters, assumptions and estimation techniques

The ECL is recognised on either within a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether a financial instrument is considered to be credit-impaired. Expected credit losses are the discounted product of the weighted average of PD, LGD, and EAD under the optimistic, baseline and pessimistic scenarios, defined as follows:

PD refers to the likelihood of a borrower defaulting on its financial obligation in the future, after consideration of forward-looking information. Please refer to earlier disclosure in this note for the definition of default.

LGD refers to the Group's expected loss amount resulting from default as a proportion of total exposure, after consideration of forward-looking information.

EAD is the total amount of risk exposure on and off-balance sheet at the time of default. The exposure is determined by the repayment plan according to different types of products.

The discount rate used in the ECL measurement is the effective interest rate.

During the reporting period, based on changes in macroeconomic environment, the Group has updated forward-looking information used in the measurement of expected credit losses. Please refer to further disclosure in this note for forward-looking information which is incorporated in the measurement of expected credit losses.

The assumptions underlying the ECL measurement, such as the PDs for different maturities and how the collateral values change, are monitored and reviewed on a quarterly basis.

During the reporting period, the Group conducted a comprehensive review of key models for the measurement of expected credit losses, and continued to optimize models based on the result of this review.

There have been no significant changes in estimation techniques and such assumptions made during the reporting period.

(E) Forward-looking information incorporated in the ECL

The assessment of SICR and the measurement of ECL both incorporate forward-looking information.

The Group has performed historical data analysis and identified the macroeconomic variables affecting expected credit losses, such as GDP, CPI, M2, PPI, RMB deposit reserve rate, London spot gold price, average exchange rate of US Dollar to RMB, sales price indices of second-hand residential buildings in 70 large and medium-sized cities, national real estate climate index, unemployment rate, and so on.

In 2021, the spread of COVID-19 pandemic accelerated globally, the external environment remained complex and severe with significant uncertainties in macroeconomic development. The Group referred to forecast results of international and domestic authoritative institutions and utilized internal experts to develop scenario assumptions specifically applicable to the measurement of expected credit losses.

The forecast GDP value for baseline scenario was set as the average value of forecasts released by authoritative international and domestic institutions, and the forecast 2022 GDP growth under the baseline scenario ranged from 5.0% to 5.5%. For other macroeconomic variables, the Group involved internal experts and used methods such as transmission models, economic principles, and expert judgment to calculate the predicted value of each variable under each scenario.

The Group constructs empirical models to derive the relationship between historical macroeconomic variables and PD and LGD, and calculates the PD and LGD values for a given future horizon using the forecasted macroeconomic variables.

The Group constructs empirical models to determine the weightings for optimistic, baseline and pessimistic scenarios. As at 31 December 2021 and 31 December 2020, the optimistic, baseline and pessimistic scenarios are of comparable weighting.

(F) Grouping of financial instruments for expected credit losses measured on a collective basis

When measuring provisions for expected credit losses measured on a collective basis, the Group divided exposures with shared risk characteristics into separate groups. In performing this grouping, the Group obtained sufficient information to ensure it is statistically reliable. The Group measured expected credit losses on personal loans and advances on a collective basis by considering factors such as internal rating risk pool, product type and client type.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(a) *Maximum credit risk exposure*

The following table presents the maximum exposure to credit risk as at the end of the reporting period without taking into consideration any collateral held or other credit enhancement. In respect of the financial assets recognised in the statement of financial position, the maximum exposure to credit risk is represented by the carrying amount after deducting any impairment allowance.

	31 December 2021	31 December 2020
Deposits with central banks	2,715,279	2,767,096
Deposits with banks and non-bank financial institutions	155,107	453,233
Placements with banks and non-bank financial institutions	188,162	368,404
Positive fair value of derivatives	31,550	69,029
Financial assets held under resale agreements	549,078	602,239
Loans and advances to customers	18,170,492	16,231,369
Financial investments		
Financial assets measured at fair value through profit or loss	280,217	361,318
Financial assets measured at amortised cost	5,155,168	4,505,243
Financial assets measured at fair value through other comprehensive income	1,934,061	1,860,503
Other financial assets	295,753	205,860
Total	29,474,867	27,424,294
Off-balance sheet credit commitments	3,369,894	3,413,530
Maximum credit risk exposure	32,844,761	30,837,824

(b) *Loans and advances to customers analysed by credit quality*

Within overdue but not credit impaired loans and advances and credit impaired loans and advances, the portions covered and not covered by the collateral held are as follows:

	31 December 2021		
	Overdue but not credit impaired loans and advances		Credit impaired loans and advances
	Corporate	Personal	Corporate
Portion covered	1,749	16,686	67,909
Portion not covered	1,445	9,649	166,480
Total	3,194	26,335	234,389

	31 December 2020		
	Overdue but not credit impaired loans and advances		Credit impaired loans and advances
	Corporate	Personal	Corporate
Portion covered	1,011	16,468	81,636
Portion not covered	1,535	10,419	148,796
Total	2,546	26,887	230,432

The above collateral includes land use rights, buildings and equipment, etc. The fair value of collateral was estimated by the Group with reference to the latest available external valuations adjusted after taking into account the current realisation experience as well as the market situation.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations

	31 December 2021			31 December 2020		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Transportation, storage and postal services	**1,873,940**	**9.96%**	**577,486**	1,703,060	10.14%	529,450
– Leasing and commercial services	**1,784,905**	**9.49%**	**569,004**	1,481,999	8.83%	505,365
– Manufacturing	**1,553,851**	**8.26%**	**426,494**	1,425,165	8.49%	378,593
– Production and supply of electric power, heat, gas and water	**1,009,162**	**5.37%**	**200,015**	867,109	5.17%	189,047
– Wholesale and retail trade	**961,353**	**5.11%**	**503,282**	773,466	4.61%	377,767
– Real estate	**837,716**	**4.45%**	**426,456**	788,560	4.70%	436,419
– Water, environment and public utility management	**645,987**	**3.43%**	**263,172**	540,313	3.22%	235,243
– Construction	**454,623**	**2.42%**	**130,856**	396,171	2.36%	106,836
– Mining	**272,833**	**1.45%**	**16,953**	236,199	1.41%	16,885
– Agriculture, forestry, farming, fishing	**99,550**	**0.53%**	**23,380**	88,754	0.53%	17,644
– Education	**75,167**	**0.40%**	**17,994**	72,721	0.43%	16,713
– Public management, social securities and social organisation	**56,141**	**0.30%**	**421**	55,905	0.33%	1,604
– Others	**781,799**	**4.16%**	**247,202**	746,102	4.44%	210,436
Total corporate loans and advances	**10,407,027**	**55.33%**	**3,402,715**	9,175,524	54.66%	3,022,002
Personal loans and advances	**7,977,650**	**42.42%**	**6,704,601**	7,311,183	43.55%	6,104,175
Discounted bills	**379,469**	**2.02%**	**–**	259,061	1.54%	–
Accrued interest	**43,684**	**0.23%**	**–**	41,664	0.25%	–
Total loans and advances to customers	**18,807,830**	**100.00%**	**10,107,316**	16,787,432	100.00%	9,126,177

As at 31 December 2021, no economic sector accounted for 10% or above of the Group's total balance of loans and advances to customers.

The table below lists economic sectors accounting for 10% or above of the Group's total balance of loans and advances to customers as at 31 December 2020, details of credit impaired (stage 3) loans, allowances for expected credit losses, credit impairment losses, and amounts written off:

	31 December 2020				2020	
		Allowances for expected credit losses				
	Stage 3 Gross loans	Stage 1	Stage 2	Stage 3	Charge for the year	Written off during the year
Transportation, storage and postal services	37,695	(28,478)	(14,023)	(27,783)	(14,829)	2,382

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(d) *Loans and advances to customers analysed by geographical sector concentrations*

	31 December 2021			31 December 2020		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	3,492,555	18.57%	2,094,035	3,003,466	17.89%	1,823,289
Central	3,460,768	18.40%	2,090,226	3,084,244	18.37%	1,914,520
Bohai Rim	3,158,558	16.79%	1,497,010	2,819,557	16.80%	1,367,386
Pearl River Delta	3,137,528	16.68%	2,096,561	2,770,718	16.50%	1,885,512
Western	3,070,704	16.33%	1,757,244	2,741,336	16.33%	1,589,540
Northeastern	805,241	4.28%	387,189	766,232	4.56%	375,371
Head office	900,573	4.79%	–	830,609	4.95%	–
Overseas	738,219	3.93%	185,051	729,606	4.35%	170,559
Accrued interest	43,684	0.23%	–	41,664	0.25%	–
Gross loans and advances to customers	18,807,830	100.00%	10,107,316	16,787,432	100.00%	9,126,177

Details of Stage 3 loans and expected credit losses in respect of geographical sectors as at the end of the reporting period are as follows:

	31 December 2021			
	Stage 3 Gross loan balance	Allowances for expected credit losses		
		Stage 1	Stage 2	Stage 3
Central	70,428	(57,822)	(29,569)	(46,942)
Bohai Rim	41,805	(49,895)	(27,159)	(26,074)
Pearl River Delta	37,532	(54,458)	(22,989)	(21,850)
Western	36,527	(52,958)	(31,002)	(23,239)
Yangtze River Delta	32,286	(63,241)	(27,272)	(19,689)
Northeastern	30,672	(12,260)	(11,980)	(21,792)
Head office	12,046	(16,648)	(2,057)	(10,325)
Overseas	4,775	(2,925)	(2,437)	(2,755)
Total	266,071	(310,207)	(154,465)	(172,666)

	31 December 2020			
	Stage 3 Gross loan balance	Allowances for expected credit losses		
		Stage 1	Stage 2	Stage 3
Central	65,990	(50,739)	(19,917)	(49,417)
Bohai Rim	43,467	(45,227)	(21,927)	(26,744)
Western	39,218	(48,926)	(17,893)	(25,133)
Pearl River Delta	38,323	(46,614)	(12,955)	(21,855)
Yangtze River Delta	32,932	(53,150)	(20,265)	(20,308)
Northeastern	22,581	(12,771)	(9,112)	(15,654)
Head office	11,772	(15,165)	(2,917)	(10,231)
Overseas	6,446	(2,836)	(3,113)	(3,194)
Total	260,729	(275,428)	(108,099)	(172,536)

The definitions of geographical segments are set out in Note 56(1). The above allowances for ECL do not include allowances for ECL of loans and advances measured at fair value through other comprehensive income.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(e) Loans and advances to customers analysed by type of collateral

	31 December 2021	31 December 2020
Unsecured loans	6,295,609	5,397,481
Guaranteed loans	2,361,221	2,222,110
Loans secured by property and other immovable assets	8,589,061	7,703,618
Other pledged loans	1,518,255	1,422,559
Accrued interest	43,684	41,664
Gross loans and advances to customers	18,807,830	16,787,432

(f) Restructured loans and advances to customers

Restructured loans and advances to customers are those loans and advances to customers for which the Group has modified the contract terms as a result of the deterioration in the borrower's financial position or of the borrower's inability to make payments when due. The proportion of the Group's restructured loans and advances to customers was not significant for the years ended 31 December 2021 and 2020.

(g) Credit exposure

Loans and advances to customers

	31 December 2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	17,902,319	88,858	–	17,991,177
Medium risk	–	503,137	–	503,137
High risk	–	–	266,071	266,071
Gross loans and advances	17,902,319	591,995	266,071	18,760,385
Allowances for impairment losses on loans and advances measured at amortised cost	(310,207)	(154,465)	(172,666)	(637,338)
Allowances for impairment losses on loans and advances measured at fair value through other comprehensive income	(900)	(216)	–	(1,116)

	31 December 2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	15,937,968	44,916	–	15,982,884
Medium risk	–	492,265	–	492,265
High risk	–	–	260,729	260,729
Gross loans and advances	15,937,968	537,181	260,729	16,735,878
Allowances for impairment losses on loans and advances measured at amortised cost	(275,428)	(108,099)	(172,536)	(556,063)
Allowances for impairment losses on loans and advances measured at fair value through other comprehensive income	(603)	(237)	–	(840)

The Group classifies asset risk characteristics according to the quality of assets. "Low risk" means that the borrower can fulfil the contract, and there are not enough reasons to suspect that the principal and interest of the loan cannot be repaid in full on time; "Medium risk" means that the borrower is currently able to repay the principal and interest of the loan, but there are some factors that may adversely affect the repayment; "High risk" means that the borrower has obvious problems in its repayment ability and loan principal and interest cannot be repaid in full by relying on normal business income. Even if the guarantee is enforced, losses may be incurred.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(g) Credit exposure (continued)

Financial investments

	31 December 2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	6,985,424	455	–	6,985,879
Medium risk	18,337	6,255	–	24,592
High risk	–	–	18,370	18,370
Total carrying amount excluding accrued interest	7,003,761	6,710	18,370	7,028,841
Allowance for impairment losses on financial assets measured at amortised cost	(17,737)	(1,427)	(15,064)	(34,228)
Allowance for impairment losses on financial assets measured at fair value through other comprehensive income	(3,640)	(101)	(70)	(3,811)

	31 December 2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	6,266,753	208	–	6,266,961
Medium risk	16,995	2,420	–	19,415
High risk	–	947	10,420	11,367
Total carrying amount excluding accrued interest	6,283,748	3,575	10,420	6,297,743
Allowance for impairment losses on financial assets measured at amortised cost	(13,211)	(282)	(6,745)	(20,238)
Allowance for impairment losses on financial assets measured at fair value through other comprehensive income	(3,334)	(11)	–	(3,345)

The Group classifies financial investment risk characteristics based on asset eligibility and internal rating changes. "Low risk" means that the issuer's initial internal rating is above the entry level, and there are no reasons to suspect that the financial investment is expected to default; "Medium risk" means that although the issuer's internal rating is reduced to a certain extent, but there are not enough reasons to suspect that the financial investment is expected to default; "High risk" means that there are obvious problems which may cause a default, or the financial investment indeed is defaulted.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(g) Credit exposure (continued)

Amounts due from banks and non-bank financial institutions

Amounts due from banks and non-bank financial institutions include deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

	31 December 2021			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Low risk	**874,539**	**16,250**	**–**	**890,789**
Medium risk	**–**	**–**	**–**	**–**
High risk	**–**	**–**	**–**	**–**
Total carrying amount excluding accrued interest	**874,539**	**16,250**	**–**	**890,789**
Allowance for impairment losses	**(564)**	**(67)**	**–**	**(631)**

	31 December 2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	1,421,186	–	–	1,421,186
Medium risk	–	–	–	–
High risk	–	–	–	–
Total carrying amount excluding accrued interest	1,421,186	–	–	1,421,186
Allowance for impairment losses	(775)	–	–	(775)

The Group classifies risk characteristics of amounts due from banks and non-bank financial institutions based on asset eligibility and internal rating changes. "Low risk" means that the issuer's initial internal rating is above the entry level, and there are no reasons to suspect that the amount due from banks and non-bank financial institutions is expected to default; "Medium risk" means that although the issuer's internal rating is reduced to a certain extent, but there are not enough reasons to suspect that the amount due from banks and non-bank financial institutions is expected to default; "High risk" means that there are obvious problems which may cause a default, or the amount due from banks and non-bank financial institutions indeed is defaulted.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(h) Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:

	31 December 2021	31 December 2020
Credit impaired	–	–
Allowances for impairment losses	–	–
Subtotal	–	–
Neither overdue nor impaired		
– grades A to AAA	634,609	1,133,754
– grades B to BBB	392	2,507
– unrated	255,788	284,925
Accrued interest	2,189	3,465
Total	892,978	1,424,651
Allowances for impairment losses	(631)	(775)
Subtotal	892,347	1,423,876
Total	892,347	1,423,876

Amounts neither overdue nor impaired are analysed above according to the Group's internal credit ratings. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of banks and non-bank financial institutions for which the Group has not assigned internal credit ratings.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(i) Distribution of debt investments analysed by rating

The Group adopts a credit rating approach to manage the credit risk of the debt investment portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of the debt investments are located. The carrying amounts of the debt investments analysed by the rating agency designations as at the end of the reporting period are as follows:

	31 December 2021					
	Unrated	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions	534	–	–	–	–	534
– Enterprises	17,156	–	–	–	1,509	18,665
Total	17,690	–	–	–	1,509	19,199
Allowances for impairment losses						(15,064)
Subtotal						4,135
Neither overdue nor impaired						
– Government	2,330,911	3,390,874	8,590	26,489	15,806	5,772,670
– Central banks	27,890	4,060	9,504	1,146	506	43,106
– Policy banks	751,472	744	505	21,706	–	774,427
– Banks and non-bank financial institutions	121,422	226,826	9,969	41,379	10,854	410,450
– Enterprises	23,637	306,944	29,675	18,441	5,125	383,822
Total	3,255,332	3,929,448	58,243	109,161	32,291	7,384,475
Allowances for impairment losses						(19,164)
Subtotal						7,365,311
Total						7,369,446

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(i) Distribution of debt investments analysed by rating (continued)

	31 December 2020					
	Unrated	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions	340	–	–	–	–	340
– Enterprises	7,545	–	1,226	–	1,800	10,571
Total	7,885	–	1,226	–	1,800	10,911
Allowances for impairment losses						(6,745)
Subtotal						4,166
Neither overdue nor impaired						
– Government	1,904,091	3,167,073	5,296	11,236	15,151	5,102,847
– Central banks	27,875	2,335	7,997	927	503	39,637
– Policy banks	758,689	408	–	22,297	–	781,394
– Banks and non-bank financial institutions	144,707	202,019	10,768	35,632	8,416	401,542
– Enterprises	59,740	295,736	25,000	25,242	5,253	410,971
Total	2,895,102	3,667,571	49,061	95,334	29,323	6,736,391
Allowances for impairment losses						(13,493)
Subtotal						6,722,898
Total						6,727,064

(j) Credit risk arising from the Group's derivative exposures

The majority of the Group's derivative transactions with domestic customers are hedged back-to-back with overseas banks and non-bank financial institutions. The Group is exposed to credit risk in respect of both domestic customers and overseas banks and non-bank financial institutions. The Group manages this risk by monitoring this exposure on a regular basis.

(k) Settlement risk

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

(l) Sensitivity analysis

The allowance for impairment losses is sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts, and other factors considered when applying expert judgement. Changes in these inputs, assumptions, models, and judgements would have an impact on the assessment of significant increase in credit risk and the measurement of ECL.

(i) Sensitivity analysis of segmentation

The loss provisions of performing financial assets consist of an aggregate amount of Stage 1 and Stage 2 probability-weighted ECL which are within 12-month ECL and lifetime ECL, respectively. A significant increase in credit risk since initial recognition will result in financial assets transferring from Stage 1 to Stage 2, and the loss allowance for those financial assets shall be measured at an amount equal to the lifetime expected credit losses. The following table presents the impact of ECL from the second year to the end of the lifetime for financial assets in Stage 2.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(l) Sensitivity analysis (continued)

(i) Sensitivity analysis of segmentation (continued)

	31 December 2021		
	12 months allowances for ECL of all performing financial assets	**Impact of lifetime**	**Current allowances for ECL**
Performing loans	**434,106**	**30,566**	**464,672**
Performing financial investments	**21,397**	**1,508**	**22,905**

	31 December 2020		
	12 months allowances for ECL of all performing financial assets	Impact of lifetime	Current allowances for ECL
Performing loans	364,768	18,759	383,527
Performing financial investments	16,554	284	16,838

The above allowances for ECL do not contain the allowances for ECL of loans and advances measured at fair value through other comprehensive income.

(ii) Sensitivity analysis of macroeconomic variables

The Group has carried out sensitivity analysis of GDP forecast. As at 31 December 2021, when GDP growth rate in the baseline scenario increased or decreased by 10%, the change in allowances for ECL did not exceed 5% (As at 31 December 2020: did not exceed 5%).

(2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses. A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. Non-trading book records those financial instruments and commodities which are not included in the trading book.

The Group continues to improve market risk management system. The Market Risk Management Department is responsible for leading the establishment of market risk management policies and rules, developing the market risk measurement tools, monitoring and reporting the trading market risk and related daily work. The Asset and Liability Management Department (the "ALM") is responsible for managing non-trading interest rate risk, exchange rate risk and the size and structure of the assets and liabilities in response to structural market risk. The Financial Market Department manages the Bank's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

The Group's interest rate risk mainly comprises repricing risk and basis risk arising from the mismatch of term structure and pricing basis of assets and liabilities. The Group uses multiple tools such as repricing gap analysis, sensitivity analysis on net interest income, scenario analysis and stress testing, etc., to monitor the interest rate risk periodically.

The Group's foreign exchange exposures mainly comprise exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposures by spot foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group considers that the market risk arising from stock prices in respect of its investment portfolios is minimal.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-Risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(a) VaR analysis

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rates, foreign exchange rates and commodity prices VaR for the Bank's trading portfolio. By reference to historical movements in interest rates, foreign exchange rates and commodity prices, the Risk Management Department calculates VaR on a daily basis for the trading portfolio and monitors it regularly. VaR is calculated at a confidence level of 99% and with a holding period of one day.

A summary of the VaR of the Bank's trading portfolio as at the end of the reporting period and during the respective years is as follows:

		2021			
	Note	**As at 31 December**	**Average**	**Maximum**	**Minimum**
VaR of trading portfolio		**151**	**160**	**196**	**127**
Of which:					
– Interest rate risk		**35**	**53**	**89**	**30**
– Foreign exchange risk	(i)	**155**	**163**	**203**	**110**
– Commodity risk		**1**	**9**	**45**	**–**

		2020			
	Note	As at 31 December	Average	Maximum	Minimum
VaR of trading portfolio		141	250	317	137
Of which:					
– Interest rate risk		87	98	182	46
– Foreign exchange risk	(i)	145	246	298	137
– Commodity risk		1	9	42	–

(i) The VaR in relation to bullion is included in the foreign exchange risk above.

VaR for each risk factor is the independently derived largest potential loss for a specific holding period and at a given confidence level due to fluctuations solely in that risk factor. The individual VaRs do not add up to the total VaR as there is diversification effect due to correlation amongst the risk factors.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

– A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;

– A 99 percent confidence level does not reflect losses that may occur beyond this level. Within the model used, there is 1 percent probability that losses could exceed the VaR;

– VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;

– The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and

– The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

61 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(b) Net interest income sensitivity analysis

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to balances with central banks, would increase or decrease annualised net interest income of the Group by RMB53,453 million (as at 31 December 2020: RMB45,546 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the annualised net interest income of the Group would decrease or increase by RMB76,805 million (as at 31 December 2020: RMB80,344 million).

The above interest rate sensitivity is for illustration purposes only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income movements under various predicted yield curve scenarios and are subject to the Bank's current interest rate exposures. However, the possible risk management measures that can be undertaken by the interest risk management department or related business departments to mitigate interest rate risk have not been taken into account. In practice, the departments that manage the interest rate risk strive to reduce loss arising from the risk while increasing the net income. These figures are estimated on the assumption that the interest rates on various maturities will move within similar ranges, and therefore do not reflect the potential net interest income changes in the event that interest rates on some maturities may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions, including that all positions will be held to maturity and rolled over upon maturity.

(c) Interest rate risk

Interest rate risk refers to the risk where the market interest rates, term structure and other factors may experience unfavourable fluctuations which impact the overall profitability and fair value resulting in losses to the Bank. The key determinants of the Group's interest rate risk arises from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in re-pricing risk and basis risk.

The ALM is responsible for regularly monitoring the interest rate risk positions and measuring the interest rate re-pricing gap. The main reason for measuring the interest rate re-pricing gap is to assist in analysing the impact of interest rate changes on net interest income.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate risk (continued)

The following tables indicate the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the reporting period.

		31 December 2021					
	Note	Non-interest-bearing	Within three months	Between three months and one year	Between one and five years	More than five years	Total
Assets							
Cash and deposits with central banks		92,764	2,671,128	–	–	–	2,763,892
Deposits and placements with banks and non-bank financial institutions		–	256,015	78,337	8,917	–	343,269
Financial assets held under resale agreements		–	547,951	1,127	–	–	549,078
Loans and advances to customers	(i)	33,714	9,380,447	8,164,164	317,673	274,494	18,170,492
Investments	(ii)	296,965	243,755	698,478	2,824,725	3,596,871	7,660,794
Others		766,454	–	–	–	–	766,454
Total assets		1,189,897	13,099,296	8,942,106	3,151,315	3,871,365	30,253,979
Liabilities							
Borrowings from central banks		–	147,144	536,593	1,296	–	685,033
Deposits and placements from banks and non-bank financial institutions		–	1,784,317	319,449	122,299	6,136	2,232,201
Financial liabilities measured at fair value through profit or loss		32,048	145,123	51,851	–	–	229,022
Financial assets sold under repurchase agreements		–	26,863	5,435	1,602	–	33,900
Deposits from customers		108,049	14,679,634	3,209,947	4,371,534	9,650	22,378,814
Debt securities issued		–	270,848	589,201	428,444	34,884	1,323,377
Others		757,510	–	–	–	–	757,510
Total liabilities		897,607	17,053,929	4,712,476	4,925,175	50,670	27,639,857
Asset-liability gap		292,290	(3,954,633)	4,229,630	(1,773,860)	3,820,695	2,614,122

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) *Interest rate risk (continued)*

		31 December 2020					
	Note	Non-interest-bearing	Within three months	Between three months and one year	Between one and five years	More than five years	Total
Assets							
Cash and deposits with central banks		94,006	2,722,033	125	–	–	2,816,164
Deposits and placements with banks and non-bank financial institutions		–	728,820	75,305	17,512	–	821,637
Financial assets held under resale agreements		–	597,544	4,695	–	–	602,239
Loans and advances to customers	(i)	34,352	9,009,373	6,888,551	223,064	76,029	16,231,369
Investments	(ii)	247,395	347,431	690,258	2,725,215	2,954,056	6,964,355
Others		696,490	–	–	–	–	696,490
Total assets		1,072,243	13,405,201	7,658,934	2,965,791	3,030,085	28,132,254
Liabilities							
Borrowings from central banks		–	175,189	605,165	816	–	781,170
Deposits and placements from banks and non-bank financial institutions		–	1,871,778	291,532	124,537	5,425	2,293,272
Financial liabilities measured at fair value through profit or loss		33,559	163,261	57,259	–	–	254,079
Financial assets sold under repurchase agreements		–	52,701	2,320	1,704	–	56,725
Deposits from customers		127,871	13,695,262	2,754,998	4,020,810	16,035	20,614,976
Debt securities issued		–	311,134	306,548	320,570	1,945	940,197
Others		802,482	–	–	–	–	802,482
Total liabilities		963,912	16,269,325	4,017,822	4,468,437	23,405	25,742,901
Asset-liability gap		108,331	(2,864,124)	3,641,112	(1,502,646)	3,006,680	2,389,353

(i) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB26,372 million as at 31 December 2021 (as at 31 December 2020: RMB27,225 million).

(ii) Investments include financial assets measured at fair value through profit or loss, financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and long-term equity investments, etc.

(d) *Currency risk*

The Group's foreign exchange exposures mainly comprise exposures that arise from the foreign currency proprietary investments of the treasury business and currency exposures originated by the Group's overseas businesses.

The Group manages currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group actively manages foreign currency exposures by minimizing foreign exchange risk by business lines. Therefore, the net exposure is not sensitive to exchange rate fluctuations and the potential impact on the pre-tax profits and other comprehensive income of the Group is not material.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) *Currency risk (continued)*

The currency exposures of the Group's assets and liabilities as at the end of the reporting period are as follows:

		31 December 2021			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,555,029	109,836	99,027	2,763,892
Deposits and placements with banks and non-bank financial institutions		216,589	111,935	14,745	343,269
Financial assets held under resale agreements		543,266	1,227	4,585	549,078
Loans and advances to customers		17,311,609	500,076	358,807	18,170,492
Investments	(i)	7,405,981	151,148	103,665	7,660,794
Others		714,551	30,298	21,605	766,454
Total assets		28,747,025	904,520	602,434	30,253,979
Liabilities					
Borrowings from central banks		646,995	16,282	21,756	685,033
Deposits and placements from banks and non-bank financial institutions		1,939,907	185,500	106,794	2,232,201
Financial liabilities measured at fair value through profit or loss		215,898	12,928	196	229,022
Financial assets sold under repurchase agreements		19,402	7,620	6,878	33,900
Deposits from customers		21,600,365	505,290	273,159	22,378,814
Debt securities issued		1,065,825	182,542	75,010	1,323,377
Others		731,325	7,495	18,690	757,510
Total liabilities		26,219,717	917,657	502,483	27,639,857
Long position		2,527,308	(13,137)	99,951	2,614,122
Net notional amount of derivatives		15,573	(8,465)	8,320	15,428
Credit commitments		2,899,810	317,734	152,350	3,369,894

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk (continued)

		31 December 2020			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,510,876	179,211	126,077	2,816,164
Deposits and placements with banks and non-bank financial institutions		671,014	126,735	23,888	821,637
Financial assets held under resale agreements		599,033	–	3,206	602,239
Loans and advances to customers		15,367,154	464,009	400,206	16,231,369
Investments	(i)	6,712,930	133,024	118,401	6,964,355
Others		608,498	33,831	54,161	696,490
Total assets		26,469,505	936,810	725,939	28,132,254
Liabilities					
Borrowings from central banks		749,283	19,087	12,800	781,170
Deposits and placements from banks and non-bank financial institutions		1,885,514	275,053	132,705	2,293,272
Financial liabilities measured at fair value through profit or loss		236,614	15,245	2,220	254,079
Financial assets sold under repurchase agreements		46,841	3,764	6,120	56,725
Deposits from customers		19,834,531	495,952	284,493	20,614,976
Debt securities issued		684,612	188,391	67,194	940,197
Others		785,657	8,773	8,052	802,482
Total liabilities		24,223,052	1,006,265	513,584	25,742,901
Long position		2,246,453	(69,455)	212,355	2,389,353
Net notional amount of derivatives		25,640	36,405	(59,080)	2,965
Credit commitments		2,954,494	292,663	166,373	3,413,530

(i) Please refer to Note 61(2)(c)(ii) for the scope of investments.

61 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk

The Board assumes the ultimate responsibility for liquidity risk management and reviews and approves liquidity risk strategy and risk appetite. The senior management carries out liquidity risk strategy set by the Board and organises the implementation of liquidity risk management activities. The board of supervisors supervises and evaluates the performance of the Board and senior management in liquidity risk management. The Asset & Liability Management Department leads the Bank's daily liquidity risk management and forms an implementation system together with business management departments and branches to perform various duties in liquidity risk management. The subsidiaries assume primary responsibility for their own liquidity risk management.

The Group adheres to a liquidity management strategy featuring prudence, decentralisation, coordination and diversification. Management's objective for liquidity risk management is to establish and improve a liquidity management system that can fully identify, accurately measure, continuously monitor, and effectively control liquidity risk, effectively balance the return on funds and security of funds, and safeguard the steady operation across the Bank. In light of regulatory requirements, external macro environment, and the Bank's business development, the Head Office formulates approaches for liquidity risk identification, measurement and monitoring, sets out risk limit management criteria, carries out daily liquidity management, periodically conducts stress testing at the group level, and reviews and assesses contingency plans.

The Group conducts quarterly liquidity risk stress testing in order to gauge its risk tolerance in unlikely extreme scenarios and other adverse scenarios. It has improved its liquidity risk stress testing methods in accordance with regulatory and internal management requirements. The key factors and events set by the stress testing as having an impact on liquidity risk include significant decline in the ability to liquidate current assets, significant loss of wholesale and retail deposits, reduction of the availability of wholesale and retail financing, reduction of financing duration and increase in financing cost, significant adverse changes in market liquidity conditions, and sudden suspension of the Bank's payment and settlement system. The results of stress testing show that under different stress scenarios, the Group's liquidity risk is under control.

The Group adopts liquidity indicator analysis, remaining maturity analysis and undiscounted cash flow analysis to measure the liquidity risk.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) *Maturity analysis*

The following tables provide an analysis of the assets and liabilities of the Group based on the remaining periods to repayment as at the end of the reporting period:

	31 December 2021							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,190,555	572,204	69	1,064	–	–	–	2,763,892
Deposits and placements with banks and non-bank financial institutions	–	71,254	126,971	48,862	79,639	16,393	150	343,269
Financial assets held under resale agreements	–	–	547,082	869	1,127	–	–	549,078
Loans and advances to customers	100,956	884,299	495,811	896,253	3,345,344	4,597,768	7,850,061	18,170,492
Investments								
– Financial assets measured at fair value through profit or loss	252,230	16,355	14,431	10,828	50,389	51,402	149,638	545,273
– Financial assets measured at amortised cost	–	–	26,800	53,163	385,756	1,780,089	2,909,360	5,155,168
– Financial assets measured at fair value through other comprehensive income	7,417	–	22,860	83,094	265,334	1,019,288	543,485	1,941,478
– Long-term equity investments	18,875	–	–	–	–	–	–	18,875
Others	311,675	162,621	25,337	53,925	78,227	34,991	99,678	766,454
Total assets	2,881,708	1,706,733	1,259,361	1,148,058	4,205,816	7,499,931	11,552,372	30,253,979
Liabilities								
Borrowings from central banks	–	–	104,511	42,633	536,593	1,296	–	685,033
Deposits and placements from banks and non-bank financial institutions	–	1,488,343	126,724	144,477	324,690	138,981	8,986	2,232,201
Financial liabilities measured at fair value through profit or loss	–	20,019	68,333	88,688	51,982	–	–	229,022
Financial assets sold under repurchase agreements	–	–	23,058	3,805	5,435	1,602	–	33,900
Deposits from customers	–	11,691,250	1,459,761	1,215,585	3,444,169	4,556,563	11,486	22,378,814
Debt securities issued	–	–	110,206	130,319	601,183	446,785	34,884	1,323,377
Others	12,783	228,641	77,728	60,820	243,161	22,375	112,002	757,510
Total liabilities	12,783	13,428,253	1,970,321	1,686,327	5,207,213	5,167,602	167,358	27,639,857
Net gaps	2,868,925	(11,721,520)	(710,960)	(538,269)	(1,001,397)	2,332,329	11,385,014	2,614,122
Notional amount of derivatives								
– Interest rate contracts	–	–	75,411	129,524	194,142	170,002	15,023	584,102
– Exchange rate contracts	–	–	956,826	859,569	1,254,797	111,214	1,161	3,183,567
– Other contracts	–	–	33,104	33,140	61,935	1,959	–	130,138
Total	–	–	1,065,341	1,022,233	1,510,874	283,175	16,184	3,897,807

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) *Maturity analysis (continued)*

	31 December 2020							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,330,273	483,266	1,537	1,088	–	–	–	2,816,164
Deposits and placements with banks and non-bank financial institutions	–	83,441	247,624	254,203	218,418	17,951	–	821,637
Financial assets held under resale agreements	–	–	584,491	13,053	4,695	–	–	602,239
Loans and advances to customers	92,098	818,412	390,460	891,697	3,047,961	3,984,181	7,006,560	16,231,369
Investments								
– Financial assets measured at fair value through profit or loss	222,924	17,595	48,777	21,282	53,304	78,416	135,654	577,952
– Financial assets measured at amortised cost	–	–	48,828	85,526	437,453	1,623,296	2,310,140	4,505,243
– Financial assets measured at fair value through other comprehensive income	6,955	–	34,412	39,326	209,352	1,068,340	509,073	1,867,458
– Long-term equity investments	13,702	–	–	–	–	–	–	13,702
Others	317,507	100,855	12,503	40,770	109,048	26,719	89,088	696,490
Total assets	2,983,459	1,503,569	1,368,632	1,346,945	4,080,231	6,798,903	10,050,515	28,132,254
Liabilities								
Borrowings from central banks	–	–	121,089	54,100	605,165	816	–	781,170
Deposits and placements from banks and non-bank financial institutions	–	1,518,231	150,011	173,627	294,142	144,493	12,768	2,293,272
Financial liabilities measured at fair value through profit or loss	–	19,058	110,119	67,643	57,259	–	–	254,079
Financial assets sold under repurchase agreements	–	–	47,927	4,774	2,320	1,704	–	56,725
Deposits from customers	–	11,245,302	1,225,798	973,853	2,926,982	4,225,570	17,471	20,614,976
Debt securities issued	–	–	124,371	147,702	325,314	340,865	1,945	940,197
Others	23,832	283,601	80,560	56,527	231,588	24,361	102,013	802,482
Total liabilities	23,832	13,066,192	1,859,875	1,478,226	4,442,770	4,737,809	134,197	25,742,901
Net gaps	2,959,627	(11,562,623)	(491,243)	(131,281)	(362,539)	2,061,094	9,916,318	2,389,353
Notional amount of derivatives								
– Interest rate contracts	–	–	69,502	130,562	264,040	168,030	18,091	650,225
– Exchange rate contracts	–	–	877,074	692,678	1,798,058	85,774	7,437	3,461,021
– Other contracts	–	–	17,940	19,538	80,646	7,947	–	126,071
Total	–	–	964,516	842,778	2,142,744	261,751	25,528	4,237,317

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments of the Group as at the end of the reporting period. The Group's expected cash flows on these instruments may vary significantly from this analysis.

	31 December 2021							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	685,033	697,170	–	104,685	42,789	548,400	1,296	–
Deposits and placements from banks and non-bank financial institutions	2,232,201	2,248,184	1,488,343	126,969	145,129	330,476	147,393	9,874
Financial liabilities measured at fair value through profit or loss	229,022	229,207	20,019	68,465	88,741	51,982	–	–
Financial assets sold under repurchase agreements	33,900	33,917	–	23,068	3,806	5,433	1,610	–
Deposits from customers	22,378,814	23,096,255	11,691,685	1,485,929	1,271,143	3,618,096	5,015,209	14,193
Debt securities issued	1,323,377	1,396,212	–	110,218	131,079	623,054	490,511	41,350
Other non-derivative financial liabilities	515,632	519,994	77,895	64,257	46,874	212,319	10,220	108,429
Total	27,397,979	28,220,939	13,277,942	1,983,591	1,729,561	5,389,760	5,666,239	173,846
Off-balance sheet loan commitments and credit card commitments (Note)		1,565,696	1,156,471	5,607	16,768	91,409	142,090	153,351
Guarantees, acceptances and other credit commitments (Note)		1,804,198	780	468,935	145,106	549,280	584,668	55,429

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow (continued)

	31 December 2020							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	781,170	794,953	–	121,383	54,293	618,461	816	–
Deposits and placements from banks and non-bank financial institutions	2,293,272	2,312,157	1,518,231	150,402	174,318	299,787	155,792	13,627
Financial liabilities measured at fair value through profit or loss	254,079	254,227	19,058	110,204	67,706	57,259	–	–
Financial assets sold under repurchase agreements	56,725	56,770	–	47,948	4,784	2,325	1,713	–
Deposits from customers	20,614,976	21,268,003	11,246,849	1,243,390	1,010,531	3,065,734	4,683,271	18,228
Debt securities issued	940,197	986,193	–	124,483	154,158	333,073	372,280	2,199
Other non-derivative financial liabilities	503,594	508,046	141,118	63,153	34,903	159,151	13,975	95,746
Total	25,444,013	26,180,349	12,925,256	1,860,963	1,500,693	4,535,790	5,227,847	129,800
Off-balance sheet loan commitments and credit card commitments (Note)		1,651,694	1,073,078	15,286	54,154	164,463	165,902	178,811
Guarantees, acceptances and other credit commitments (Note)		1,761,836	867	273,366	226,013	714,676	507,553	39,361

Note: The off-balance sheet loan commitments and credit card commitments may expire without being drawn upon. Guarantees, acceptances and other credit commitments do not represent the amounts to be paid.

61 RISK MANAGEMENT (CONTINUED)

(4) Operational risk

Operational risk refers to risk of losses resulting from inadequate or flawed internal processes, people and systems or from external events.

In 2021, the Group comprehensively deepened operational risk management, continuously improved the business continuity management system, and actively responded to COVID-19. The Group continued to improve and extend the "offline grid and online intelligent" employee behaviour management system, to effectively prevent and control operational risks caused by people.

(5) Fair value of financial instruments

(a) Valuation process, technique and input

The Board is responsible for establishing a robust internal control policy of valuation, and takes the ultimate responsibility for the adequacy and effectiveness of internal control system. The Board of Supervisors takes charge of supervising the performance of the Board and senior management. According to the requirements of the Board and the Board of Supervisors, senior management is responsible for organising and implementing the internal control system over the valuation process to ensure the effectiveness of the internal control system of valuation.

The Group has established an independent valuation process for financial assets and financial liabilities. The relevant departments are responsible for performing valuation, verifying valuation model and accounting of valuation results.

For the year ended 31 December 2021, there was no significant change in the valuation techniques or inputs used to determine fair value as compared to those used for the year ended 31 December 2020.

(b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value

(i) Fair value hierarchy

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Positive fair value of derivatives	–	31,532	18	31,550
Loans and advances to customers				
– Loans and advances to customers measured at fair value through profit or loss	–	3,761	–	3,761
– Loans and advances to customers measured at fair value through other comprehensive income	–	379,469	–	379,469
Financial assets measured at fair value through profit or loss				
Financial assets held for trading purposes				
– Debt securities	1,175	122,682	–	123,857
– Equity instruments and funds	405	526	–	931
Other financial assets measured at fair value through profit or loss				
– Credit investments	–	3,688	15,925	19,613
– Debt securities	268	135,058	1,421	136,747
– Funds and others	16,167	98,053	149,905	264,125
Financial assets measured at fair value through other comprehensive income				
– Debt securities	160,941	1,772,856	264	1,934,061
– Equity instruments designated as measured at fair value through other comprehensive income	2,158	–	5,259	7,417
Total	181,114	2,547,625	172,792	2,901,531
Liabilities				
Financial liabilities measured at fair value through profit or loss				
– Financial liabilities designated as measured at fair value through profit or loss	–	228,346	676	229,022
Negative fair value of derivatives	–	31,305	18	31,323
Total	–	259,651	694	260,345

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Positive fair value of derivatives	–	68,992	37	69,029
Loans and advances to customers				
– Loans and advances to customers measured at fair value through profit or loss	–	9,890	–	9,890
– Loans and advances to customers measured at fair value through other comprehensive income	–	259,061	–	259,061
Financial assets measured at fair value through profit or loss				
Financial assets held for trading purposes				
– Debt securities	1,156	169,209	–	170,365
– Equity instruments and funds	1,385	30	–	1,415
Financial assets designated as measured at fair value through profit or loss				
– Other debt instruments	–	43,347	17,833	61,180
Other financial assets measured at fair value through profit or loss				
– Credit investments	–	1,021	13,181	14,202
– Debt securities	–	115,514	57	115,571
– Funds and others	27,916	50,044	137,259	215,219
Financial assets measured at fair value through other comprehensive income				
– Debt securities	119,489	1,740,584	430	1,860,503
– Equity instruments designated as measured at fair value through other comprehensive income	2,268	–	4,687	6,955
Total	152,214	2,457,692	173,484	2,783,390
Liabilities				
Financial liabilities measured at fair value through profit or loss				
– Financial liabilities designated as measured at fair value through profit or loss	–	251,973	2,106	254,079
Negative fair value of derivatives	–	81,919	37	81,956
Total	–	333,892	2,143	336,035

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

A majority of the financial assets classified as level 2 are RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. A majority of the financial liabilities designated as measured at fair value through profit or loss classified as level 2 are the funds raised from structured deposits and principal guaranteed wealth management products, the fair value of which are determined based on the income approach. The majority of derivatives are classified as level 2 and valued using the income approach. For the valuation of financial instruments classified as level 2, all significant inputs are observable market data.

The financial assets classified as level 3 are primarily the underlying assets of principal guaranteed wealth management products and unlisted equity instruments measured at fair value through profit or loss. These financial assets are valued using the income approach and market approach, which incorporate the non-observable assumptions including discount rate and P/B ratio.

For the year ended 31 December 2021 and 2020, there were no significant transfers within the fair value hierarchy of the Group.

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy

The following table shows a reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

	2021										
			Other financial assets measured at fair value through profit or loss			Financial assets measured at fair value through other comprehensive income					
	Positive fair value of derivatives	Other debt instruments designated as measured at fair value through profit or loss	Credit investments	Debt securities	Funds and others	Debt securities	Equity instruments	Total assets	Financial liabilities designated as measured at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2021	37	17,833	13,181	57	137,259	430	4,687	173,484	(2,106)	(37)	(2,143)
Total gains or losses:											
In profit or loss	(17)	(31)	(982)	(7)	3,324	–	–	2,287	565	17	582
In other comprehensive income	–	–	–	–	–	(5)	(478)	(483)	–	–	–
Purchases	–	–	5,931	1,482	30,970	254	1,050	39,687	(569)	–	(569)
Sales and settlements	(2)	(17,802)	(2,205)	(111)	(21,648)	(415)	–	(42,183)	1,434	2	1,436
As at 31 December 2021	18	–	15,925	1,421	149,905	264	5,259	172,792	(676)	(18)	(694)

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy (continued)

	2020											
		Financial assets designated as measured at fair value through profit or loss		Other financial assets measured at fair value through profit or loss			Financial assets measured at fair value through other comprehensive income					
	Positive fair value of derivatives	Debt securities	Other debt instruments	Credit investments	Debt securities	Funds and others	Debt securities	Equity instruments	Total assets	Financial liabilities designated as measured at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2020	58	8,449	50,555	4,642	110	102,046	–	3,585	169,445	(1,848)	(58)	(1,906)
Total gains or losses:												
In profit or loss	(21)	(163)	(86)	(2,501)	–	106	–	–	(2,665)	(182)	21	(161)
In other comprehensive income	–	–	–	–	–	–	–	142	142	–	–	–
Purchases	–	–	62	11,773	266	49,283	430	963	62,777	(138)	–	(138)
Sales and settlements	–	(8,286)	(32,698)	(733)	(319)	(14,176)	–	(3)	(56,215)	62	–	62
As at 31 December 2020	37	–	17,833	13,181	57	137,259	430	4,687	173,484	(2,106)	(37)	(2,143)

In level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year in the above table are presented in net trading gain and net gain arising from investment securities.

Gains or losses on level 3 financial assets and liabilities included in the statement of comprehensive income comprise:

	2021			2020		
	Realised	**Unrealised**	**Total**	Realised	Unrealised	Total
Total gains/(losses)	**2,831**	**38**	**2,869**	1,261	(4,087)	(2,826)

(d) Financial instruments not measured at fair value

(i) Financial assets

The Group's financial assets not measured at fair value mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers and financial assets measured at amortised cost.

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate to the fair values.

Loans and advances to customers

Majority of the loans and advances to customers measured at amortised cost are repriced at least annually to the market rate. Accordingly, their carrying values approximate to the fair values.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(d) Financial instruments not measured at fair value (continued)

(i) Financial assets (continued)

Financial assets measured at amortised cost

The following table shows the carrying values and the fair values of financial assets measured at amortised cost as at 31 December 2021 and 2020 which are not presented in the statement of financial position at their fair values.

	31 December 2021					31 December 2020				
	Carrying value	Fair value	Level 1	Level 2	Level 3	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortised cost	5,155,168	5,249,531	23,479	5,070,927	155,125	4,505,243	4,534,743	19,815	4,372,096	142,832
Total	5,155,168	5,249,531	23,479	5,070,927	155,125	4,505,243	4,534,743	19,815	4,372,096	142,832

(ii) Financial liabilities

The Group's financial liabilities not measured at fair value mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. As at 31 December 2021, the fair value of subordinated bonds and the eligible Tier 2 capital bonds issued was RMB390,504 million (As at 31 December 2020: RMB282,028 million) and the corresponding carrying value was RMB381,288 million (As at 31 December 2020: RMB275,887 million), and the carrying values of other financial liabilities approximated to their fair values as at the end of the reporting period. The Group uses observable inputs to measure the fair values of subordinated bonds and eligible Tier 2 capital bonds issued, and classified them as level 2 of the fair value hierarchy.

(6) Offsetting financial assets and financial liabilities

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. These financial assets and financial liabilities of the Group are not offset in accordance with IFRSs.

As at 31 December 2021, the amounts of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

(7) Insurance risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty in the resulting claim amount. The characteristic of an insurance contract inherently decides randomness and unpredictability of the underlying insurance risk. For insurance contracts where the theory of probability is applied to pricing and provisioning of insurance contract liabilities, the principal risk that the Group faces is that the actual claims and benefit payments exceed the carrying amount of the insurance contract liabilities.

The Group manages the uncertainty of insurance risk through its underwriting strategy and policies to diversify the underwriting risks, adequate reinsurance arrangements, and enhanced underwriting control and claim control.

The Group makes related assumptions for the insurance risks and recognises insurance contract liabilities accordingly. For long-term personal insurance contracts and short-term personal insurance contracts, insurance risk may be elevated by the uncertainty of insurance risk assumptions including assumptions on death events, relevant expenses, and interest rates. For property and casualty insurance contracts, claims are often affected by natural disasters, catastrophes, terrorist attacks and other factors. In addition, the insurance risk will be affected by the policy termination, premium reduction or policyholders' refusal of payment, that is, the insurance risk will be affected by the policyholders' behaviour and decision.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(8) Capital management

The Bank has implemented comprehensive capital management, covering capital management policy design, capital projecting and planning, capital calculation, internal capital assessment, capital allocation, capital motivation, restriction and conduction, capital raising, monitoring and reporting, and applications of advanced approach of capital calculation on the management of the ordinary course of the business. General principles of capital management of the Bank is to continuously retain an adequate capital level, retain a certain margin of safety and a certain level of buffer based on that all regulatory requirements have been complied, and ensure that the capital can cover all kinds of risks adequately; exercise reasonable and effective capital allocation and strengthen capital restraint and incentive mechanism to support the strategic planning effectively and to restrict and conduct the business so as to increase the capital efficiency and return level continuously; tamp capital strength, and retain relatively high capital quality by achieving capital supplement with priority to the internal accumulation and utilising various capital instruments reasonably to optimise capital structure; continuously develop the advanced approach of capital management on the applications in the business management such as credit policies, credit approval and pricing.

Capital adequacy ratio is a reflection of the Group's ability to maintain a stable operation and resist adverse risks. In accordance with the CBRC's Capital Rules for Commercial Banks (Provisional) and relevant regulations, commercial banks should meet the minimum capital requirements from 1 January 2013. The Common Equity Tier 1 ratio should be at or above a minimum of 5%, Tier 1 ratio at or above a minimum of 6% and the total capital ratio at or above a minimum of 8%. Besides, capital conservation buffer requirements, additional buffer requirements of Global and Domestic Systemically Important Banks should also be met. If a countercyclical buffer is required or the Pillar 2 capital requirement is raised by the regulator to a specific commercial bank, the minimum requirements should be met within the transitional period.

The Group timely monitors, analyses and reports capital adequacy ratios, assesses if the capital management objectives have been met and exercises effective management of capital adequacy ratio. The Group adopts various measures such as controlling asset growth, adjusting the structure of risk assets, increasing internal capital supply and raising capital through external channels, to ensure that the Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio of the Group are in full compliance with regulatory requirements and meet internal management requirements. This helps to insulate against potential risks as well as support healthy business developments. The Group now fully complies with all regulatory requirements in this respect.

The Group's capital planning has taken the regulatory requirements, the Group's development strategy and risk appetite into consideration, and based on those factors the Group projects the capital usage and need.

The capital raising management of the Group involves reasonable utilisation of various capital instruments to ensure that both external regulatory and internal capital management objectives are met, taking into account capital planning and operating environment. This helps to optimise the Group's capital structure.

Based on the approval for the Group to implement the advanced capital management method in 2014, the CBIRC approved the Group to expand the implementation scope of the advanced capital management method in April 2020. The Group calculated the capital requirements for financial institution credit exposures and corporate credit risk exposures that meet regulatory requirements with the foundation internal ratings-based approach, the capital requirements for retail credit risk exposures with the internal ratings-based approach, the capital requirements for market risk with the internal models approach, and the capital requirements for operational risk with the standardised approach.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(8) Capital management (continued)

The Group's capital adequacy ratio calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBRC as at the end of the reporting period are as follows:

	Note	31 December 2021	31 December 2020
Common Equity Tier 1 ratio	(a)(b)(c)	**13.59%**	13.62%
Tier 1 ratio	(a)(b)(c)	**14.14%**	14.22%
Total capital ratio	(a)(b)(c)	**17.85%**	17.06%
Common Equity Tier 1 capital			
– Qualifying common share capital		**250,011**	250,011
– Capital reserve		**134,237**	134,237
– Surplus reserve		**305,571**	275,995
– General reserve		**381,282**	350,647
– Retained earnings		**1,392,515**	1,241,127
– Non-controlling interest recognised in Common Equity Tier 1 capital		**4,027**	3,954
– Others	(d)	**21,934**	19,483
Deductions for Common Equity Tier 1 capital			
– Goodwill	(e)	**1,947**	2,045
– Other intangible assets (excluding land use rights)	(e)	**5,137**	4,623
– Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet		**61**	367
– Investments in common equity of financial institutions being controlled but outside the scope of consolidation		**6,970**	6,970
Additional Tier 1 capital			
– Other directly issued qualifying additional Tier 1 instruments including related premium		**99,968**	99,968
– Non-controlling interest recognised in additional Tier 1 capital		**98**	100
Tier 2 capital			
– Directly issued qualifying Tier 2 instruments including related premium		**353,341**	225,016
– Provisions in Tier 2	(f)	**323,254**	245,989
– Non-controlling interest recognised in Tier 2 capital		**159**	159
Common Equity Tier 1 capital after regulatory adjustments	(g)	**2,475,462**	2,261,449
Tier 1 capital after regulatory adjustments	(g)	**2,575,528**	2,361,517
Total capital after regulatory adjustments	(g)	**3,252,282**	2,832,681
Risk-weighted assets	(h)	**18,215,893**	16,604,591

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(8) Capital management (continued)

Notes:

(a) From the first half year of 2014, the Group has adopted the advanced approach to calculate capital adequacy ratio and implemented the parallel period rules.

(b) The Common Equity Tier 1 ratio is calculated by dividing the Common Equity Tier 1 Capital after deduction by risk-weighted assets. Tier 1 ratio is calculated by dividing the Tier 1 Capital after deduction by risk-weighted assets. Total capital ratio is calculated by dividing the total capital after deduction by risk-weighted assets.

(c) The scope for calculating capital adequacy ratio of the Group includes all the domestic branches and subsidiaries in the financial sector (insurance companies excluded).

(d) Others include other comprehensive income (including foreign exchange reserve).

(e) Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.

(f) From the first half year of 2014, eligible excessive loan provisions were measured based on the advanced approach and implemented parallel period rules.

(g) Common Equity Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the total capital.

(h) According to the rules of advanced approach, risk-weighted assets include credit risk-weighted assets, market risk-weighted assets, operational risk-weighted assets and excess risk-weighted assets due to the application of capital floor.

62 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK

	31 December 2021	31 December 2020
Assets:		
Cash and deposits with central banks	**2,743,731**	2,790,965
Deposits with banks and non-bank financial institutions	**95,720**	406,533
Precious metals	**121,493**	101,671
Placements with banks and non-bank financial institutions	**292,067**	460,991
Positive fair value of derivatives	**30,643**	66,313
Financial assets held under resale agreements	**535,423**	585,310
Loans and advances to customers	**17,707,822**	15,764,751
Financial investments		
Financial assets measured at fair value through profit or loss	**238,283**	312,014
Financial assets measured at amortised cost	**5,061,712**	4,397,169
Financial assets measured at fair value through other comprehensive income	**1,845,569**	1,792,488
Long-term equity investments	**86,692**	70,892
Investments in consolidated structured entities	**48,731**	68,629
Fixed assets	**133,646**	137,218
Land use rights	**12,779**	13,236
Intangible assets	**4,734**	4,203
Deferred tax assets	**89,943**	89,980
Other assets	**313,943**	231,764
Total assets	**29,362,931**	27,294,127

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK (CONTINUED)

	31 December 2021	31 December 2020
Liabilities:		
Borrowings from central banks	685,033	781,170
Deposits from banks and non-bank financial institutions	1,920,596	1,935,410
Placements from banks and non-bank financial institutions	208,348	256,325
Financial liabilities measured at fair value through profit or loss	228,034	251,898
Negative fair value of derivatives	30,170	78,424
Financial assets sold under repurchase agreements	5,477	33,364
Deposits from customers	22,067,148	20,289,611
Accrued staff costs	35,588	30,547
Taxes payable	84,089	82,374
Provisions	43,527	51,660
Debt securities issued	1,242,931	863,083
Deferred tax liabilities	39	48
Other liabilities	274,572	321,698
Total liabilities	26,825,552	24,975,612

	31 December 2021	31 December 2020
Equity:		
Share capital	250,011	250,011
Other equity instruments		
Preference Shares	59,977	59,977
Perpetual Bonds	39,991	39,991
Capital reserve	134,835	134,835
Other comprehensive income	30,901	21,759
Surplus reserve	305,571	275,995
General reserve	373,381	342,174
Retained earnings	1,342,712	1,193,773
Total equity	2,537,379	2,318,515
Total liabilities and equity	29,362,931	27,294,127

Approved and authorised for issue by the Board of Directors on 29 March 2022.

Xu Jiandong
Non-executive director

Kenneth Patrick Chung
Independent non-executive director

Michel Madelain
Independent non-executive director

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62 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK (CONTINUED)

		Other equity instruments							
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2021	250,011	59,977	39,991	134,835	21,759	275,995	342,174	1,193,773	2,318,515
Movements during the year	–	–	–	–	9,142	29,576	31,207	148,939	218,864
(1) Total comprehensive income for the year	–	–	–	–	9,142	–	–	295,764	304,906
(2) Changes in share capital									
i Capital deduction by other equity instruments holders	–	–	–	–	–	–	–	–	–
(3) Profit distribution									
i Appropriation to surplus reserve	–	–	–	–	–	29,576	–	(29,576)	–
ii Appropriation to general reserve	–	–	–	–	–	–	31,207	(31,207)	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(81,504)	(81,504)
iv Dividends to other equity instrument holders	–	–	–	–	–	–	–	(4,538)	(4,538)
As at 31 December 2021	250,011	59,977	39,991	134,835	30,901	305,571	373,381	1,342,712	2,537,379

		Other equity instruments							
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2020	250,011	79,636	39,991	135,109	33,527	249,178	306,686	1,073,532	2,167,670
Movements during the year	–	(19,659)	–	(274)	(11,768)	26,817	35,488	120,241	150,845
(1) Total comprehensive income for the year	–	–	–	–	(11,768)	–	–	268,174	256,406
(2) Changes in share capital									
i Capital deduction by other equity instruments holders	–	(19,659)	–	(274)	–	–	–	–	(19,933)
(3) Profit distribution									
i Appropriation to surplus reserve	–	–	–	–	–	26,817	–	(26,817)	–
ii Appropriation to general reserve	–	–	–	–	–	–	35,488	(35,488)	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(80,004)	(80,004)
iv Dividends to other equity instrument holders	–	–	–	–	–	–	–	(5,624)	(5,624)
As at 31 December 2020	250,011	59,977	39,991	134,835	21,759	275,995	342,174	1,193,773	2,318,515

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

63 EVENTS AFTER THE REPORTING PERIOD

On 21 January 2022, the Group issued in the overseas market USD2.00 billion Tier 2 Capital Bonds maturing in 2032. These bonds have a 10-year term with a fixed coupon rate of 2.85%. The Group has an option to redeem these bonds at the end of the fifth year upon meeting certain conditions.

64 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to confirm with the presentation and disclosures in the current period.

65 ULTIMATE PARENT

As stated in Note 1, the immediate and ultimate parents of the Group are Huijin and CIC, respectively.

66 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are relevant to the Group. These amendments, new standards and interpretations are not yet effective for the year ended 31 December 2021 and have not been adopted in the financial statements.

Standards		Effective for annual periods beginning on or after
(1)	Amendments to IFRS 3 *Reference to the Conceptual Framework*	1 January 2022
(2)	Amendments to IAS 16 *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
(3)	Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
(4)	*Annual Improvements to IFRS Standards 2018-2020 Cycle*	1 January 2022
(5)	Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*	No earlier than 1 January 2024
(6)	IFRS 17 *Insurance Contracts*	1 January 2023
(7)	Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies*	1 January 2023
(8)	Amendments to IAS 8 *Definition of Accounting Estimates*	1 January 2023
(9)	Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
(10)	Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Effective date has been deferred indefinitely

Except for IFRS 17, the Group anticipates that the adoption of the new standards and amendments will not have a significant impact on the Group's consolidated financial statements.

(1) Amendments to IFRS 3 *Reference to the Conceptual Framework*

Amendments to IFRS 3 are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements issued in 1989 with a reference to the Conceptual Framework for Financial Reporting issued in March 2018, without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities, and clarify that contingent assets do not qualify for recognition at the acquisition date.

(2) Amendments to IAS 16 *Property, Plant and Equipment: Proceeds before Intended Use*

Amendments to IAS 16 prohibit entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

66 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

(3) Amendments to IAS 37 *Onerous Contracts – Costs of Fulfilling a Contract*

Amendments to IAS 37 specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". The costs that relate directly to a contract include both incremental costs (examples would be the costs of direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(4) Annual Improvements to IFRSs 2018-2020 Cycle

Annual Improvements to IFRSs 2018-2020 Cycle was issued in May 2020. Those amendments affect IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IAS 41 *Agriculture* and IFRS 16 *Leases*.

(5) Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

(6) IFRS 17 *Insurance Contracts*

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured during each reporting period. Contracts are measured using the building blocks of:

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

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

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

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

Amendments to IFRS 17 were issued in June 2020.

The Group is currently assessing the impact of IFRS 17 upon initial application.

(7) Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies*

The amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Guidance and illustrative examples are added in the Practice Statement 2 to assist in the application of the materiality concept when making judgements about accounting policy disclosures.

66 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

(8) Amendments to IAS 8 *Definition of Accounting Estimates*

Amendments to IAS 8, introduces a new definition of 'accounting estimates'. Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.

(9) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Amendments to IAS 12 introduce an exception to the initial recognition exemption in IAS 12 for deferred tax assets and deferred tax liabilities, and clarify the accounting treatment method of deferred income tax for right-of-use assets and lease liabilities, and decommissioning obligations.

(10) Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The narrow-scope amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business" (as defined in IFRS 3 "Business Combinations").

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

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

The following information of the Group does not form part of the audited financial statements, and is included herein for information purposes only.

1 DIFFERENCE BETWEEN THE FINANCIAL STATEMENTS PREPARED UNDER IFRS AND THOSE PREPARED IN ACCORDANCE WITH PRC GAAP

China Construction Bank Corporation (the "Bank") prepares consolidated financial statements, which include the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards and its interpretations ("IFRS") promulgated by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed on the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the year ended 31 December 2021 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP and regulations").

There is no difference in the net profit for the year ended 31 December 2021 or total equity as at 31 December 2021 between the Group's consolidated financial statements prepared under IFRS and those prepared under PRC GAAP and regulations.

2 LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO

The liquidity coverage ratio equals to the qualified and high-quality liquid assets divided by net cash outflows in the future 30 days. Net stable funding ratio equals to the available stable funding divided by required stable funding. According to the regulatory requirements, definitions and accounting standards applicable in the current period, the average daily liquidity coverage ratio of the Group in the fourth quarter of 2021 was 134.70% and the net stable funding ratio was 125.75% as at the end of December 2021.

The following tables set the Group's liquidity coverage ratio for the fourth quarter of 2021.

S/N	(In millions of RMB, except percentages)	Total Unweighted Value	Total Weighted Value
High-Quality Liquid Assets			
1	Total High-Quality Liquid Assets (HQLA)		4,756,263
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	10,888,627	967,207
3	Stable deposits	2,431,263	121,471
4	Less stable deposits	8,457,364	845,736
5	Unsecured wholesale funding, of which:	10,627,580	3,494,848
6	Operational deposits (excluding those generated from correspondent banking activates)	7,023,939	1,744,436
7	Non-operational deposits (all counterparties)	3,490,861	1,637,632
8	Unsecured debt	112,780	112,780
9	Secured funding		1,259
10	Additional requirements, of which:	1,860,558	201,265
11	Outflows related to derivative exposures and other collateral requirements	28,519	28,519
12	Outflows related to loss of funding on secured debt products	2,307	2,307
13	Credit and liquidity facilities	1,829,732	170,439
14	Other contractual funding obligations	50	–
15	Other contingent funding obligations	3,388,326	497,786
16	**Total Cash Outflows**		5,162,365
Cash Inflows			
17	Secured lending (including reverse repos and securities borrowing)	621,958	620,810
18	Inflow from fully performing exposures	1,648,799	971,898
19	Other cash inflows	36,381	33,143
20	**Total Cash Inflows**	2,307,138	1,625,851
			Total Adjusted Value
21	**Total HQLA**		4,756,263
22	**Total Net Cash Outflows**		3,536,514
23	**Liquidity Coverage Ratio (%)[1]**		134.70

1. The above quarterly daily means represent simple arithmetic means of the values for 92 calendar days in the latest quarter, calculated in accordance with the current applicable regulatory requirements, definitions and accounting standards.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

2 LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

The following tables set the quantitative information on the net stable funding ratio at the end of the last two quarters.

		The Fourth Quarter of 2021					The Third Quarter of 2021				
		Unweighted value by residual maturity					Unweighted value by residual maturity				
No.	(In RMB millions, except percentages)	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
ASF Item											
1	Capital:	-	-	-	2,943,635	2,943,635	–	–	–	2,812,346	2,812,346
2	Regulatory capital	-	-	-	2,943,635	2,943,635	–	–	–	2,812,346	2,812,346
3	Other capital instruments	-	-	-	-	-	–	–	–	–	–
4	Retail deposits and deposits from small business customers:	6,061,284	5,726,951	230,623	626,458	11,576,674	6,002,090	5,736,888	288,711	625,954	11,581,189
5	Stable deposits	2,620,150	38,166	6,570	6,841	2,538,482	2,587,109	12,554	6,663	6,150	2,482,159
6	Less stable deposits	3,441,134	5,688,785	224,053	619,617	9,038,192	3,414,981	5,724,334	282,048	619,804	9,099,030
7	Wholesale funding:	6,872,641	4,995,451	1,352,957	580,827	6,566,705	6,962,235	5,278,772	1,024,311	542,982	6,500,483
8	Operational deposits	6,448,073	473,845	29,194	1,102	3,476,658	6,399,555	560,731	7,125	973	3,484,679
9	Other wholesale funding	424,568	4,521,606	1,323,763	579,725	3,090,047	562,680	4,718,041	1,017,186	542,009	3,015,804
10	Liabilities with matching interdependent assets	-	-	-	-	-	–	–	–	–	–
11	Other liabilities:	-	553,752	94,748	216,273	228,268	–	531,820	82,657	246,785	262,332
12	NSFR derivative liabilities				35,378					25,782	
13	All other liabilities and equity not included in the above categories	-	553,752	94,748	180,895	228,268	–	531,820	82,657	221,003	262,332
14	**Total ASF**					21,315,282					21,156,350
RSF Item											
15	Total NSFR high-quality liquid assets (HQLA)					1,673,032					1,647,881
16	Deposits held at other financial institutions for operational purposes	41,117	22,648	1,593	8,782	41,719	37,202	20,777	4,652	18,540	50,105
17	Performing loans and securities:	979,147	3,661,118	2,133,421	13,134,963	14,208,841	946,196	4,059,775	2,113,912	12,919,982	14,082,517
18	Performing loans to financial institutions secured by Level 1 HQLA	-	501,660	-	-	75,249	–	547,436	–	–	82,115
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	509,391	219,224	41,307	232,207	–	827,319	124,665	122,158	311,271
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	917,604	2,423,533	1,710,757	6,788,448	8,295,772	885,159	2,433,316	1,786,166	6,645,907	8,201,552
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	2,908	6,155	3,257	6,648	–	13,279	–	–	6,639
22	Performing residential mortgages, of which:	-	173,210	177,173	6,073,983	5,338,172	–	173,417	177,331	5,920,548	5,208,149
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	61,543	53,324	26,267	231,225	267,441	61,037	78,287	25,750	231,369	279,430
25	Assets with matching Interdependent liabilities	-	-	-	-	-	–	–	–	–	–
26	Other assets:	121,506	216,278	121,848	419,719	894,079	119,717	260,879	133,694	300,058	831,060
27	Physical traded commodities, including gold	121,506				103,280	119,717				101,760
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				909	773				1,392	1,184
29	NSFR derivative assets				34,931	-				30,193	4,411
30	NSFR derivative liabilities before deduction of variation margin posted[1]				7,089	7,089				5,181	5,181
31	All other assets not included in the above categories	-	216,278	121,848	383,879	721,394	–	260,879	133,694	268,473	657,489
32	Off-balance sheet items				4,615,327	132,349				4,723,062	146,015
33	**Total RSF**					16,950,020					16,757,578
34	**Net Stable Funding Ratio (%)**					125.75					126.25

1. The amount filled out in this account refers to derivative liabilities, i.e., the amount of NSFR derivative liabilities before deduction of variable reserves. This amount makes no distinction between durations, nor does it count towards the total in "26 Other Assets".

According to the regulatory requirements, definitions and accounting standards applicable in the fourth quarter of 2021, the Group's net stable funding ratio was 125.75%, from which the available stable funding was RMB21,315,282 million against the required stable funding of RMB16,950,020 million.

3 LEVERAGE RATIO

From the first quarter of 2015, the Group measures the leverage ratio in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)*. The leverage ratio refers to the ratio of the net amount of Tier 1 capital to the adjusted balance of on- and off-balance sheet assets. The leverage ratio of commercial banks should be no less than 4%. As at 31 December 2021, the Group's leverage ratio was 8.13%, meeting the regulatory requirements.

The following table sets forth the information related to the Group's leverage ratio.

(In millions of RMB, except percentages)	As at 31 December 2021	As at 30 September 2021	As at 30 June 2021	As at 31 March 2021
Leverage ratio	**8.13%**	7.96%	7.79%	7.92%
Tier 1 capital after regulatory adjustments	**2,575,528**	2,509,963	2,434,940	2,442,723
On and off-balance sheet assets after adjustments	**31,670,893**	31,514,718	31,263,173	30,826,197

1. The leverage ratios have been calculated in accordance with relevant regulatory requirements. The balance of Tier 1 capital after regulatory adjustments has been calculated with the same data used by the Group to calculate total capital ratio.
2. On and off-balance sheet assets after adjustments = On-balance sheet assets after adjustments + Off-balance sheet assets after adjustments – Regulatory adjustments to Tier 1 capital.

The following table sets forth the detailed items that constitute the on and off-balance sheet assets after adjustments used in the calculation of the Group's leverage ratio, and the reconciliation with the accounting items.

(In millions of RMB)	As at 31 December 2021	As at 31 December 2020
Total on-balance sheet assets[1]	**30,253,979**	28,132,254
Consolidated adjustment[2]	**(261,374)**	(220,217)
Derivatives adjustment	**68,503**	66,243
Securities financing transactions adjustment	**1,013**	680
Off-balance sheet items adjustment[3]	**1,622,887**	1,583,599
Other adjustments[4]	**(14,115)**	(14,005)
On and off-balance sheet assets after adjustments	**31,670,893**	29,548,554

1. Total on-balance sheet assets refer to the one calculated in accordance with financial and accounting standards.
2. Consolidated adjustment refers to the difference between regulatory consolidated total assets and accounting consolidated total assets.
3. Off-balance sheet items adjustment refers to the balance of off-balance sheet items after being multiplied by credit conversion factors in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)*.
4. Other adjustments mainly comprise regulatory adjustments to Tier 1 capital.

3 LEVERAGE RATIO (CONTINUED)

The following table sets forth the information related to the Group's leverage ratio, Tier 1 capital after regulatory adjustments, and on and off-balance sheet assets after adjustments and their relevant detailed items.

(In millions of RMB, except percentages)	As at 31 December 2021	As at 31 December 2020
On-balance sheet assets (excluding derivatives and securities financing transactions)[1]	29,415,746	27,241,556
Less: Regulatory adjustments to Tier 1 capital	(14,115)	(14,005)
On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)	29,401,631	27,227,551
Replacement costs of various derivatives (excluding eligible margin)	44,718	84,361
Potential risk exposures of various derivatives	55,085	50,403
Nominal principals arising from sales of credit derivatives	250	–
Derivative assets	100,053	134,764
Accounting assets arising from securities financing transactions	545,309	601,960
Counterparty credit risk exposure arising from securities financing transactions	1,013	680
Securities financing transactions assets	546,322	602,640
Off-balance sheet assets	4,842,963	4,507,842
Less: Decrease in off-balance sheet assets due to credit conversion	(3,220,076)	(2,924,243)
Off-balance sheet assets after adjustments	1,622,887	1,583,599
Tier 1 capital after regulatory adjustments	2,575,528	2,361,517
On and off-balance sheet assets after adjustments	31,670,893	29,548,554
Leverage Ratio[2]	8.13%	7.99%

1. These refer to on-balance sheet assets excluding derivatives and securities financing transactions on a regulatory consolidated basis.

2. Leverage ratio is calculated through dividing Tier 1 capital after regulatory adjustments by on and off-balance sheet assets after adjustments.

4 CURRENCY CONCENTRATIONS

	31 December 2021			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	916,669	312,454	335,806	1,564,929
Spot liabilities	(929,333)	(333,522)	(270,104)	(1,532,959)
Forward purchases	1,528,518	88,234	150,570	1,767,322
Forward sales	(1,523,921)	(33,060)	(194,623)	(1,751,604)
Net option position	6,471	–	156	6,627
Net (short)/long position	(1,596)	34,106	21,805	54,315
Net structural position	26,394	2,623	(657)	28,360

	31 December 2020			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	945,417	352,098	376,645	1,674,160
Spot liabilities	(1,000,213)	(330,942)	(290,448)	(1,621,603)
Forward purchases	1,826,299	75,051	137,233	2,038,583
Forward sales	(1,758,605)	(60,684)	(203,639)	(2,022,928)
Net option position	(16,261)	(29)	(4)	(16,294)
Net (short)/long position	(3,362)	35,494	19,787	51,919
Net structural position	34,141	2,313	(6,959)	29,495

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4 CURRENCY CONCENTRATIONS (CONTINUED)

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in the foreign exchange. Structural assets and liabilities include:

- investments in property and equipment, net of accumulated depreciation;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries and related companies.

5 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China. The international claims of the Group are the sum of cross-border claims in all currencies and local claims in foreign currencies.

International claims include loans and advances to customers, deposits with central banks, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

International claims have been disclosed by country or geographical area. 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 Group reduces its exposure to a particular country/region by an effective transfer of credit risk to a different country/region with the use of credit risk mitigation which include guarantees, collateral and credit derivatives.

	31 December 2021				
	Banks	**Public sector entities**	**Non-bank private institutions**	**Others**	**Total**
Asia Pacific	**198,614**	**118,436**	**683,587**	**5,650**	**1,006,287**
– of which attributed to Hong Kong	**7,783**	**41,244**	**307,721**	**1,454**	**358,202**
Europe	**13,369**	**42,319**	**49,417**	**2,094**	**107,199**
North and South America	**23,731**	**97,049**	**105,915**	**5,516**	**232,211**
Total	**235,714**	**257,804**	**838,919**	**13,260**	**1,345,697**

	31 December 2020				
	Banks	Public sector entities	Non-bank private institutions	Others	Total
Asia Pacific	223,982	127,130	611,168	23,060	985,340
– of which attributed to Hong Kong	8,974	58,527	324,489	–	391,990
Europe	12,496	33,635	70,933	1,209	118,273
North and South America	35,015	171,380	117,751	–	324,146
Total	271,493	332,145	799,852	24,269	1,427,759

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

6 OVERDUE LOANS AND ADVANCES TO CUSTOMERS BY GEOGRAPHICAL SECTOR

	31 December 2021	31 December 2020
Central	34,417	36,547
Pearl River Delta	22,392	23,954
Western	18,294	16,262
Bohai Rim	17,465	17,147
Yangtze River Delta	13,738	13,995
North eastern	10,440	8,034
Head office	6,904	9,008
Overseas	3,965	2,977
Total	127,615	127,924

According to regulation requirements, the above analysis represents the gross amount of loans and advances to customers overdue for more than three months.

Loans and advances to customers with a specific repayment date are classified as overdue when the principal or interest is overdue.

Loans and advances to customers repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances to customers repayable on demand are outside the approved limit that was advised to the borrower, they are also considered to be overdue.

7 EXPOSURES TO NON-BANKS IN MAINLAND CHINA

The Bank is a commercial bank incorporated in Mainland China with its banking business primarily conducted in Mainland China. As at 31 December 2021, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

1 INDICATORS FOR ASSESSING GLOBAL SYSTEMIC IMPORTANCE OF COMMERCIAL BANKS

The Group disclosed the indicators in accordance with the *Guidelines for the Disclosure of Indicators for Assessing Global Systemic Importance of Commercial Banks* issued by the former CBRC. From the end of 2021, the Group calculated the indicators for assessing global systemic importance of the Bank in accordance with the *Global systemically important banks: revised assessment methodology and the higher loss absorbency requirement* (July 2018) and the *Instructions for the end-2021 G-SIBs assessment exercise* issued by the Basel Committee. The following table sets forth the Group's indicators as at 31 December 2021.

(In millions of RMB)		As at 31 December 2021
NO.	**Indicators**	**Amount[3]**
1	Total on and off-balance sheet assets after adjustments[1]	**31,935,171**
2	Intra-financial system assets	**826,299**
3	Intra-financial system liabilities	**2,081,357**
4	Securities outstanding and other financing tools	**2,541,016**
5	Total payments through payment system and as a correspondent for other banks	**497,218,797**
6	Assets under custody	**17,771,566**
7	Securities underwriting activity	**2,485,803**
8	Fixed income securities trading volume	**5,369,028**
9	Listed equities and other securities trading volume	**937,244**
10	Notional amount of over-the-counter (OTC) derivatives	**3,886,221**
11	Securities at fair value through profit or loss and securities at fair value through other comprehensive income[2]	**670,459**
12	Level 3 financial assets	**155,275**
13	Cross-jurisdictional claims	**802,042**
14	Cross-jurisdictional liabilities	**1,053,410**

1. In accordance with the Instructions for G-SIBs assessment exercise by the Basel Committee on Banking Supervision, capital regulatory adjustments will not be deducted from on and off- balance sheet assets after adjustments.

2. Securities at fair value through profit or loss and securities at fair value through other comprehensive income are calculated by netting off the level 1 and level 2 assets, in accordance with the CBIRC requirements. Level 1 and Level 2 assets are defined in the *Measures for Liquidity Risk Management of Commercial Banks* issued by the CBIRC.

3. As per the regulatory requirements, the indicators for assessing global systemic importance are calculated under the scope of consolidation as required by the Basel Committee, which are different from the data under accounting scope of consolidation. As impacts related to intragroup transactions were excluded, these indicators were not comparable to other business statistics.

2 INDICATORS FOR ASSESSING DOMESTIC SYSTEMIC IMPORTANCE OF COMMERCIAL BANKS

The Group calculated the indicators for assessing domestic systemic importance of the Bank in accordance with the *Measures for Assessing Systemic Importance of Banks* issued by the PBC and the CBIRC. The following table sets forth the Group's indicators as at 31 December 2020.

(Expressed in millions of RMB unless otherwise stated)		As at 31 December 2020
Tier 1 indicators	**Tier 2 indicators[1]**	Amount
Size	Total on and off-balance sheet assets after adjustments	29,548,554
Interconnectedness	Intra-financial system assets	2,664,144
	Intra-financial system liabilities	2,680,675
	Securities outstanding and other financing tools	1,929,689
Substitutability	Total payments through payment system and as a correspondent for other banks	504,421,661
	Assets under custody	15,309,633
	Agency and underwriting activity	3,546,356
	Number of corporate customers (in 10 thousands)	761
	Number of personal customers (in 10 thousands)	70,386
	Number of domestic business organizations	14,708
Complexity	Derivatives	4,237,317
	Securities at fair value	728,677
	Assets of non-bank subsidiaries	675,449
	Total non-principal guaranteed WMPs issued by the Bank	1,471,010
	Total WMPs issued by the wealth management subsidiary	696,984
	Cross-jurisdictional claims and liabilities	1,913,312

1. The above indicators are calculated in full accordance with the *Measures for the Assessment of Systemically Important Banks*, which are different from the indicators for G-SIBs.

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