交通銀行
BANK OF COMMUNICATIONS

交通銀行股份有限公司
Bank of Communications Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 03328)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

The Board of Directors of Bank of Communications Co., Ltd. (the "**Bank**") is pleased to announce the audited consolidated financial information (the "**Annual Results**") of the Bank and its subsidiaries (the "**Group**") for the year ended 31 December 2021 (the "**Reporting Period**"), which was prepared in accordance with the *International Financial Reporting Standards* (the "**IFRSs**") issued by the International Accounting Standards Board. The Board of Directors of the Bank (the "**Board of Directors**") and the Audit Committee of the Board of Directors have reviewed and confirmed the Annual Results.

I. GENERAL INFORMATION

	Stock name	Stock code	Stock exchange
A Share	Bank of Communications	601328	Shanghai Stock Exchange
H Share	BANKCOMM	03328	The Stock Exchange of Hong Kong Limited
Domestic Preference Share	BOCOM PREF1	360021	Shanghai Stock Exchange

Secretary of the Board of Directors and Company Secretary

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II. KEY FINANCIAL DATA AND FINANCIAL INDICATORS

As at the end of the Reporting Period, key financial data and financial indicators prepared by the Group under IFRSs are as follows:

Items	**2021**	2020	2019	2018	2017
Full year results					*(in millions of RMB)*
Net interest income	**161,693**	153,336	144,083	130,908	124,873
Net fee and commission income	**47,573**	45,086	43,625	41,237	40,551
Net operating income	**269,748**	246,724	232,857	213,055	196,520
Credit impairment losses	**66,371**	62,059	51,954	43,454	Not applicable
Operating expenses	**74,545**	66,004	66,560	64,040	60,405
Profit before tax	**93,959**	86,425	88,200	86,067	83,265
Net profit (attributable to shareholders of the Bank)	**87,581**	78,274	77,281	73,630	70,223
As at the end of the year					*(in millions of RMB)*
Total assets	**11,665,757**	10,697,616	9,905,600	9,531,171	9,038,254
Loans and advances to customers[1]	**6,560,400**	5,848,424	5,304,275	4,854,228	4,579,256
Total liabilities	**10,688,521**	9,818,988	9,104,688	8,825,863	8,361,983
Due to customers[1]	**7,039,777**	6,607,330	6,072,908	5,793,324	5,545,366
Shareholders' equity (attributable to shareholders of the Bank)	**964,647**	866,607	793,247	698,405	671,143

Items	**2021**	2020	2019	2018	2017
Per share					*(in RMB)*
Earnings per share (attributable to the ordinary shareholders of the Bank)[2]	**1.10**	0.99	1.00	0.96	0.91
Net assets per share (attributable to the ordinary shareholders of the Bank)[3]	**10.64**	9.87	9.34	8.60	8.23
Key financial ratios					(%)
Return on average assets	**0.80**	0.77	0.80	0.80	0.81
Return on weighted-average shareholders' equity[2]	**10.76**	10.35	11.20	11.36	11.40
Net interest margin[4]	**1.56**	1.57	1.58	1.51	1.51
Cost-to-income ratio[5]	**29.00**	28.29	30.11	31.50	31.85
Non-performing loan ratio	**1.48**	1.67	1.47	1.49	1.50
Provision coverage ratio	**166.50**	143.87	171.77	173.13	154.73
Capital adequacy ratios	*(in millions of RMB unless otherwise stated)*				
Net capital[6]	**1,139,957**	1,021,246	911,256	817,549	790,381
Including: Net core tier-1 capital[6]	**783,877**	727,611	689,489	634,807	609,454
Other tier-1 capital[6]	**176,348**	134,610	100,057	60,025	59,975
Tier-2 capital[6]	**179,732**	159,025	121,710	122,717	120,952
Risk-weighted assets[6]	**7,379,912**	6,695,462	6,144,459	5,690,542	5,646,313
Capital adequacy ratio (%)[6]	**15.45**	15.25	14.83	14.37	14.00
Tier-1 capital adequacy ratio (%)[6]	**13.01**	12.88	12.85	12.21	11.86
Core tier-1 capital adequacy ratio (%)[6]	**10.62**	10.87	11.22	11.16	10.79

Notes:

1. Loans and advances to customers do not include interest receivable on related loans. Due to customers includes interest payable of related deposits.
2. Calculated pursuant to the requirements of *Regulations on the Preparation of Information Disclosure for Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (2010 Revision)* issued by the China Securities Regulatory Commission (the "**CSRC**").
3. Refer to shareholder's equity attributable to the ordinary shareholders of the Bank after the deduction of other equity instruments against the total issued ordinary shares as at the end of the period.
4. Represented the ratio of net interest income to total average interest-bearing assets.
5. Calculated pursuant to China Accounting Standards, as business and management fees divided by net operating income after the deduction of other operating costs, which is consistent with the financial report prepared under China Accounting Standards.
6. Calculated pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* by the China Banking and Insurance Regulatory Commission (the "**CBIRC**").

III. CHANGES IN SHARES AND SHAREHOLDERS

(I). Changes in Ordinary Shares

As at the end of the Reporting Period, the Bank issued a total of 74,262,726,645 ordinary shares including 39,250,864,015 A shares and 35,011,862,630 H shares, which accounted for 52.85% and 47.15% respectively. All the ordinary shares issued by the Bank are not subject to sales restrictions.

1. Shareholdings of Top 10 Ordinary Shareholders as at the end of the Reporting Period[1]

Name of shareholders (Full name)	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares	Shares pledged or frozen	Nature of shareholders
The Ministry of Finance of the People's Republic of China	–	13,178,424,446	17.75	A Share	Nil	Government
	–	4,553,999,999	6.13	H Share	Nil	
HKSCC Nominees Limited[2,6]	4,487,725	14,979,558,684	20.17	H Share	Unknown	Foreign legal entity
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")[2,3]	–	13,886,417,698	18.70	H Share	Nil	Foreign legal entity
The National Council for Social Security Fund ("SSF")[2,4]	–	3,105,155,568	4.18	A Share	Nil	Government
	–	1,405,555,555	1.89	H Share	Nil	
China Securities Finance Corporation Limited	(330,937,589)	1,891,651,202	2.55	A Share	Nil	State-owned legal entity
Capital Airports Holdings Company Limited	–	1,246,591,087	1.68	A Share	Nil	State-owned legal entity
Hong Kong Securities Clearing Company Limited ("HKSCC")	207,403,176	858,910,456	1.16	A Share	Nil	Foreign legal entity
Shanghai Haiyan Investment Management Co., Ltd.[5]	–	808,145,417	1.09	A Share	Nil	State-owned legal entity
Yunnan Hehe (Group) Co., Ltd.[5]	–	745,305,404	1.00	A Share	Nil	State-owned legal entity
FAW Equity Investment (Tianjin) Co., Ltd.	–	663,941,711	0.89	A Share	Nil	State-owned legal entity

Notes:

1. The relevant data and information are based on the Bank's register of members at the Share Registrar and Transfer Office.
2. The aggregate number of shares held by HKSCC Nominees Limited represents the total number of H shares of the Bank held by all institutional and individual investors who maintained an account with it as at the end of the Reporting Period. The data included 249,218,915 and 7,648,921,777 H shares indirectly held by HSBC and SSF respectively, which were registered under HKSCC Nominees Limited. The data did not include 13,886,417,698 and 1,405,555,555 H shares of the Bank directly held by the aforementioned two shareholders respectively, which were registered in the Bank's register of members.
3. According to the disclosure forms of interests filed with the Hong Kong Stock Exchange by HSBC Holdings plc, **HSBC beneficially held 14,135,636,613 H shares of the Bank as at the end of the Reporting Period, representing 19.03% of the Bank's total ordinary shares issued.** HSBC beneficially held 249,218,915 more H shares than shown on the Bank's register of members. The discrepancy was due to a purchase of H shares by HSBC from the secondary market in 2007 and thereafter receiving bonus shares issued by the Bank and participating in the rights issue of the Bank. Those extra shares have been registered under HKSCC Nominees Limited.
4. This included the 1,970,269,383 A shares of the Bank held by the Sixth Transfer Account for State-owned Capital of the SSF. Other than the above shareholdings, the SSF held additional 7,648,921,777 H shares of the Bank, of which 7,027,777,777 H shares were registered under HKSCC Nominees Limited and 621,144,000 H shares were indirectly held by certain asset managers (including Hong Kong Stock Connect). **As at the end of the Reporting Period, the SSF held a total of 12,159,632,900 A shares and H shares of the Bank, representing 16.37% of the Bank's total ordinary shares issued.**
5. Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd. are parties acting in concert as defined under the *Provisional Measures on Shareholdings Administration of Commercial Banks*. 7 subordinate enterprises of China National Tobacco Corporation including Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd. authorised and entrusted China National Tobacco Corporation to present at the Shareholders' General Meeting of the Bank and to exercise the voting rights on their behalf.
6. HKSCC Nominees Limited is a wholly-owned subsidiary of HKSCC.
7. The Bank is not aware of the existence of any related relationship among the other Top 10 shareholders, or whether they are parties acting in concert as defined in the *Provisional Measures on Shareholdings Administration of Commercial Banks*.

2. *Substantial Shareholders and Holders of Interest or Short Positions Required to be Disclosed under Division 2 and 3 of Part XV of the the Securities and Futures Ordinance ("SFO")*

As at the end of the Reporting Period, to the knowledge of the directors, supervisors and chief executive of the Bank, the substantial shareholders and other persons (excluding the directors, supervisors and chief executive of the Bank) who had interests or short positions in the shares or underlying shares of the Bank as recorded in the register required to be kept pursuant to Section 336 of the SFO are as follows:

Name of substantial shareholders	Capacity	Number of A shares	Nature of interest[1]	Percentage of total issued A shares (%)	Percentage of total issued shares (%)
The Ministry of Finance of the People's Republic of China	Beneficial owner	13,178,424,446[2]	Long position	33.57	17.75
The National Council for Social Security Fund	Beneficial owner	3,105,155,568[3]	Long position	7.91	4.18

Name of substantial shareholders	Capacity	Number of H shares	Nature of interest[1]	Percentage of total issued H shares (%)	Percentage of total issued shares (%)
The National Council for Social Security Fund	Beneficial owner	9,054,477,332[3]	Long position	25.86	12.19
The Ministry of Finance of the People's Republic of China	Beneficial owner	4,553,999,999[2]	Long position	13.01	6.13
HSBC Holdings plc	Interests of controlled corporations	14,135,636,613[4]	Long position	40.37	19.03

Notes:

1. Long positions held other than through equity derivatives.
2. To the knowledge of the Bank, as at the end of the Reporting Period, the Ministry of Finance held 4,553,999,999 H shares and 13,178,424,446 A shares of the Bank, respectively representing 6.13% and 17.75% of the total ordinary shares issued by the Bank.
3. To the knowledge of the Bank, as at the end of the Reporting Period, the SSF held 9,054,477,332 H shares and 3,105,155,568 A shares (please refer to the details in *Shareholdings of Top 10 Ordinary Shareholders* and relevant notes) of the Bank, respectively representing 12.19% and 4.18% of the Bank's total ordinary shares issued.
4. HSBC Holdings plc wholly owns HSBC Asia Holdings Limited, which wholly owns HSBC. HSBC beneficially held 14,135,636,613 H shares of the Bank. Pursuant to the *SFO*, HSBC Holdings plc was deemed to own the interests associated with the 14,135,636,613 H shares held by HSBC.

Save as disclosed above, as at the end of the Reporting Period, no other person (excluding the directors, supervisors and chief executives of the Bank) or corporation were recorded in the register required to be kept under Section 336 of the *SFO* as holding any interests or short positions in the shares or underlying shares of the Bank that would fall to be disclosed to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the *SFO*.

(II). Information of Preference Shares

1. Top 10 Preference Shareholders and Their Shareholdings as at the end of the Reporting Period

Name of shareholders	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares held	Shares pledged or frozen	Nature of shareholders
China Mobile Communications Group Co. Ltd.	–	100,000,000	22.22	Domestic preference share	Nil	State-owned legal entity
HwaBoo Trust Co., Ltd. – HwaBoo Trust – Baofu Investment No.1 Collective Capital Trust Plan	48,910,000	48,910,000	10.87	Domestic preference share	Nil	Others
CCB Trust Co., Ltd. – "Qian Yuan – Ri Xin Yue Yi" Open-ended Wealth Management Single Fund Trust	–	20,000,000	4.44	Domestic preference share	Nil	Others
Bosera Funds – ICBC – Bosera – ICBC – Flexible Allocation No. 5 Specific Multi-customer Asset Management Plan	–	20,000,000	4.44	Domestic preference share	Nil	Others
Ping An Life Insurance Co., Ltd. – Proprietary fund	–	18,000,000	4.00	Domestic preference share	Nil	Others
China National Tobacco Corporation – Henan Branch	–	15,000,000	3.33	Domestic preference share	Nil	State-owned legal entity
China Life Property & Casualty Insurance Company Limited – Traditional – Common insurance product	–	15,000,000	3.33	Domestic preference share	Nil	Others
CITIC Securities – Postal Saving Bank – CITIC Securities Xingchen No.28 Collective Asset Management Plan	14,000,000	14,000,000	3.11	Domestic preference share	Nil	Others
Everbright Securities Asset Management ("EBSAM") – Everbright Bank – EBSAM Xinyou No.4 Collective Asset Management Plan	13,000,000	13,000,000	2.89	Domestic preference share	Nil	Others
CMW Asset Management – CMB – China Merchants Wealth – Chengcai No.1 Collective Asset Management Plan	10,225,000	10,225,000	2.27	Domestic preference share	Nil	Others

Notes:

1. Shareholdings of preference shareholders are summarised according to the Bank's register members of preference shareholders.
2. "Percentage" refers to the percentage of number of preference shares held by preference shareholders in the total number of preference shares.
3. The Bank is not aware of the existence of any related relationship among the top 10 preference shareholders or any relationship between the above shareholders and top 10 ordinary shareholders, or whether they are parties acting in concert.

2. Dividends Distribution of Preference Shares

The Bank distributed dividends annually for the preference shares in cash. In the event that the Bank resolved to cancel part or all of the dividends of preference shares, the difference in the amount of dividends not fully paid to the shareholders of preference shares in the current period did not accrue to the subsequent interest period. Preference shareholders would not participate in the distribution of the residual earnings with ordinary shareholders after receiving dividends as agreed.

In accordance with the resolution and authorisation of the Shareholders' General Meeting, the 19th meeting of the 9th Session of the Board of Directors of the Bank was held on 29 April 2021, at which the proposal for the dividend distribution of "BOCOM PREF1" was considered and approved. The dividend on "BOCOM PREF1" was calculated at the nominal dividend yield of 3.9% and amounted to RMB1,755,000,000, which was distributed on 7 September 2021 in cash. Besides, the first adjustment period for dividend yield of "BOCOM PREF1" has been 5 years. According to relevant provisions of the prospectus, the nominal dividend yield of "BOCOM PREF1" was adjusted to 4.07% effective from 7 September 2021, and the dividend would be distributed annually.

Please refer to the announcement published by the Bank for details of dividend distribution of preference shares and adjustment of the nominal dividend yield.

3. *Other Information of Preference Shares*

According to the *Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*, the *Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments* issued by the Ministry of Finance, the *International Financial Report Standards 9 – Financial Instruments* and the *International Accounting Standards 32 – Financial Instruments: Presentation* issued by International Accounting Standards Board as well as substantial terms and conditions of the preference shares issued by the Bank, the preference shares of the Bank were classified as equity instruments.

During the Reporting Period, there was neither any redemption or conversion of preference shares, or any restoration of voting rights for preference shares.

(III). Issuance, Listing, Trading and Redemption of Securities

During the Reporting Period, the Bank issued neither ordinary shares and convertible bonds, nor corporate bonds that were required to be disclosed in accordance with the *Standards on the Content and Format of Information Disclosure of Publicly Listed Company No.2 – Content and Format of the Annual Report (2021 Revision) and the Administrative Measures for Information Disclosure of Enterprise Credit Bonds.* During the Reporting Period, the Bank and its subsidiaries did not purchase, sell or redeem any of the Bank's listed securities except as disclosed in "2. Redemption of Bonds" below.

The Bank did not issue preference shares during the past three years.

The Bank has no employee stock.

1. *Issuance of Bonds*

According to the resolution of the 2019 Annual General Meeting, and with the approvals by the CBIRC and the People's Bank of China (the "**PBOC**"), the Bank issued a 40.0 billion special financial bond for loans to small and micro enterprises in China's National Interbank Bond Market in April 2021 with a term of 3 years and a coupon rate of 3.4%. The proceeds were all used for loans to small and micro enterprises.

According to the resolution of the 2020 First Extraordinary General Meeting, and with the approvals by the CBIRC and the PBOC, the Bank issued a 41.5 billion undated capital bond in China's National Interbank Bond Market in June 2021. The coupon rate for the first five years is 4.06%, and the rate is adjusted every five years. The issuer is entitled to the right of redemption with pre-conditions on each interest payment date from the 5th year and thereafter. The net proceeds after deducting offering related expenses were all used to replenish the other tier-1 capital of the Bank.

According to the resolution of the 2021 First Extraordinary General Meeting, and with the approvals by the CBIRC and the PBOC, the Bank issued a 30.0 billion tier-2 capital bond in China's National Interbank Bond Market in September 2021 with a fixed coupon rate of 3.65% and a term of 10 years. The issuer is entitled to the right of redemption with pre-conditions at the end of the 5th year. The net proceeds after deducting offering related expenses were all used to replenish the tier-2 capital of the Bank.

2. *Redemption of Bonds*

With the approval by the CBIRC, the Bank fully redeemed the 26.0 billion subordinated bond issued in October 2011 in China's National Interbank Bond Market in advance in October 2021. The bond had a term of 15 years and the issuer is entitled to the right of redemption with pre-conditions at the end of the 10th year.

With the approval by the CBIRC, the Bank fully redeemed the EUR0.5 billion tier-2 capital bonds issued abroad in 2014 in the Hong Kong Stock Exchange in advance in October 2021. The bond has a term of 12 years and the issuer is entitled to the right of redemption with pre-conditions at the end of the 7th year, and the principal of redemption plus the final interest payment amounted to EUR509,062,500.

In November 2021, the Bank fully redeemed the 20.0 billion 5-year green financial bond issued in November 2016 in China's National Interbank Bond Market on the due date.

In November 2021, the Bank fully redeemed the 10.0 billion 3-year special financial bond for loans to small and micro enterprises with a term of 3 years issued in November 2018 in China's National Interbank Bond Market on the due date.

3. *Equity Linked Agreement*

The Bank privately issued 450 million domestic preference shares in September 2016. Assuming that the Bank triggers a mandatory share conversion event and all preference shares are mandatorily required to be converted into ordinary shares at the initial share conversion price, the number of the above domestic preference shares being converted into ordinary A shares will not exceed 7.2 billion shares.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

(I). Financial Statement Analysis

During the Reporting Period, the Group resolutely carried out the decisions and arrangements by the CPC Central Committee and the State Council, earnestly implemented the "three major tasks of serving the real economy, managing financial risks management and deepening financial reforms" and coordinated pandemic prevention and control with business development. The Group coordinated development with safety, keeping and consolidating the development status of maintaining stability with progress made and quality improved, and thus achieved an auspicious start for the "14th Five-Year Plan".

The Group improved the ability of value creation. During the Reporting Period, the Group's net profit (attributable to shareholders of the Bank) amounted to 87.581 billion, representing a year-on-year increase of 11.89%. The Group's net operating income amounted to 269.748 billion, representing a year-on-year increase of 9.33%. The net interest margin stood at 1.56%, representing a year-on-year decrease of 0.01 percentage point. The return on average assets stood at 0.80%, representing a year-on-year increase of 0.03 percentage point. The return on weighted average net assets stood at 10.76%, representing a year-on-year increase of 0.41 percentage point.

The Group optimised the structure of assets and liabilities. As at the end of the Reporting Period, the total assets of the Group increased by 9.05% over the end of the previous year to 11.67 trillion. The balance of the Group's loans and advances to customers increased by 0.71 trillion or 12.17% over the end of the previous year to 6.56 trillion. The balance of the Group's due to customers increased by 0.43 trillion or 6.54% over the end of the previous year to 7.04 trillion.

The Group consolidated asset quality while maintaining stability. As at the end of the Reporting Period, non-performing loan ratio of the Group was 1.48%, representing a decrease of 0.19 percentage point over the end of the previous year. Provision coverage ratio was 166.50%, representing an increase of 22.63 percentage points over the end of the previous year. Overdue loan ratio was 1.33%, representing a decrease of 0.21 percentage point over the end of the previous year.

1. Analysis on Key Income Statement Items

(1) Profit before tax

During the Reporting Period, the Group's profit before tax increased by 7.534 billion on a year-on-year basis, representing an increase of 8.72% to 93.959 billion. Profit before tax was mainly derived from net interest income and net fee and commission income. Credit impairment losses increased by 4.312 billion or 6.95% on a year-on-year basis.

The selected items from the income statement of the Group during the periods indicated are shown below:

(in millions of RMB unless otherwise stated)

	2021	2020	Increase/ (decrease) (%)
Net interest income	**161,693**	153,336	5.45
Net non-interest income	**108,055**	93,388	15.71
Including: Net fee and commission income	**47,573**	45,086	5.52
Net operating income	**269,748**	246,724	9.33
Credit impairment losses	**(66,371)**	(62,059)	6.95
Impairment losses on other assets	**(2,320)**	(484)	379.34
Insurance business expense	**(17,054)**	(15,729)	8.42
Other operating expenses	**(90,044)**	(82,027)	9.77
Including: Operating expenses	**(74,545)**	(66,004)	12.94
Profit before tax	**93,959**	86,425	8.72
Income tax	**(5,020)**	(6,855)	(26.77)
Net profit	**88,939**	79,570	11.77
Net profit attributable to shareholders of the Bank	**87,581**	78,274	11.89

The breakdown of the net operating income of the Group during the periods indicated is shown below:

(in millions of RMB unless otherwise stated)

	2021		
	Amount	**Proportion (%)**	**Increase/ (decrease) on a year-on-year basis (%)**
Net interest income	**161,693**	**59.94**	**5.45**
Net fee and commission income	**47,573**	**17.64**	**5.52**
Net gains arising from trading activities	**23,344**	**8.65**	**68.62**
Net gains arising from financial investments	**1,311**	**0.49**	**11.38**
Net share of profits of associates and joint ventures	**277**	**0.10**	**24.77**
Insurance business income	**16,515**	**6.12**	**8.87**
Other operating income	**19,035**	**7.06**	**6.41**
Total net operating incomes	**269,748**	**100.00**	**9.33**

(2) Net interest income

During the Reporting Period, the Group's net interest income increased by 8.357 billion on a year-on-year basis to 161.693 billion, accounting for 59.94% of the net operating income, which was a major component of the Group's income. During the Reporting Period, the Group fulfilled its responsibilities as a large state-owned bank, deepened the supply-side structural reform of the financial sector, and increased the granting of loans to customers, resulting in a year-on-year incremental increase in the interest income. At the same time, the Group seized the opportunity of loose liquidity, continued to optimise the liability structure, and gradually decreased the debt-to-cost ratio, making the interest expense remain basically the same as the previous year.

The average balances, associated interest income and expenses and average rate of return or average rate of cost of the Group's interest-bearing assets and interest-bearing liabilities during the periods indicated are shown below:

(in millions of RMB unless otherwise stated)

	From January to December 2021			From January to December 2020		
	Average balance	**Interest income/ (expense)**	**Average rate of return/ (cost) (%)**	Average balance	Interest income/ (expense)	Average rate of return/ (cost) (%)
Assets						
Cash and balances with central banks	**780,069**	**10,699**	**1.37**	788,180	10,770	1.37
Due from and placements with banks and other financial institutions	**737,444**	**12,266**	**1.66**	811,543	16,180	1.99
Loans and advances to customers	**6,154,222**	**266,419**	**4.33**	5,522,008	251,468	4.55
Investment securities	**2,716,367**	**88,262**	**3.25**	2,672,875	90,683	3.39
Interest-bearing assets	**10,388,102**	**377,646**	**3.64**	9,794,606	369,101	3.77
Non-interest-bearing assets	**1,018,481**			947,106		
Total assets	**11,406,583**			10,741,712		
Liabilities and Shareholders' Equity						
Due to customers	**6,708,100**	**140,982**	**2.10**	6,325,312	139,142	2.20
Due to and placements from banks and other financial institutions	**1,982,978**	**38,581**	**1.95**	2,053,415	46,653	2.27
Debt securities and others	**1,270,806**	**36,390**	**2.86**	1,037,751	29,970	2.89
Interest-bearing liabilities	**9,961,884**	**215,953**	**2.17**	9,416,478	215,765	2.29
Shareholders' equity and non-interest-bearing liabilities	**1,444,699**			1,325,234		
Total liabilities and shareholders' equity	**11,406,583**			10,741,712		
Net interest income		**161,693**			153,336	
Net interest spread[1]			**1.47**			1.48
Net interest margin[2]			**1.56**			1.57
Net interest spread[1,3]			**1.68**			1.69
Net interest margin[2,3]			**1.77**			1.77

Notes:

1. Represented the difference between the average rate of return on total average interest-bearing assets and the average rate of cost of total average interest-bearing liabilities.
2. Represented the ratio of net interest income to total average interest-bearing assets.
3. Taken into account the tax exemption on the interest income from bonds.

During the Reporting Period, the Group's net interest income increased by 5.45% on a year-on-year basis. The net interest spread was 1.47%, representing a decrease of 1 basis point on a year-on-year basis. The net interest margin decreased by 1 basis point on a year-on-year basis to 1.56%.

The table below shows the net interest spreads and net interest margin of the Group for each quarter of the period indicated:

	2021			
(%)	**January – March**	**April – June**	**July – September**	**October – December**
Net interest spread	1.44	1.47	1.46	1.50
Net interest margin	1.54	1.55	1.54	1.59
Net interest spread[Note]	1.65	1.68	1.67	1.72
Net interest margin[Note]	1.75	1.77	1.76	1.81

Note: Taken into account the tax exemption on the interest income from bond investment.

The table below illustrates the impact of changes in scales and interest rates on the Group's interest income and interest expenses. The changes in scales and interest rates are based on the changes in average balance and the changes on interest rates of interest-bearing assets and interest-bearing liabilities during the periods indicated.

(in millions of RMB)

	Comparison between 2021 and 2020 Increase/(Decrease) due to		
	Amount	**Interest rate**	**Net increase/ (decrease)**
Interest-bearing assets			
Cash and balances with central banks	(71)	–	(71)
Due from and placements with banks and other financial institutions	(1,475)	(2,439)	(3,914)
Loans and advances to customers	28,766	(13,815)	14,951
Investment securities	1,474	(3,895)	(2,421)
Changes in interest income	28,694	(20,149)	8,545
Interest-bearing liabilities			
Due to customers	8,421	(6,581)	1,840
Due to and placements from banks and other financial institutions	(1,599)	(6,473)	(8,072)
Debt securities and others	6,735	(315)	6,420
Changes in interest expenses	13,557	(13,369)	188
Changes in net interest income	15,137	(6,780)	8,357

During the Reporting Period, the Group's net interest income increased by 8.357 billion on a year-on-year basis, of which the increase of 15.137 billion was due to changes in the average balances of assets and liabilities and the decrease of 6.780 billion was due to changes in the average rate of return and average rate of cost.

① Interest income

During the Reporting Period, the Group's interest income increased by 8.545 billion or 2.32% on a year-on-year basis to 377.646 billion. The interest income from loans and advances to customers, investment securities and cash and balances with central banks accounted for 70.55%, 23.37% and 2.83% of total interest income respectively.

A. Interest income from loans and advances to customers

Interest income from loans and advances to customers was the largest component of the Group's interest income. During the Reporting Period, interest income from loans and advances to customers increased by 14.951 billion or 5.95% on a year-on-year basis to 266.419 billion, which was mainly due to the impact of the average balance of loans and advances to customers increasing by 632.214 billion. The increase was mainly generated from medium and long-term corporate and personal loans.

Analysis of the average income of loans and advances to customers by business type and term structure

(in millions of RMB unless otherwise stated)

	From January to December 2021			From January to December 2020		
	Average balance	**Interest income**	**Average rate of return (%)**	Average balance	Interest income	Average rate of return (%)
Corporate loans	**3,917,298**	**158,362**	**4.04**	3,531,559	151,301	4.28
– Short-term loans	**1,300,743**	**44,440**	**3.42**	1,251,162	49,603	3.96
– Medium and long-term loans	**2,616,555**	**113,922**	**4.35**	2,280,397	101,698	4.46
Personal loans	**2,075,137**	**103,576**	**4.99**	1,797,028	94,684	5.27
– Short-term loans	**547,418**	**29,541**	**5.40**	493,737	31,033	6.29
– Medium and long-term loans	**1,527,719**	**74,035**	**4.85**	1,303,291	63,651	4.88
Discounted bills	**161,787**	**4,481**	**2.77**	193,421	5,483	2.83
Total loans and advances to customers	**6,154,222**	**266,419**	**4.33**	5,522,008	251,468	4.55

B. Interest income from investment securities

During the Reporting Period, interest income from investment securities decreased by 2.421 billion or 2.67% on a year-on-year basis to 88.262 billion, which was mainly due to the year-on-year decrease by 14 basis points in the average rate of return of investment securities.

C. Interest income from cash and balances with central banks

The balances with central banks mainly included balances in statutory reserves and excess reserves. During the Reporting Period, interest income from cash and balances with central banks decreased by 71 million or 0.66% on a year-on-year basis to 10.699 billion, which was mainly due to the year-on-year decrease by 8.111 billion in the average balance of cash and balances with central banks.

D. Interest income from due from and placements with banks and other financial institutions

During the Reporting Period, the interest income from due from and placements with banks and other financial institutions decreased by 3.914 billion or 24.19% on a year-on-year basis to 12.266 billion, which was mainly due to the year-on-year decrease of 33 basis points in the average rate of return on due from and placements with banks and other financial institutions.

② Interest expenses

During the Reporting Period, the Group's interest expenses increased by 0.188 billion or 0.09% on a year-on-year basis to 215.953 billion. During the Reporting Period, since the overall market interest rates declined, interest expenses on due to and placements from banks and other financial institutions decreased.

A. Interest expenses on due to customers

Due to customers is the Group's primary funding source. During the Reporting Period, interest expenses on due to customers increased by 1.840 billion or 1.32% on a year-on-year basis to 140.982 billion, accounting for 65.28% of total interest expenses. During the Reporting Period, the Group focused on reducing the scale of high-cost deposits such as structured time deposits, continuously optimising the deposit structure and strengthening deposit cost control, so that the growth of interest expenses on customer deposits was significantly slower than that of the deposit scale.

Analysis of the average cost of due to customers by product category

(in millions of RMB unless otherwise stated)

	From January to December 2021			From January to December 2020		
	Average balance	**Interest expenses**	**Average rate of cost (%)**	Average balance	Interest expenses	Average rate of cost (%)
Corporate deposits	**4,395,310**	**88,165**	**2.01**	4,236,366	89,749	2.12
– Demand deposits	**1,897,980**	**16,706**	**0.88**	1,867,106	17,401	0.93
– Time deposits	**2,497,330**	**71,459**	**2.86**	2,369,260	72,348	3.05
Personal deposits	**2,312,790**	**52,817**	**2.28**	2,088,946	49,393	2.36
– Demand deposits	**774,599**	**3,689**	**0.48**	811,519	6,593	0.81
– Time deposits	**1,538,191**	**49,128**	**3.19**	1,277,427	42,800	3.35
Total due to customers	**6,708,100**	**140,982**	**2.10**	6,325,312	139,142	2.20

B. Interest expenses on due to and placements from banks and other financial institutions

During the Reporting Period, interest expenses on due to and placements from banks and other financial institutions decreased by 8.072 billion or 17.30% on a year-on-year basis to 38.581 billion, which was mainly due to a year-on-year decrease of 32 basis points in the average rate of cost of due to and placements from banks and other financial institutions.

C. Interest expenses on debt securities issued and other interest-bearing liabilities

During the Reporting Period, interest expenses on debt securities issued and other interest-bearing liabilities increased by 6.420 billion or 21.42% on a year-on-year basis to 36.390 billion, which was mainly due to a year-on-year increase of 233.055 billion in the average balance of debt securities issued and others.

(3) Net fee and commission income

Net fee and commission income is an important component of the Group's net operating income. During the Reporting Period, relying on the advantage of full licenses, the Group created a "second curve" of sustained profit growth starting from building the feature of wealth management brand, with net fee and commission income increasing by 2.487 billion or 5.52% on a year-on-year basis to 47.573 billion. Wealth management and agency services were the main drivers of the Group's net fee and commission income.

The breakdown of the Group's net fee and commission income for the periods indicated is shown below:

(in millions of RMB unless otherwise stated)

	2021	2020	Increase/ (decrease) (%)
Bank cards	**20,136**	20,107	0.14
Wealth management business	**11,775**	9,856	19.47
Custody and other fiduciary businesses	**7,484**	7,033	6.41
Agency services	**5,664**	4,200	34.86
Investment banking	**3,120**	3,706	(15.81)
Guarantee and commitment	**2,527**	2,617	(3.44)
Settlement services	**1,296**	1,531	(15.35)
Others	**283**	248	14.11
Total fee and commission income	**52,285**	49,298	6.06
Less: Fee and commission expenses	**(4,712)**	(4,212)	11.87
Net fee and commission income	**47,573**	45,086	5.52

Fee income from wealth management business increased on a year-on-year basis, which was mainly due to the significant increase in the scale of wealth management products and funds of the Group. Fee income from agency services increased on a year-on-year basis, which was mainly due to the significant increase in the income from funds on consignment.

(4) Operating expenses

During the Reporting Period, the Group's operating expenses increased by 8.541 billion or 12.94% on a year-on-year basis to 74.545 billion. The Group's cost-to-income ratio was 29.00%, representing a year-on-year increase of 0.71 percentage point. The cost-to-income ratio is around 27% if the tax exemption effect of bond interest income and other income was restored. Other employees' cost increased by 16.41% on a year-on-year basis, which was due to the decrease of employees' social insurance expenditure in the previous year resulting from the social insurance reduction policy.

The breakdown of the Group's operating expenses for the periods indicated is shown below:

(in millions of RMB unless otherwise stated)

	2021	2020	Increase/ (decrease) (%)
Staff remuneration, bonus, allowance and welfare[Note]	**25,383**	22,920	10.75
Other staff costs	**11,442**	9,829	16.41
Operating expenses[Note]	**29,621**	25,367	16.77
Depreciation and amortisation	**8,099**	7,888	2.67
Total operating expenses	**74,545**	66,004	12.94

Note: Due to changes in the presentation of financial statement items, comparative data has been restated in accordance with the current presentation.

(5) Asset impairment losses

During the Reporting Period, the Group's asset impairment losses were 68.691 billion, representing a year-on-year increase of 6.148 billion or 9.83%, of which the credit impairment losses on loans increased by 6.676 billion or 11.86% on a year-on-year basis to 62.945 billion. The fundamentals of China's economy, characterised by improvement with long-term sustainability, remained unchanged. However, the COVID-19 pandemic increased the complexity and uncertainty of social environment. The Group updated all the parameters in the impairment model in a timely manner to reflect the impact of social environment changes on asset credit risk and continued to increase the amount of provisions. Thus the asset impairment losses increased correspondingly to keep the Group resilient in risk management.

(6) Income tax

During the Reporting Period, the Group's income tax expenses decreased by 1.835 billion or 26.77% on a year-on-year basis to 5.020 billion. The effective tax rate of 5.34% was lower than the statutory tax rate of 25%, which was mainly due to the tax exemption on interest income from treasury bonds and local treasury bonds held by the Group, as promulgated in relevant tax provisions.

2. Analysis on Key Balance Sheet Items

(1) Assets

As at the end of the Reporting Period, the Group's total assets increased by 968.141 billion or 9.05% over the end of the previous year to 11,665.757 billion, which was mainly due to the increase in the scale of loans and advances to customers as well as financial investments.

The balances (after provision) of the key components of the Group's total assets and their proportions to the total assets as at the dates indicated are shown below:

(in millions of RMB unless otherwise stated)

	31 December 2021		31 December 2020	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans and advances to customers (after provision)	**6,412,201**	**54.97**	5,720,568	53.48
Financial investments	**3,523,249**	**30.20**	3,237,337	30.26
Cash and balances with central banks	**734,728**	**6.30**	817,561	7.64
Due from and placements with banks and other financial institutions	**632,708**	**5.42**	571,130	5.34
Others	**362,871**	**3.11**	351,020	3.28
Total assets	**11,665,757**	**100.00**	10,697,616	100.00

① Loans and advances to customers

During the Reporting Period, the Group focused on its major responsibilities and business, and continuously enhanced the quality and efficiency of its service to the real economy. The Group actively implemented national strategies on significant regions and increased credit resources to key areas like manufacturing, inclusive small and micro enterprises and green credit, as well as to major regions such as the Yangtze River Delta, resulting in steady growth in the total amount of loans and consistent improvement of the loan structure.

The balance and breakdown of the Group's loans and advances to customers at the dates indicated are shown below:

(in millions of RMB unless otherwise stated)

	31 December 2021		31 December 2020		31 December 2019	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	**4,138,582**	**63.09**	3,707,471	63.39	3,346,476	63.09
– Short-term loans	**1,309,291**	**19.96**	1,251,162	21.39	1,189,543	22.43
– Medium and long-term loans	**2,829,291**	**43.13**	2,456,309	42.00	2,156,933	40.66
Personal loans	**2,285,096**	**34.83**	1,980,882	33.87	1,754,765	33.08
– Mortgage	**1,489,517**	**22.70**	1,293,773	22.12	1,135,428	21.41
– Credit card	**492,580**	**7.51**	464,110	7.94	467,387	8.81
– Others	**302,999**	**4.62**	222,999	3.81	151,950	2.86
Discounted bills	**136,722**	**2.08**	160,071	2.74	203,034	3.83
Total loans and advances to customers	**6,560,400**	**100.00**	5,848,424	100.00	5,304,275	100.00

As at the end of the Reporting Period, the Group's total loans and advances to customers increased by 711.976 billion or 12.17% over the end of the previous year to 6,560.400 billion, among which the renminbi loans from domestic branches increased by 633.862 billion or 12.10% over the end of the previous year.

The corporate loan balance was 4,138.582 billion, achieving an increase of 431.111 billion or 11.63% over the end of the previous year, whose proportion in loans and advances to customers decreased by 0.30 percentage point to 63.09% over the end of the previous year. Short-term loans increased by 58.129 billion, and medium and long-term loans increased by 372.982 billion, whose proportion in loans and advances to customers increased to 43.13%.

The balance of personal loans was 2,285.096 billion, representing an increase of 304.214 billion or 15.36% over the end of the previous year, whose proportion in loans and advances to customers increased by 0.96 percentage point to 34.83% over the end of the previous year. Mortgage loans increased by 195.744 billion or 15.13% over the end of the previous year, whose proportion in loans and advances to customers increased to 22.70%. Credit card loans increased by 28.470 billion or 6.13% over the end of the previous year.

Discounted bills decreased by 23.349 billion or 14.59% over the end of the previous year.

Distribution of loans and advances to customers by security types

(In millions of RMB unless otherwise stated)

	31 December 2021		31 December 2020	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Unsecured loans	**2,085,835**	**31.79**	1,812,785	31.00
Guaranteed loans	**1,056,138**	**16.10**	990,248	16.93
Collateralised and other secured loans	**3,418,427**	**52.11**	3,045,391	52.07
– Loans secured by collateral	**2,488,276**	**37.93**	2,191,847	37.48
– Pledged loans	**930,151**	**14.18**	853,544	14.59
Total	**6,560,400**	**100.00**	5,848,424	100.00

Expected credit loss allowance for loans and advances to customers

(in millions of RMB)

	31 December 2021	31 December 2020
Balance at the end of the previous year	**140,561**	134,052
Accrual/(Reversal) in the period	**62,945**	56,269
Transfer in/(Transfer out) in the period	**(984)**	(683)
Write-offs and disposals in the period	**(47,519)**	(53,828)
Recovered after written-off	**6,324**	5,052
Exchange differences	**(165)**	(301)
Balance at the end of the period	**161,162**	140,561

② Financial investments

As at the end of the Reporting Period, the Group's net balance of financial investments increased by 285.912 billion or 8.83% over the end of the previous year to 3,523.249 billion.

The breakdown of investments by nature

(in millions of RMB unless otherwise stated)

	31 December 2021		31 December 2020	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Bonds	**3,021,272**	**85.75**	2,787,701	86.11
Equity instruments and others	**501,977**	**14.25**	449,636	13.89
Total	**3,523,249**	**100.00**	3,237,337	100.00

The breakdown of investments by the presentation basis of financial statements

(in millions of RMB unless otherwise stated)

	31 December 2021		31 December 2020	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Financial investments at fair value through profit and loss	**638,483**	**18.12**	482,588	14.91
Financial investments at amortised cost	**2,203,037**	**62.53**	2,019,529	62.38
Financial investments at fair value through other comprehensive income	**681,729**	**19.35**	735,220	22.71
Total	**3,523,249**	**100.00**	3,237,337	100.00

As at the end of the Reporting Period, the balance of the Group's bond investments increased by 233.571 billion or 8.38% over the end of the previous year to 3,021.272 billion. In the future, the Bank will reinforce the research and judgement of the economic and financial situation, and focus on the allocation of incremental investment and optimisation of historical bond investments. Firstly is to maintain the overall strategy of investing mainly in interest rate bonds and make reasonable arrangements for investment in treasury bonds and local treasury bonds. Secondly is to keep tracking national industrial policies and changes in enterprise operations in real time to optimise the reserve and investment of credit bonds projects. Thirdly is to increase the bond transaction volume and expedite the turnover of treasury bonds and policy bank financial bonds. Fourthly is to optimise the investment structure and seek the opportunity to replace some historical low-yield bonds with other assets of higher yield.

The breakdown of securities investment by issuers

(in millions of RMB unless otherwise stated)

	31 December 2021		31 December 2020	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Government and central banks	**2,325,896**	**76.98**	2,057,685	73.81
Public sector entities	**27,073**	**0.90**	26,940	0.97
Interbank institutions and other financial institutions	**472,688**	**15. 65**	552,765	19.83
Corporate entities	**195,615**	**6.47**	150,311	5.39
Total	**3,021,272**	**100.00**	2,787,701	100.00

As at the end of the Reporting Period, financial bonds held by the Group amounted to 472.688 billion, including bonds issued by policy banks of 147.738 billion and by interbank institutions and non-bank financial institutions of 324.950 billion, which accounted for 31.25% and 68.75% of the total bonds respectively.

Top 10 financial bonds held by the Group

(in millions of RMB unless otherwise stated)

Bond name	Face value	Annual interest rate (%)	Maturity date	Impairment allowance
Policy Bank Bond issued in 2018	6,901	4.99	23/01/2023	1.65
Policy Bank Bond issued in 2017	6,330	4.39	07/09/2027	1.47
Policy Bank Bond issued in 2017	5,688	4.44	08/11/2022	1.35
Policy Bank Bond issued in 2018	5,009	4.98	11/01/2025	1.20
Policy Bank Bond issued in 2018	4,400	4.97	28/01/2023	1.05
Policy Bank Bond issued in 2017	3,335	4.30	20/08/2024	0.78
Commercial Bank Bond issued in 2017	3,000	4.38	29/08/2022	17.56
Commercial Bank Bond issued in 2017	2,983	3 Month LIBOR +0.95	24/04/2022	0.62
Policy Bank Bond issued in 2019	2,862	2.70	19/03/2024	0.42
Policy Bank Bond issued in 2018	2,750	4.88	08/02/2028	0.66

③ Foreclosed asset

The selected information of the Group's foreclosed asset on the dates indicated is shown below:

(in millions of RMB)

	31 December 2021	31 December 2020
Original value of foreclosed assets	**1,437**	1,109
Less: Impairment allowance	**(407)**	(142)
Net value of foreclosed assets	**1,030**	967

(2) Liabilities

Thoroughly implementing the *Measures for Liability Quality Management of Commercial Banks* issued by the CBIRC, the Group established a liability quality management system commensurate with the amount and complexity of the Bank's liabilities and continuously improve the capability and level of liability quality management. During the Reporting Period, the Bank conscientiously implemented the requirements of the "six characteristics"[1] of liability quality management, and continued to expand the Bank's liability business, consolidate the customer basis, and strengthen the monitoring and analysis of liability quality, resulting in a sound overall liability quality.

[1] Stability of liability sources, diversity of liability structures, rationality of liability and asset matching, proactivity of liability acquisition, appropriateness of liability costs and authenticity of liability items.

As at the end of the Reporting Period, the Group's total liabilities increased by 869.533 billion or 8.86% over the end of the previous year to 10,688.521 billion. Among them, due to customers increased by 432.447 billion or 6.54% over the end of the previous year, which accounted for 65.86% of total liabilities and represented a decrease of 1.43 percentage points over the end of the previous year. The balance of due to and placements from interbank institutions and other financial institutions increased by 191.682 billion or 21.18% over the end of the previous year, which accounted for 10.26% of total liabilities and represented an increase of 1.04 percentage points over the end of the previous year.

Due to customers

Due to customers is the Group's primary funding source. As at the end of the Reporting Period, the Group's balance of due to customers increased by 432.447 billion or 6.54% over the end of the previous year to 7,039.777 billion. In terms of customer structure, the proportion of corporate deposits was 64.63%, representing a decrease of 1.08 percentage points over the end of the previous year. The proportion of personal deposits was 34.13%, representing an increase of 0.95 percentage point over the end of the previous year. In terms of deposit tenure, the proportion of demand deposits decreased by 1.29 percentage points over the end of the previous year to 41.37%, while the proportion of time deposits increased by 1.16 percentage points over the end of the previous year to 57.39%.

The balance and breakdown of the Group's due to customers as of the dates indicated are shown below:

(in millions of RMB unless otherwise stated)

	31 December 2021		31 December 2020		31 December 2019	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits	**4,550,020**	**64.63**	4,341,524	65.71	4,031,784	66.39
– Demand deposits	**2,061,672**	**29.28**	2,005,934	30.36	1,835,688	30.23
– Time deposits	**2,488,348**	**35.35**	2,335,590	35.35	2,196,096	36.16
Personal deposits	**2,402,812**	**34.13**	2,192,231	33.18	1,969,922	32.44
– Demand deposits	**850,831**	**12.09**	812,534	12.30	762,669	12.56
– Time deposits	**1,551,981**	**22.04**	1,379,697	20.88	1,207,253	19.88
Other deposits	**3,359**	**0.05**	5,499	0.08	3,364	0.06
Accrued interest	**83,586**	**1.19**	68,076	1.03	67,838	1.11
Total	**7,039,777**	**100.00**	6,607,330	100.00	6,072,908	100.00

(3) Off-balance sheet items

The Group's off-balance sheet items included derivative financial instruments, contingencies and commitments as well as collaterals.

The Group entered into various derivative financial instruments including interest rate contracts, exchange rate contracts, precious metals and commodity contracts for trading, hedging, asset and liability management and on behalf of customers. Please refer to Note 8. Derivative Financial Instruments in the Financial Report for the details of nominal amount and fair value of the derivative financial instruments.

The Group's contingencies and commitments mainly included outstanding litigations, credit related commitments and financial guarantees, capital expenditure commitments, operating leasing commitments, commitments on security underwriting and bond acceptance. Please refer to Note 10. Credit Related Commitment and Financial Guarantees, Other Commitments and Contingent Liabilities in the Financial Report for the details of contingencies and commitments.

The Group uses part of its assets as collaterals for interbank repurchase arrangements and other liabilities-related business.

3. Analysis on Key Cash Flow Items

As at the end of the Reporting Period, the balance of Group's cash and cash equivalents decreased by 112.812 billion over the end of the previous year to 194.308 billion.

The net cash outflows from operating activities increased by 184.173 billion on a year-on-year basis to 34.775 billion, which was mainly resulted from increases of issuance of loans, increases of financial assets held for trading and decreases in due to central banks.

The net cash outflows from investing activities decreased by 19.043 billion on a year-on-year basis to 75.548 billion, which was mainly due to a year-on-year decrease in cash outflows related to bond investments at fair value through other comprehensive income.

The net cash inflows from financing activities decreased by 86.971 billion on a year-on-year basis to 1.306 billion, which was mainly due to the year-on-year decrease of cash inflows from issuance of bonds.

4. Segment Analysis

(1) Operating results by geographical segments

The profit before tax and net operating income from each of the Group's geographical segments for the periods indicated are as below:

(in millions of RMB unless otherwise stated)

	2021				2020			
	Profit before tax	**Proportion (%)**	**Net operating income[1]**	**Proportion (%)**	Profit before tax	Proportion (%)	Net operating income[1]	Proportion (%)
Yangtze River Delta	**45,781**	**48.72**	**98,807**	**36.63**	38,643	44.71	88,119	35.72
Pearl River Delta	**12,027**	**12.80**	**23,432**	**8.69**	9,677	11.20	20,354	8.25
Bohai Rim Economic Zone	**13,312**	**14.17**	**30,220**	**11.20**	11,894	13.76	27,368	11.09
Central China	**18,922**	**20.14**	**37,080**	**13.75**	15,574	18.02	34,246	13.88
Western China	**7,520**	**8.00**	**24,100**	**8.93**	12,426	14.38	19,987	8.10
North Eastern China	**(5,899)**	**(6.28)**	**7,273**	**2.70**	392	0.45	6,672	2.70
Overseas	**7,769**	**8.27**	**13,135**	**4.87**	8,453	9.78	13,856	5.62
Head Office[2]	**(5,473)**	**(5.82)**	**35,701**	**13,23**	(10,634)	(12.30)	36,122	14.64
Total[3]	**93,959**	**100.00**	**269,748**	**100.00**	86,425	100.00	246,724	100.00

Notes:

1. Including net interest income, net fee and commission income, net gains arising from trading activities, net gains arising from financial investments, net gains from investments in associates and joint ventures, insurance business income and other operating income. Same applies hereinafter.
2. Head Office included the Pacific Credit Card Centre. Same applies hereinafter.
3. Total included profit/(loss) attributable to non-controlling interests.
4. Due to the adjustment to the standards of dividing segments and evaluation guidelines of income allocation within segments, comparative data have been restated in accordance with the current presentation.

(2) Deposits and loans and advances by geographical segments

The Group's loans and advances balances by geographical segments as at the dates indicated are as below:

(in millions of RMB unless otherwise stated)

	31 December 2021		31 December 2020	
	Loans and advances balances	**Proportion (%)**	Loans and advances balances	Proportion (%)
Yangtze River Delta	**1,780,637**	**27.14**	1,556,325	26.61
Pearl River Delta	**857,521**	**13.07**	711,150	12.16
Bohai Rim Economic Zone	**965,957**	**14.72**	838,415	14.34
Central China	**1,092,985**	**16.66**	960,512	16.42
Western China	**774,445**	**11.80**	681,997	11.66
North Eastern China	**247,023**	**3.77**	232,864	3.98
Overseas	**348,948**	**5.32**	359,368	6.14
Head Office	**492,884**	**7.52**	507,793	8.69
Total	**6,560,400**	**100.00**	5,848,424	100.00

Note: Due to the adjustment to the standards of dividing segments, comparative data have been restated in accordance with the current presentation. Same applies hereinafter.

The Group's deposit balances by geographical segments as at the dates indicated are as below:

(in millions of RMB unless otherwise stated)

	31 December 2021		31 December 2020	
	Deposit balances	**Proportion (%)**	Deposit balances	Proportion (%)
Yangtze River Delta	**1,878,481**	**26.68**	1,756,275	26.58
Pearl River Delta	**871,667**	**12.38**	772,738	11.70
Bohai Rim Economic Zone	**1,491,168**	**21.18**	1,371,844	20.76
Central China	**1,130,712**	**16.06**	1,073,570	16.25
Western China	**763,629**	**10.85**	735,313	11.13
North Eastern China	**360,775**	**5.12**	330,485	5.00
Overseas	**456,074**	**6.48**	495,356	7.50
Head Office	**3,685**	**0.05**	3,673	0.06
Accrued interest	**83,586**	**1.20**	68,076	1.02
Total	**7,039,777**	**100.00**	6,607,330	100.00

(3) Operating results by business segments

The Group's four main business segments are corporate banking, personal banking, treasury businesses and other businesses.

The Group's profit before tax and net operating income from each of the Group's business segments for the periods indicated are as below:

(in millions of RMB unless otherwise stated)

	2021		2020	
	Amount	**Proportion (%)**	Amount	Proportion (%)
Net operating income	**269,748**	**100.00**	246,724	100.00
Corporate banking	**120,464**	**44.66**	109,755	44.48
Personal banking	**124,119**	**46.01**	113,904	46.17
Treasury businesses	**23,528**	**8.72**	21,769	8.82
Other businesses	**1,637**	**0.61**	1,296	0.53
Profit before tax	**93,959**	**100.00**	86,425	100.00
Corporate banking	**32,950**	**35.07**	40,584	46.96
Personal banking	**43,138**	**45.91**	29,297	33.90
Treasury businesses	**17,224**	**18.33**	16,284	18.84
Other businesses	**647**	**0.69**	260	0.30

Note: Due to the adjustment to the assessment rules for income and expense distribution among business segments, comparative data have been prepared in accordance with the current presentation.

5. Capital Adequacy Ratio

The Group calculated the capital adequacy ratios pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* issued by the CBIRC and the relevant requirements. Since the adoption of the Advanced Approach of Capital Management upon the first approval by the CBIRC in 2014, the Bank steadily promoted the implementation and deepened the application of advanced methods in accordance with regulatory requirements. Upon the approval by the CBIRC in 2018, the Bank expanded the application scope of advanced methods and ended the parallel period. According to the *Additional Regulatory Rules on Systemically Important Banks (Trial Implementation)* issued by the PBOC and the CBIRC, the additional capital requirement of the Group is 0.75%. As at the end of the Reporting Period, the Group's capital adequacy ratio, tier-1 capital adequacy ratio and core tier-1 capital adequacy ratio were 15.45%, 13.01%, and 10.62% respectively, all of which met various regulatory capital requirements.

(in millions of RMB unless otherwise stated)

	31 December 2021		31 December 2020	
	The Group	**The Bank**	The Group	The Bank
Net core tier-1 capital	**783,877**	**659,155**	727,611	614,452
Net tier-1 capital	**960,225**	**833,945**	862,221	747,744
Net capital	**1,139,957**	**1,006,266**	1,021,246	900,694
Core tier-1 capital adequacy ratio (%)	**10.62**	**10.01**	10.87	10.21
Tier-1 capital adequacy ratio (%)	**13.01**	**12.67**	12.88	12.42
Capital adequacy ratio (%)	**15.45**	**15.29**	15.25	14.96

Notes:

1. The above calculation excluded China BoCom Insurance Co., Ltd. and BOCOM MSIG Life Insurance Company Limited.
2. According to the implementation scope of the Advanced Measurement Approach of Capital Management approved by the CBIRC, the credit risk that met the regulatory requirements was assessed by the internal rating-based approach, the market risk by the internal model approach, and the operational risk by the standardised approach. The credit risk not covered by the internal rating-based approach was assessed by the weighted approach. The market risk not covered by the internal rating-based approach was assessed by the standardised approach. The operational risk not covered by the standardised approach was assessed by the basic-indicator approach.

For further information on the Group's capital measurement, please refer to the *2021 Disclosure on Capital Adequacy Ratio of Bank of Communications Co., Ltd.* at the website of SSE, the website of HKEx News or the official website of the Bank.

6. Leverage Ratio

The Group calculated the leverage ratio pursuant to the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)* issued by the CBIRC. Also, according to the *Additional Regulatory Rules on Systemically Important Banks (Trial Implementation)*, the additional required leverage ratio of the Group is 0.375%. As at the end of the Reporting Period, the Group's leverage ratio was 7.60%, which met the regulatory requirements.

(in millions of RMB unless otherwise stated)

	31 December 2021	30 September 2021	30 June 2021	31 March 2021
Net tier-1 capital	**960,225**	940,024	919,374	884,862
Balance of adjusted on- and off-balance sheet assets	**12,632,573**	12,402,546	12,283,568	11,984,683
Leverage ratio (%)	**7.60**	7.58	7.48	7.38

(II) Business Review

1. Development Strategies and Implementation

In 2021, while remaining committed to the strategic objective of "building the first-tier bank with wealth management characteristics and global competitive capabilities in the world", the Group focused on the new development stage, carried out a new vision for development comprehensively, and was devoted to accelerating the high-quality development in the progress of serving to create a new development pattern. In accordance with the requirements of high-quality development, the Group issued an outline of the development plan for the period of the 14th Five-Year Plan and used the example of serving the Yangtze River Delta integrated development as a leading case. The Group took the lead in making innovation and breakthroughs by focusing on the two main areas of the construction of "Shanghai Base" and the construction of a "New Digital BoCom", built four business features and improved five professional capabilities, promoting both reasonable growth in quantity and steady improvement in quality.

(1) Leverage the advantage of "Shanghai Base"

As the only large-scale state-owned commercial bank headquartered in Shanghai, the Bank kept leveraging the advantage of "Shanghai Base" and implemented the "Three New Major Tasks" assigned by CPC Central Committee to Shanghai, reinforced the "Four Functions" and futhered the construction of "Five Centres". As such, by taking "Shanghai Base" as the "innovation origin" and the "reform test field" of overall high quality development, the Bank played a leading role in institutional innovation and demonstration.

In terms of management mechanism, the Bank conducted an in-depth multidimensional and systematic research on policies, systems, markets, industries and customer segments of "Shanghai Base", in a bid to provide targeted guidance and support to core areas and key parts. Besides, the Bank strengthened decentralisation and empowerment by piloting all innovative products in Shanghai Base, and optimised its differential assessment to increase the "penetration of financial services" to key customer segments and boost the market share of its primary businesses.

In terms of business development, the Bank clarified the logical disruptions and impediments in the business processes, created innovative products and services with scenario-based finance, formulated the "One Thing" mechanism and promoted it through duplication. Focusing on the great medical care and health ecological scenario, the Bank optimised "One Thing for Benefit Medical Payment". By serving the full public and private chains of the green, the scientific, the strategic emerging and other key industries, the Bank developed "One Thing for Sci-tech Finance". Through consolidating the achievements of the offshore/onshore integration reform and enhancing product integration, the Bank realised "One Thing for Cross-border Finance".

(2) Construct a "New Digital BoCom"

The Bank stayed in line with the overall development context of digital economy, deepened the financial supply-side reform, increased resource investment, and created new growth points of business value. The Bank insisted on customer orientation and value creation, and deepened its digital thinking and enterprise-level thinking, empowered operation and management, products and services, business processes, scenarios construction with digital thinking and methods, thus promoting process recreation, reshape of rules, development of function and ecological construction, so as to make its financial services more inclusive, adaptable and competitive.

To establish data services featuring integration, efficient reuse and instant enablement, the Bank strived to improve data management and application systems across the Group, optimised production relationships with data as a key factor, and enhanced advanced productivity featured on "algorithm + computational capability". The Bank built a distributed and cloud computing core technology platform that might act as a exemplary and leading role in the industry and thus established a technology architecture characterised by high efficiency, agility, flexible scheduling and integrated innovation to ensure the Bank's independent control over core key business. Furthermore, the Bank also spared efforts to establish a network security protection system and operating mode matching with the digital transformation to provide the best solution to network security under the new balance among risk, cost and business development.

(3) Create four business features

The feature of inclusive finance. The Bank implemented the requirements on “enhancing the inclusiveness of finance”, accessed more customers and scenarios, satisfied the financial needs in various areas including small and micro enterprises, urban governance, rural revitalisation and livelihood consumption, and thereby steadily improved the quality and efficiency of inclusive financial businesses.

The feature of trade finance. The Bank served to create a new development pattern and facilitate the “dual circulation”. Concentrating on the core node enterprises on the industrial chain, supply chain and value chain, the Bank attempted to further develop chain-based financial services, so as to better satisfy enterprises’ needs in daily production and operation activities, enhance customer stickiness and attract more deposits for settlement purpose.

The feature of sci-tech finance. In response to the strategy of reinvigorating China with science and technology, the Bank built an integrated service system with characteristics of both commercial bank and investment bank, and made great efforts to improve the ability and level of serving strategic emerging industries, advanced manufacturing industry, sci-tech innovation, green and low-carbon, and the upgrading of traditional industries, etc. By optimising customer structure and asset structure, the Bank was able to increase the interest income and the income from intermediary businesses.

The feature of wealth finance. The Bank actively served people’s demands for a better life and the national strategy of coping with the aging population, and thus built an integrated operating system of “Great Wealth-Great Asset Management-Great Investment Bank” to provide comprehensive financial services for people’s wealth accumulation, preservation, appreciation and inheritance. Besides, the Bank also kept scaling up asset under management (AUM) and optimised the income structure.

(4) Improve five professional capabilities

The capability of customer operations. Insisting on customer orientation, the Bank improved the refined, tiered and categorised management for corporate, retail and interbank customers. It also formulated targeted strategies to comprehensively enhance customer experience and achieve in-depth customer operations and efficient risk control.

The capability of technology empowerment. The Bank speeded up the construction of a "New Digital BoCom", promoted the deep integration of technology and businesses, and accelerated the progress to make breakthroughs in management mechanisms, basic capabilities and resource investments of technology and data, managing to improve the quality and efficiency of operation and management across the board.

The capability of risk management. The Bank constructed a risk management system and mechanism featured with "full coverage, full process, specialisation, and accountability", and constantly strengthened risk controls to hold the bottom line of preventing systematic and regional financial risks.

The capability of cooperative operation. The Bank took full advantage of integrated operation and international network to strengthen the integrated collaborative capability of the Group and continuously exert this capability for development.

The capability of resource allocation. Centring around the direction and priorities for further development, the Bank continued to optimise its organisation, personnel, channel, finance and evaluation system etc., so as to ensure that the strategies were effectively implemented.

2021 is the first year of the 14th Five-Year Plan. During the Reporting Period, by leveraging the exemplary and leading role of "Shanghai Base", the Bank served the high-quality and integrated development of the Yangtze River Delta from points to the whole area. The proportion of regional inclusive loans for small and micro enterprises to all kinds of loans, the increase amount of international settlement, the quarterly daily average AUM balance of retail and the revenue growth from the consignment of personal wealth management products were all higher than the bank average. During the Reporting Period, the profit before tax in the Yangtze River Delta region was 45.781 billion, contributing to 48.72% of the Group's profit with a year-on-year increase of 4.01 percentage points.

With regard to the construction of a "New Digital BoCom", innovative products and services including "BoCom e-Service", digital renminbi and mobile banking 6.0 were launched, which made the four featured businesses more online, more digital and more open. Moreover, phased progress was made in the construction of a new generation cloud platform, data middle-office and multi-party secure computing platform, which led to a smooth operation of the Group's production and network security, and sustained growth in the driving forces of data and technology. In 2021, the investment in FinTech increased by 23.60% on a year-on-year basis, and the proportion of FinTech talents recruited by the Bank increased from 32% in 2019 to 55% in 2021.

With regard to the four business features, the "Benefit Medical Payment" was launched in 29 cities with more than 250 cooperative hospitals. The balance of inclusive loans for small and micro enterprises increased by 49.23% over the end of the previous year and the balance of "Inclusive e-Loan" increased by 94% over the end of the previous year. The MAUs of Go Pay APP and Mobile Banking APP after repeated MAUs were removed increased by 17.56% over the end of the previous year. The Bank promoted the launch of products and services including "BoCom e-Customs" and CIPS standard transmit product. During the Reporting Period, the volume of trade financing incurred in domestic branches increased by 31.28% on a year-on-year basis. In order to meet financial service needs in different life cycles of sci-tech innovation enterprises, the Bank built "BoCom Sci-tech Innovation" brand and improved sci-tech innovation series products. As at the end of the Reporting Period, loans to strategic emerging industries increased by more than 90% over the end of the previous year. The Bank enriched wealth management product category by launching the brand "BoCom Elderly Care" and "Five Services" for personal pension finance. As at the end of the Reporting Period, personal financial assets under management (AUM[2]) of domestic branches increased by 9.26% over the end of the previous year. During the Reporting Period, through consignment of wealth management products, funds and wealth management business. The Group reported fees and commission income from wealth management of 17.310 billion, representing an increase of 24.32% on a year-on-year basis.

2 Excluding the fair value of customers' securities, same below.

2. Corporate Banking Business

- **The Bank served the real economy and increased the financial supply for key areas and weak links.** During the Reporting Period, the Group's corporate loan balance increased by 431.111 billion or 11.63% over the end of the previous year, in which green credit, agriculture-related loans and related loans to the manufacturing industry increased by 31.37%, 14.13% and 16.16% respectively, exceeding the average growth rate of the Group's loans.

- **The Bank served national strategies and supported the development of key areas.** As at the end of the Reporting Period, the balance of loans of three major regions including the Yangtze River Delta, the Beijing-Tianjin-Hebei Region and the Guangdong-Hong Kong-Macao Greater Bay Area increased by 15.30% over the end of the previous year, exceeding the average growth rate of the Group's loans by 3.13 percentage points. Balance of loans in these three major regions accounted for 52.15%, representing an increase of 1.42 percentage points over the end of the previous year.

- **The Bank accelerated the development of trade finance and sci-tech finance**. During the Reporting Period, the Bank grasped the opportunities of the "dual circulation" new development pattern and the industrial upgrading. The volume of trade financing incurred increased by 31.16% on a year-on-year basis, and the proportion of its balance in corporate loans increased by 1.37 percentage points. Sci-tech finance credit customers reached 23 thousand, and loans to strategic emerging industries increased significantly by 142.0 billion or 90.90% over the end of the previous year, whose proportion in corporate loans increased by 3.29 percentage points.

(1) Customer development

The Bank accelerated the construction of customer projects, and further established a stratified operation and service system. As at the end of the Reporting Period, the total number of corporate customers of domestic branches increased by 14.21% over the end of the previous year, and the number of new accounts increased by 41.02% on a year-on-year basis. For group customers, the Bank adopted a professional and intensive operation model. The Bank improved the refined service levels for top customers by establishing an integrated three-dimensional service team consisting of the Head Office, the branches and the sub-branches and by adhering to the rule of "one strategy for one account". As at the end of the Reporting Period, the number of the Bank's group customers reached 82.9 thousand, representing an increase of 8,114 over the end of the previous year. For government institutions customers, the Bank enhanced its dominant position in the cooperation between bank and government by building systems and platforms, as well as targeting at cooperation entry points. As at the end of the Reporting Period, the number of government institutions customers reached 70.8 thousand, representing an increase of 1,914 over the end of the previous year. For small and micro basic customers, the Bank drew on the optimisation of the account opening process, outlets integration initiatives and centralised operation of online outbound call teams, to promote the construction of online and remote customer acquisition channels continuously. As at the end of the Reporting Period, the number of small and micro basic customers reached 2,032.3 thousand, representing an increase of 265 thousand over the end of the previous year.

(2) Scenario construction

The Bank intensively explored scenario construction through digital thinking and integrated financial services into subdivided scenarios such as medical care, schools, parks and customs. The Bank also optimised the customer experience of some innovative products like Benefit Medical Payment, BoCom Smart Schools, Intelligent Financial Service Platform and BoCom e-Customs, upgrading the comprehensive financial solutions to all fields. Benefit Medical Payment has been launched in 29 cities including Shanghai, Nanjing, Dalian, Guangzhou and Yichang. The Intelligent Financial Services Platform had 80 thousand registered customers in total, representing an increase of 30 thousand over the end of the previous year, and received 239.6 billion in settlement volume, a significant increase of 330% year-on-year. In addition, the Bank launched the innovative "Smart Bookkeeping" product which was an algorithm-based solution to the pain point of matching customer transfers and accounts receivables reconciliation, with the amount of cumulative transactions exceeding 2.0 billion. The Bank enriched the financial services functions of BoCom e-Customs and took lead among other interbank institutions in terms of featured functions development and customer development in regions such as Shanghai, Shenzhen and Xiamen.

(3) Services to inclusive small and micro enterprises

The Bank accelerated inclusive digital transformation. Relying on "Inclusive e-Loan" to build a comprehensive online financing product system, the Bank realised the dual driving forces of online standard products and customised products for individual scenarios. Online standard products such as mortgage, credit and guarantee can be combined in various ways to meet the differentiated needs of customers. Also, the Bank cooperated with the Federation of Industry and Commerce and other third-party data platforms to realise scenario customisation in key areas such as supply chain, sci-tech innovation, rural revitalisation, medical insurance, mass entrepreneurship and innovation, and individual industrial and commercial households. The Bank also increased credit granting in key areas such as initial loans for small and micro enterprises, renewal loans, credit loans, manufacturing loans, and medium and long-term loans, and provide financial services for small and micro enterprises in key national strategic areas such as small and micro sci-tech innovation, green finance, and industrial chain. In addition, the Bank strengthened digital management and improved the risk control levels of the whole process both online and offline. At the end of the Reporting Period, the balance of inclusive loans to small and micro enterprises was 338.819 billion, which was an increase of 49.23% over the end of the previous year. The number of customers with loan balances was 212.2 thousand, representing an increase of 43.49% over the end of the previous year. The accumulated average interest rate of inclusive loans to small and micro enterprises was 4.00%. The comprehensive financing cost of small and micro customers decreased by 0.49 percentage point. Also, non-performing loan ratio of inclusive small and micro enterprises was 1.16%, representing a decrease of 1.02 percentage points over the end of the previous year. Also, 2,779 business outlets of the Bank provided financial services such as financing services to small and micro enterprises.

(4) Industrial chain finance

The Bank implemented the requirements of stabilising and strengthening the chain, and stimulated special authorisation, system innovation and process optimisation, to meet the personalised financing needs of enterprises in the principle of "one policy for one chain". Concentrating on technological empowerment, the Bank developed an industrial chain rapid financing product line. The volume incurred of rapid discounted bills amounted to 39.484 billion, and the volume incurred of Express Pay reached 2.826 billion. The Bank also launched BoCom's self-built smart transaction chain platform. Moreover, the Bank connected with 12 mainstream platforms, such as TravelSky and CSCC, to realise convenient and contactless cross-scenario financial cooperation, and automate the whole process of rapid payment, which greatly improved user experience. By making use of innovative products, the Bank was able to cooperate deeply with leading enterprises in key industries such as electricity, construction, automobiles and pharmaceuticals to meet the financing demands of both upstream and downstream enterprises. During the Reporting Period, the industrial chain finance business increased by 23.46% on a year-on-year basis. As at the end of the Reporting Period, the balance of industrial chain finance reached 155.998 billion, representing an increase of 25.08% over the end of the previous year.

(5) Sci-tech finance

The Bank applied internal and external data to establish and improve list library and tag pool of sci-tech finance customers, which could present accurate customer portrait and identification. The Bank focused on ten major business scenarios including start-up capital, venture capital, introduction of strategic investors, and corporate listing, providing one-stop financing services for technical enterprises in the full scale and whole process of equity, debt and loan. The Bank gave priority to key areas such as "specialisation, delicacy, characterisation and novelty", and "new infrastructure and new urbanisation initiatives and major projects", and developed industry-specific marketing plans to further expand sci-tech finance customers. As at the end of the Reporting Period, there were 23 thousand sci-tech finance credit customers, representing an increase of 19.53% over the end of the previous year. The loan balance of strategic emerging industries was 298.241 billion, representing an increase of 90.90% compared with the previous year. There were 527 "little giant" enterprises of "specialisation, delicacy, characterisation and novelty", which increased by 304 compared with the previous year, and their loan balances reached 10.143 billion, representing an increase of 5.171 billion over the end of the previous year. During the Reporting Period, such arrangements were implemented in scenarios like start-up capital and equity investment achieving a "loan+share" financing scale of 106.163 billion.

(6) Investment bank

The Bank intensified its efforts in scaling up full financing to build an innovative investment bank. As at the end of the Reporting Period, the bond underwriting according to NAFMII (debt financing instruments for non-financial enterprises) reached 389.509 billion, representing an increase of 14.68% on a year-on-year basis. By virtue of scenario innovation, the Bank delved into mergers and acquisitions (M&A). In the last two years. the net increases of domestic M&A loan balance were 32.6 billion and 41.1 billion respectively, both ranking first among banking institutions. As at the end of the Reporting Period, the historical balance ranked 5th among banking institutions, which have climbed by 2 ranks over the end of the previous year. Focusing on the characteristic of "sci-tech finance", 7 private equity investment funds were set up to invest in strategic emerging industries and sci-tech innovation enterprises, and "Win to Fortune e-Smart", an information consultancy service, was launched to further integrate financing service with collaborative intelligence. To make constant contribution to the society and the well-being of the public, the Bank underwrote the Panda Bond (Bond Connect) of the BRICS New Development Bank in pursuit of the United Nation Sustainable Development Goals, and developed 14 Credit Risk Mitigation Warrants (CRMW) amounting to 4.165 billion. The ability to innovate products and services was lifted in all respects and so recognised by the market that the Bank was awarded 2021 "Best Bond Underwriter Bank" by Wind, and 2021 "Most Innovative Asset Securitisation Business Award" by *Asia Money*.

3. *Personal Banking Businesses*

◆ **The Bank enhanced the capacity of retail customer expansion and operation with "financial assets + data assets".** Focusing on government affairs, travel, education, healthcare and other livelihood scenarios as well as food and beverage consumption, the Bank upgraded products and service solutions to acquire more customers in various scenarios. As at the end of the Reporting Period, the number of middle and high-end customers[3] increased by 15.29% over the end of the previous year. During the Reporting Period, the number of debit card customers acquired online increased by 7.3 percentage points compared with the end of the previous year while that of credit cards accounted for over 50% of the total.

◆ **The Bank intensified wealth finance feature to realise a rapid growth in net fee and commission income.** As at the end of the Reporting Period, personal financial assets under management (AUM[4]) of domestic branches reached 4,256.38 billion, representing an increase of 9.26% over the end of the previous year. Revenue from consignment of personal wealth management products by domestic branches increased by 28.37% on a year-on-year basis. Net fee and commission income from personal financial services accounted for 64.62% of the Group's related income, representing an increase of 2.32 percentage points on a year-on-year basis.

◆ **The Bank developed consumer finance business with a steady increase in personal loans.** As at the end of the Reporting Period, the balance of personal loans was 2,285.096 billion, representing an increase of 15.36% over the end of the previous year, of which the balance of personal mortgage loans increased by 15.13% over the end of the previous year. During the Reporting Period, the cumulative amount of consumptions through debit cards and credit cards were 2,603.405 billion and 3,015.569 billion respectively, representing a year-on-year increase of 32.02% and 3.83% respectively. As at the end of the Reporting Period, the balance of personal loans accounted for 34.83% of the Group's loan balance, representing an increase of 0.96 percentage point over the end of the previous year.

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3 Including qualified OTO Fortune customers of domestic branches and private banking customers of the Group.

4 Excluding the fair value of customer's securities.

(1) Retail customers and AUM

With the goal of increasing the income of urban and rural residents and promoting common prosperity, the Bank continued to build the wealth finance strengths and adhered to the double-factor growth of "financial assets + data assets" to enhance joint expansion and in-depth management capabilities of retail customers. The customer acquisition through multiple channels and under all scenarios gradually became effective, data-driven business strategies became increasingly enriched, and customer structure was consistently optimised, resulting in the accelerated growth in AUM. As at the end of the Reporting Period, the number of retail customers of domestic branches (including debit card and credit card customers) increased by 3.76% over the end of the previous year to 185 million. The number of qualified customers of OTO Fortune increased by 15.31% over the end of the previous year to 2,002.8 thousand. The scale of AUM increased by 9.26% or 360.814 billion over the end of the previous year to 4,256.38 billion.

(2) Wealth management

Adhering to the concept of "customer orientation and continuous value creation for customers", the Bank developed the feature of wealth finance. The Bank leveraged the Group's advantages to enhance product creation and supply capabilities. By adhering to open integration, the Bank introduced highly competitive products from outside the Group and established partnerships with 6 external institutions on sell wealth management products consignment, which diversified the wealth management offerings. Quantitative indicators were considered together with experts' experience to build the "OTO Best Choice" product system covering wealth management, funds and insurance to provide customers with more professional wealth allocation choices. During the Reporting Period, the "Cross-border Wealth Management" service, among the first batch of pilots, enriched customers' investment choices. To accelerate the digital transformation, the Bank launched an online open platform for wealth with cooperative institutions to provide customers with more professional investment information, product promotion, investor education, investment companion and other services.

During the Reporting Period, revenue from consignment of personal wealth management products by domestic branches increased by 28.37% on a year-on-year basis to 9.837 billion. Including: the balance of personal public funds product on consignment increased by 33.73% over the end of the previous year to 319.371 billion, the balance of non-monetary market fund on consignment was 304.3 billion, ranking the 5th in the list of banking consignment agencies published by Asset Management Association of China. The Bank realised a net income of fund on consignment (including securities dealers and exclusive accounts) of 3.576 billion, representing an increase of 80.08% on a year-on-year basis, and the compound annual growth rate (CAGR) in the recent three years was 145.78%. The balance of wealth management products on consignment increased by 7.54% over the end of the previous year to 945.122 billion; the net income of wealth management was 3.770 billion, representing an increase of 11.11% on a year-on-year basis. The balance of insurance products on consignment was 221.381 billion, representing an increase of 19.00% over the end of the previous year. The net income of agency insurance business was 1.909 billion, representing an increase of 22.14% on a year-on-year basis.

(3) Consumer finance

The Bank acted on the principle that "houses are for living in, not for speculation" to meet the reasonable demands for self-occupied houses. The Bank took the initiative to become digital-oriented and developed scenario-based consumption loans to meet people's daily consumption needs concerning clothing, food, housing, travel and medical care, to expand residents' consumption range and improve the consumption level. Besides, the Bank increased the support to consumption loans for new energy vehicles, and developed green credit to promote green economy. The customer loan process was continuously improved to bolster efficiency and customer experience while a retail risk control middle-office was set up to uniformly manage retail loan risks, reinforce control over use of funds and properly satisfy credit demands. As at the end of the Reporting Period, the market share of personal consumption loans (including credit cards) was 4.95%[5], representing an increase of 0.17 percentage point over the end of the previous year, while the personal housing mortgage loan balance increased by 15.13% over the end of the previous year to 1,489.517 billion.

[5] According to the standards of 17 commercial banks.

(4) Private banking

The product category of the Bank was increasingly diversified. The Bank put more efforts in intra group combination and external cooperation by launching private wealth management products, investment trust products, TOF products, sunlight private products, and the first CTA alternative investment strategy wealth management products, innovated the first charity trust product which was exclusively available to family trust customers with charitable willingness, and customised ingenuity inheritance, equity and other family trust solutions, thus constantly enriching the product investment strategies to satisfy the wealth management needs of private banking customers.

The Bank also carried out a reform in private banking business model by deepening the tiered and hierarchical management of customers, and establishing a collaborative marketing and maintenance mechanism for both the Head Office and the branches for ultra-high net worth private banking customers. Moreover, the Bank strengthened the construction and management of the private banking team, and continuously improved the professional ability to serve customers. Focusing on market hotspots and business demands, the Bank expanded the scope of investment researches. Guided by the investment and research report while using the asset allocation proposal as a tool, the Bank further enhanced the professional capacity of asset allocation services. As at the end of the Reporting Period, there were 70.4 thousand private banking customers of the Group, representing an increase of 15.30% over the end of the previous year; the assets of private banking customers under management of the Group were 995.199 billion, representing an increase of 19.36% over the end of the previous year. Major interbank[6] market share of private banking businesses has risen for 4 consecutive years.

[6] Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, BoCom, China Merchants Bank.

(5) Bank card

Credit card: With a focus on high-quality customers, the Bank promoted the digital transformation of customer acquisition through "data-driven + online operation" to stimulus customer activitiy. The 5.0 version of the credit card Go Pay APP was released, and two characteristic channels, "Points Paradise" and "Discount", were integrated and launched to meet customers' needs for a better life and improve customer experience. The Go Pay 5.0 Harmony version, which was developed simultaneously, was among the first batch of APPs in the financial industry to support the Harmony operating system. Furthermore, the Bank launched a variety of cards with popular themes such as Honor of Kings and Luo Tianyi, to increase the appeal to customer segment of high-quality young generation. The number of new active accounts increased by 38.88% on a year-on-year basis. As at the end of the Reporting Period, there were 74,268.8 thousand registered domestic credit cards, representing an increase of 1,612.9 thousand over the end of the previous year. During the Reporting Period, the credit card business won nine awards, including "Financial Service Product of Outstanding Brand Power" and "Popular Star Credit Card". The Credit Card Centre was awarded as a "Class A Institution" in the 2020 Comprehensive Evaluation of Shanghai Banking Institutions by Shanghai Branch of the PBOC.

The Bank promoted and applied artificial intelligence technology in many fields. Hence, robotic process automation was applied in 137 internal management processes, processing 700 thousand transactions per month. By applying the deep semantic understanding model to the self-developed Athena intelligent robot, the function points with a low online resolution rate were optimised. Also, the Bank set up a "robot+" collection system to improve the collection capacity of robots and the efficiency of manual processing, while the robot stage recovery rate increased by 7 percentage points over the end of the previous year.

Through marketing campaigns such as "Super Red Friday", "Ultra Super Red Friday", "Weekly Swipe" and "Yearly Prize", the Bank drove quarter-on-quarter growth in consumption to achieve dual promotion of brand exposure and business conversion. In addition, the Bank paid close attention to key festivals and online channel marketing, and continued to promote card-binding and card-use activities with third-party platforms so as to increase the amount of mobile payment transactions. During the Reporting Period, the cumulative amount of consumption through credit cards was 3,015.569 billion, representing a year-on-year increase of 3.83%. The Bank also continued to optimise risk pricing strategies and accelerate the development of scenario-based instalments. The balance in instalments at the end of the Reporting Period increased by 10.50% compared with the end of the previous year. As at the end of the Reporting Period, the credit card overdraft balance in domestic branches was 492.486 billion.

Debit card: The Bank, in consideration of national strategy and needs of subdivided customer segments, enriched debit card products and launched debit cards themed on rural revitalisation, green and low-carbon and the Yangtze River Delta etc. At the end of the Reporting Period, the accumulated number of debit cards issued amounted to 165.7514 million, representing a net increase of 6.5125 million over the end of the previous year. Under the support of cooperative institutions, the Bank upgraded payment products to improve card holders' payment experience on mainstream platforms. The Bank launched marketing activities in retail stores, supermarkets, entities for transportation, culture and travel through cooperation with China Unionpay and other leading platforms to drive rapid growth of consumption payments. During the Reporting Period, the accumulated consumption paid by debit card amounted to 2,603.405 billion, representing a year-on-year increase of 32.02%.

With a focus on inclusive livelihood scenarios, the Bank practised the concept of "payment benefiting the people" and aimed at customer acquisition through digital means. The Bank actively facilitated the establishment of a digital government affairs platform and integrated online account system with government affair scenarios, creating a new model of government-bank cooperation. The Bank established a membership system and introduced more payment discounts to meet the demands of travel scenarios such as urban traffic, tourism and car owner services. The Bank innovated payment methods for scenarios such as medical service and online sales of medicines to foster the health ecosystem. With attentions to the development of smart education and schools in various regions and key areas of education reform, the Bank developed an open banking model to enable convenient payment in campus scenarios and made BoCom plans in respect of training funds supervision and smart canteen. During the Reporting Period, the number of debit card customers acquired online increased by 7.30 percentage points compared with the end of the previous year.

4. Interbank and Financial Market Businesses

- The Bank actively established the financial scenarios of interbank cooperation, intensively participated in the market construction of bonds, currencies, foreign exchange and commodities of China, and transformed financial market innovation into quality products and services satisfying the demands of individuals, enterprises, governments and interbank institutions, to improve the capability to serve the real economy.

(1) Interbank businesses

Serve the development of financial factor market. The Bank connected with Shanghai Clearing House and launched the first batch of commodity clearing business, to provide settlement service for commodity transactions and support the stabilisation of industrial and supply chains. During the Reporting Period, the volume of the Bank's agent clearing business in Shanghai Clearing House topped in the market, and thus won awards including the Excellent Member of Clearing and Excellent Member of Settlement of Shanghai Clearing House. The Bank cooperated with Shanghai Futures Exchange and Dalian Commodity Exchange to take the lead in conducting online pledge financing business for standard and non-standard warrants, making it a market leader in terms of the volume of securities and futures settlement. During the Reporting Period, the average balance of demand deposits of financial factor market was 184.657 billion.

Promote the standard transmit product application of Cross-border Interbank Payment System ("CIPS"). The Bank joined hands with CIPS Co., Ltd. to effectively promote the security of core cross-border renminbi payment technologies. During the Reporting Period, the Bank actively promoted the application and deployment of CIPS standard transmit product. It became the first pilot bank to apply the direct participant version of the CIPS standard transmit product and encouraged its customers to apply the indirect participant version and enterprise version of the CIPS standard transmit product, ranking first in terms of the number of customers applying the standard transmit product.

Build an interbank cooperation platform. The Bank built the BoCom e-Platform, including interbank wealth management platform and value connection platform, where the former is used to provide interbank customers with wealth management, account management, payment and settlement, factor market business and other services, while the latter is used to provide terminal customers of small and medium-sized banks with wealth management and other services. As at the end of the Reporting Period, there were 1,775 interbank customers in cooperation with BoCom e-Platform, representing an increase of 225 over the end of the previous year.

Support the development of capital markets. The Bank cooperated with securities and futures companies in settlement business. As at the end of the Reporting Period, the Bank joined hands with 105 securities companies in third-party depository management business, achieving cooperation with 97.22% of securities company customers, joined hands with 91 securities companies in the financing and securities depository management business, achieving cooperation with 96.81% of securities company customers, and joined hands with 148 futures companies in the bank-futures transfer business, achieving cooperation with 98.67% of futures company customers.

(2) Financial market businesses

The Bank actively played its role in market making, quotation and trading to support the steady operation of financial market. During the Reporting Period, the trading volume in renminbi money market of domestic branches amounted to 71.3 trillion; the trading volume in foreign currency market amounted to USD1.84 trillion; the trading volume of renminbi bonds amounted to 4.05 trillion; the trading volume in interbank foreign exchange market amounted to USD3.54 trillion; the trading volume of self-operated gold amounted to 3,661 tons, maintaining its market position as an active trading bank.

The Bank supported the construction of Shanghai as an international financial centre and actively pushed forward innovation in products. The Bank was designated as one of bond market makers and pioneer domestic investors for "Southbound Trading" under Bond Connect, and has completed the first batch of "Southbound Trading" transactions. The Bank successfully issued the first foreign currency interbank deposit in the market, concluded the first-day transaction of multiple foreign exchange derivatives in the interbank market and became an X-Swap (an electronic transaction system for interest rate swaps) bridging agency and a quotation agency for interest rate options.

By means of investment and transactions on an overall basis, the Bank put more efforts in serving the real economy. The Bank invested more in central and local government bonds, and strengthened its support of bond investment businesses to the real economy. As at the end of the Reporting Period, the scale of financial investments reached 3,523.249 billion, representing an increase of 8.83% over the end of the previous year, and the securities investment yield was 3.25%. To serve the demands of enterprises for risk avoiding and value preservation, the Bank completed designated renminbi interest rate swap transactions amounting to 12.1 billion during the Reporting Period.

The Bank made efforts to accelerate the global capital integration and to improve the quality and effectiveness of fund operation and management of overseas branches. The Bank completed the second phase of the foreign exchange and interest rate trading business system construction of the Asia-Pacific capital platform, and concentrated US Dollar and offshore renminbi funds of seven Asia-Pacific overseas branches in Tokyo, Singapore, Seoul and other regions, centralising the business operation of securities issuance and investment, money market transactions, foreign exchange transaction and derivatives close-out settlement with the international market.

(3) Asset custody

The Bank strengthened its cooperation with leading fund companies, vigorously innovated products and developed public fund custody businesses, with the focus on top-performing public funds. Moreover, the Bank insisted on full-range product layout and deepened cooperation in custody businesses with financial institutions including insurance, securities and trust companies to fully develop the custody market. Focusing on the three pillars of pension, the Bank optimised its custody services to support and secure people’s livelihood. As at the end of the Reporting Period, the assets under custody reached 12.08 trillion, representing an increase of 16.89% over the end of the previous year.

(4) Wealth management businesses

The Bank stuck to the principle of issuing low-fluctuating wealth management products to safeguard investors' property with sustained and prudent performance. The Bank paced up the layout of omni-channel product marketing system and exploited the potential of customers of the Bank to expand consignment channels outside the Bank. As at the end of the Reporting Period, the wealth management products sold by 16 consignment agencies outside the Bank amounted to 409.859 billion, ranking top in the industry. As at the end of the Reporting Period, the balance of off-balance sheet asset management products of the Group reached 1,384.278 billion, representing an increase of 24.89% over the end of the previous year, and the balance of net-worth wealth management products reached 1,224.664 billion, accounting for 88.47% of the wealth management products and representing an increase of 27 percentage points over the end of the previous year.

5. *Integrated Operation*

- The Group established development pattern with commercial banking business as the body, in close coordination and connection with other businesses including financial leasing, fund, wealth management, trust, insurance, overseas securities and debt-to-equity swap, so as to provide comprehensive financial services for customers.

- During the Reporting Period, net profits of subsidiaries[7] that are attributable to shareholders of the Bank amounted to 10.952 billion, representing a year-on-year increase of 33.51%, the proportion of which to the Group's net profit increased by 2.02 percentage points on a year-on-year basis to 12.50%. As at the end of the Reporting Period, total assets of the subsidiaries increased by 9.74% over the end of the previous year to 543.897 billion, the proportion of which to the total assets of the Group increased by 0.03 percentage point over the end of the previous year to 4.66%.

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7 Excluding Bank of Communications (Luxembourg) S.A., Bank of Communications (Brazil) Co., Ltd. and Bank of Communications (Hong Kong) Limited, same applies hereinafter.

Bank of Communications Financial Leasing Co., Ltd. As the Bank's wholly-owned subsidiary, the company was set up in December 2007 with a registered capital of 14.0 billion. The main business scope includes financing leasing and operating leasing in sectors such as aviation, shipping and energy power, transportation infrastructure, equipment manufacturing and livelihood services. The company was elected as the Fifth Chief Administration Unit of China Banking Association (CBA) Financial Leasing Committee. During the Reporting Period, the company adhered to the development strategies of "Professionalism, Internationalisation, Differentiation and Characteristics", and was deeply engaged in aviation, shipping, traditional financing leasing and other businesses. The company's main indicators still ranked first in the industry. As at the end of the Reporting Period, total assets, net assets and balance of leasing assets were 318.887 billion, 35.844 billion and 286.370 billion respectively, representing a year-on-year increase of 3.11%, 12.72% and 6.55% respectively. Total assets of aviation and shipping amounted to 175.553 billion, with fleets of 272 planes and 430 ships. The company's net profit during the Reporting Period was 3.530 billion, representing a year-on-year increase of 10.27%. The company actively practiced "green finance", supported sustainable development, and owned green leasing assets exceeding 12.0 billion. The company successfully issued the first double certified green and sustainable development bonds of Chinese leasing companies and won the award of "Best Sustainable Development Bond" of *The Asset*. During the Reporting Period, it won 18 honours such as the "Best Financial Leasing Company of the Year" of *Financial Times*.

The company gave full play to the leading role of innovation. The company entered into a strategic cooperation agreement with Shanghai Pilot Free Trade Zone Lin-Gang Special Area and successfully completed the first FTA SPV cross-border equipment leasing innovation project in the domestic financial leasing industry in the Yangshan Special Comprehensive Bonded Zone. For the first time, the company was involved in the specialized subdivision field of sawdust ship and was the first in the world to deliver a super large ethane transport ship with a B-type cabin and the largest capacity. In addition, the company completed the delivery of the first passenger to cargo conversion with a full process operating leasing model in the domestic financial leasing industry. At last, the company strengthened its cooperation with the Group and deepen the promotion of the "Leasing+" business model. During the Reporting Period, the scale of joint financing with domestic provincial branches of the Group was 42.5 billion.

Bank of Communications International Trust Co., Ltd. The company was set up in October 2007 with a registered capital of 5.765 billion, of which the Bank and Hubei Provincial Communications Investment Group Co., Ltd. contributed 85% and 15% stock rights respectively. The main business scope includes trust loans, investment funds trusts, accounts receivable financing, real estate trusts, securities investment trusts, family trusts, charitable trusts, credit asset securitisation, corporate asset securitisation, qualified domestic institutional investor (QDII), and private equity investment trusts. During the Reporting Period, with the strategic goal of "building the most trustworthy first-class trust company", the company focused on four strategic pillar businesses including private investment banking, securities investment, wealth management and fiduciary services, and business performance remained rising steadily. As at the end of the Reporting Period, the total assets, net assets and the assets under management of the company were 17.637 billion, 14.478 billion and 609.124 billion respectively. The company's net profit during the Reporting Period was 1.235 billion, representing an increase of 1.39% on a year-on-year basis. The company has been awarded the highest regulatory compliance rating by the CBIRC for four consecutive years. In addition, the company has been rated as Level A (the highest level) for six consecutive years since the China Trustee Association launched the industry rating and has won the "Cheng Xin Tuo" Excellent Trust Company Award granted by the *Shanghai Securities News*.

During the Reporting Period, the company settled the first "carbon neutrality" asset securitisation transaction and the charitable trust for humanistic medicine among other enterprises in the industry. In addition, the company developed an comprehensive trust service scheme covering "finance + investment", "non-standard and standard products", "domestic + overseas (QDII)" and "corporate + individual + charity" based on its trust expertise, to assist the Group to enhance the ability of integrated financial service with the goal of Great Investment Bank – Great Asset Management – Great Wealth Management – Great Operation. Moreover, the company helped the Group with the layout of four business features through asset securitisation, family trusts and equity investment. The company, together with the Group, registered the first ABN shelf offering project of "N+N+N" mode in the interbank market, namely BoCom Share Chain 10.0 billion supply chain-targeted assets-backed notes from 2021 to 2023, to serve small and micro enterprises in financing by introducing open market funds.

Bank of Communications Schroder Fund Management Co., Ltd. The company was set up in August 2005 with a registered capital of 0.2 billion. It was jointly contributed by the Bank, Schroder Investment Management Limited and China International Marine Containers (Group) Co., Ltd., with the stock rights accounting for 65%, 30% and 5% respectively. The primary businesses include fund raising, fund sales and asset management. As at the end of the Reporting Period, the yield of equity investment under active management ranked 2/70 in the industry in recent seven years, 10/88 in recent five years and 16/108 in recent three years. The rate of return of 4 fund products in recent seven years was more than 300%, the rate of return of 4 fund products in recent five years was more than 200%, and the rate of return of 25 fund products in recent three years was more than 100%. As at the end of the Reporting Period, the company's total assets and net assets were 6.999 billion and 5.724 billion respectively, and the public fund under management reached 547.3 billion, representing an increase of 61% over the end of the previous year. The company's net profit during the Reporting Period was 1.786 billion, representing an increase of 42% on a year-on-year basis.

As the backbone of the Group to build wealth management feature, the company, centring on the Group's strategy and the 14th Five-Year Plan, continuously improved core competitiveness in investment research and built multi-level product lines. Relying on spillover effect of initiative management investment research advantages, the company improved its management ability in rights & interests, fixed income+ and FOF, investment advisory portfolios, strived to make itself a first-class fund company with core competitiveness for high-quality development and actively assisted the Group in the construction of wealth management ability. During the Reporting Period, the company and the Bank jointly focused on the layout and sales of pension financial products, and thus BoCom One Year Stable Pension FOF became the largest FOF product under management in the market, with a scale of over 24.0 billion as at the end of the Reporting Period.

BOCOM Wealth Management Co., Ltd. As a wholly-owned subsidiary of the Bank, the company was set up in June 2019 with a registered capital of 8.0 billion. It primarily issues wealth management products of fixed income, equity, commodities, financial derivatives and hybrid categories to personal, private banking, institutional and interbank customers. During the Reporting Period, the company utilised the asset allocation advantages of the Bank and organised a professional investment research team to develop investment research capability in integrating upstream and downstream of asset management business. As to the "stable fixed income intensified" series wealth management products, the corresponding management team were awarded "2021 Gamma Award for Outstanding Bank Wealth Management Team" by *Securities Times*. As at the end of the Reporting Period, the company's total assets and net assets were 10.206 billion and 9.929 billion respectively. The company's net profit during the Reporting Period was 1.155 billion, indicating an increase of 73.61% on a year-on-year basis. The company received 28 prestigious awards including Golden Bull Award, G.D.M, and Golden-shell Award, issued by regulators and mainstream media.

As a core supplier of wealth management products and an integrated platform for innovation and development of the great asset management business, the company actively coordinated with the wealth value chain, enriched the product lines for the elderly and inclusive customers, and prioritised the wealth management needs of the Group customers. Meanwhile, the company took the chance of net-worth transformation of wealth management products and insisted on the customer-oriented business philosophy. Owing to the company's customer base, channel development ability, steady products and asset management ability, the wealth management products business saw a continuing growth. As at the end of the Reporting Period, the balance of wealth management products increased by 129.43% over the end of the previous year to 1,224.664 billion. The company actively expanded consignment agencies outside the Bank, and the balance of products sold under consignment outside the Bank reached 409.859 billion, accounting for 33.47% of the balance of products. In addition, the scope of sales on consignment outside the Bank ranked top among wealth management subsidiaries. The company was awarded "2021 Model of Channel Development with Outstanding Competitiveness" by *China Business Journal*.

BOCOM MSIG Life Insurance Company Limited. The company was set up in January 2010 with a registered capital of 5.1 billion, of which the Bank and the MS&AD Insurance Group contributed 62.50% and 37.50% stock rights respectively. The business scope includes life insurance, health insurance, accident insurance and reinsurance businesses of the aforementioned insurances in Shanghai as well as regions where its branches were established. During the Reporting Period, with the strategic goal of "becoming a company with a leading position in growth and profitability of guaranteed insurance", the company was committed to providing insurance guarantee and highlighted distinctive operation. As at the end of the Reporting Period, the company's total assets and net assets were 93.018 billion and 7.596 billion respectively. During the Reporting Period, the original premium income was 16.941 billion, representing an increase of 15.48% on a year-on-year basis. The net profit was 0.910 billion, representing a decrease of 12.07% on a year-on-year basis, and the value of new business increased by 10.5% on a year-on-year basis.

The company constantly improved the marketing process to acquire high-end customers, and initiated the construction of new elderly care service system to meet the needs of middle- and high-end customers on elderly care security across the life cycle. To further enhance the company's expertise in banking and insurance business and meet customers' needs, the company established a team consisting nearly 100 wealth planners to serve local institutions and undertake cross-regional businesses. Through the allocation of premium and premium trusts, the company satisfied the high net-worth customers by maintaining and passing on their wealth, thus realising a closed-loop operation in the Group.

BOCOM Financial Asset Investment Co., Ltd. As a wholly-owned subsidiary of the Bank, the company was set up in December 2017 with a registered capital of 10.0 billion. As one of the first pilot banks to implement debt-to-equity conversion as determined by the State Council, it is mainly engaged in debt-to-equity conversion and its supporting services. As at the date of disclosing this Report, the CBIRC has approved the Bank's additional capital contribution of 5.0 billion to the company. During the Reporting Period, the company made efforts to develop the main business of market-oriented debt-to-equity swap, and actively reduced leverage ratio and controlled risks to serve the real economy. The gross incremental investment was 12.327 billion, the amount of withdrawal from projects was 4.711 billion and the net incremental investment of the year was 7.616 billion. As at the end of the Reporting Period, the company's total assets and net assets were 57.070 billion and 14.305 billion respectively. The company's net profit during the Reporting Period was 2.906 billion, representing an increase of 135.30% on a year-on-year basis.

BOCOM International Holdings Company Limited. The company was set up in June 1998 (formerly known as Communications Securities Co., Ltd. It changed its name to BOCOM International Holdings Company Limited in May 2007). It was listed on the main board of Hong Kong Stock Exchange on 19 May 2017. The main businesses include securities brokerage and margin financing, corporate financing and underwriting, asset management and consulting, investment and loan. As at the end of the Reporting Period, the Bank's shareholding in the company was 73.14%. During the Reporting Period, the company adopted the business strategy of "highlighting the businesses in Yangtze River Delta and Pearl River Delta, focusing on two fields of the industry and achieving transformation with intelligent and digital technologies", provided customers with comprehensive financial services of the integrated industrial chain and accomplished 23 IPO underwriting projects and 140 bond underwriting projects. The total amount of bond underwriting of the company and Hong Kong Branch of the Bank ranked the fifth on the list of offshore bond underwriting amount of domestic institutions. As at the end of the Reporting Period, the total assets and net assets of the company were HKD32.662 billion and HKD7.424 billion respectively. The company's net profit during the Reporting Period was HKD312 million, representing a decrease of 63.3% on a year-on-year basis, which is mainly due to the impact of the investment market downturn, especially due to losses in the fixed income securities in the fourth quarter of 2021.

China BOCOM Insurance Co., Ltd. As a wholly-owned subsidiary of the Bank, the company was set up in November 2000 with a registered capital of HKD0.4 billion. The main business is the operation of 17 types of general insurances approved by the Insurance Authority of Hong Kong. During the Reporting Period, the company gave full play to the advantage of holding full business licenses for general insurances, and improved the quality and efficiency of its main underwriting business simultaneously. As at the end of the Reporting Period, the company's total assets and net assets were HKD0.797 billion and HKD0.585 billion respectively. The company's gross premiums during the Reporting Period increased by 13.70% on a year-on-year basis, the premium profits before expenditure increased by 22.59% on a year-on-year basis and the net compensation rate was 30.84%. The net profit was HKD9.38 million and revenue from business collaboration amounted to HKD13.01 million, representing a year-on-year increase of 7.20%.

6. Global Service Capabilities

- The Group formed an overseas operating network covering major international financial centres across five continents, and had 23 overseas branches (sub-branches) and representative offices in 18 countries and regions, with 69 overseas operating outlets.

- During the Reporting Period, the net profit of overseas banking institutions amounted to 5.701 billion, whose contribution to the Group's total net profit accounted for 6.51%. As at the end of the Reporting Period, the total assets of overseas banking institutions amounted to 1,187.234 billion, whose contribution to the Group's total assets accounted for 10.18%.

(1) International settlement and trade financing

To act upon the call for "stabilising foreign trade" and "speeding up the development of new forms and models for foreign trade", the Group launched cross-border e-Commerce financial services and connected with comprehensive platform for cross-border trade and market procurement trade to serve the development of new forms and models of foreign trade in various regions in China. To back up foreign trade enterprises, the Group launched export credit insurance to enhance their risk resisting capabilities and financing products under credit insurance to address their fund demands, especially for small and micro enterprises. The Group provided exchange risk management service for foreign trade enterprises to help them establish a neutral concept of exchange rate risk. During the Reporting Period, the amount of international settlement processed by the Bank reached USD483.158 billion, representing a year-on-year increase of 45.24%. The volume of financing for cross-border trade reached USD33.963 billion, representing a year-on-year increase of 44.52%.

(2) Overseas service network

The Group had 23 overseas branches (sub-branches) and representative offices in places including Hong Kong, New York, London, Singapore, Tokyo, Frankfurt, Luxembourg and Sydney, providing customers with financial services including deposits, loans, international settlement, trade financing and foreign currency exchange. As at the end of the Reporting Period, the Group established overseas banking service network with 1,000 banks in 126 countries and regions, set up 241 cross-border renminbi interbank accounts for 103 overseas renminbi participating banks in 31 countries and regions. In addition, 81 foreign currency settlement accounts in 27 major currencies were opened in 62 banks in 31 countries and regions.

(3) Cross-border renminbi transactions

To support the development of the real economy, the Bank launched the "Kua Rong Tong" service, through which overseas banks satisfied 21.901 billion of the renminbi financing needs of domestic customers with account financing funds. The Group leveraged its advantages of domestic and overseas collaboration, and the volume of cross-border transfer of domestic trade financing assets processed this year amounted to 36.268 billion, representing an increase of 363.79% on a year-on-year basis. During the Reporting Period, the volume of cross-border renminbi settlement of domestic banking institutions reached RMB1,212.132 billion, representing an increase of 60.50% on a year-on-year basis.

(4) Offshore services

Relying on offshore services advantages, the Bank served the development of high-level opening up and the construction of Shanghai as an international financial centre and enhanced its financial service capabilities. During the Reporting Period, the net operating income of offshore services increased by 13.51% on a year-on-year basis to USD137.0441 million. As at the end of the Reporting Period, the total assets of offshore services increased by 35.69% over the end of the previous year to USD15.936 billion.

BOCOM-HSBC STRATEGIC COOPERATION

During the Reporting Period, based on the positioning of "deepening strategic cooperation and creating shared value", the Bank carried out close communication and sincere cooperation with its overseas strategic partner HSBC to promote a mutually beneficial and win-win cooperation.

Optimise mechanism and maintain smooth communication. Under circumstances of normalised pandemic prevention and control, the two parties used online channels to hold top-level meetings between the chairmen, and informal talks were held between the president and the CEO of both parties to discuss the direction of cooperation. The senior management of both parties communicated regularly through summit meetings and executive chairman meetings to set objectives and direction for the annual cooperation.

Leverage complementary advantages and promote business cooperation. The two parties continued to promote cooperation in various business areas under the unified framework of "1+1 Global Financial Services" in accordance with the principles of mutual benefits and market orientation. BoCom and HSBC joined hands to assist Chinese enterprises to "go global", concluding 3 cooperative syndicated loan projects. The parties consolidated their cooperative advantages in Hong Kong, concluding 18 cooperative syndicated loan projects and 38 bond underwriting projects. Cooperations in overseas financing and treasury business were promoted in an orderly manner with foreign currency settlement continuously increasing, and the scale of cooperative custody business reached 82.4 billion.

Facilitate exchanges and further the experience sharing. Both parties, under the framework of "Resources and Experience Sharing (RES)", exchanged experiences with the focus on business development and risk compliance to promote sharing of information.

In the future, the Bank will join hands with HSBC to deeply integrate into China's national strategies, explore joint services to the "Belt and Road Initiative" and the construction of Guangdong-Hong Kong-Macao Greater Bay Area, jointly support the construction of Shanghai as the international financial centre, and build an "experimental field for green finance cooperation" to explore the potential of cooperation and create more values together.

7. Channel Construction

(1) Corporate online banking and corporate mobile banking

Centring on customer experience, the Bank provided professional and intelligent corporate online financial services via PC terminal and mobile terminal, and enhanced its ability to empower the high-quality development of corporate customers with FinTech. As at the end of the Reporting Period, the number of contracted customers of corporate online banking (Bank-corporate direct connection) increased by 17.17% over the end of the previous year, and the annual cumulative transaction volume saw an increase of 14.08% on a year-on-year basis. The number of contracted customers of corporate mobile banking increased by 36.62% over the end of the previous year, and the annual cumulative transaction volume saw an increase of 73.23% on a year-on-year basis.

(2) Personal mobile banking

Adhering to the customer-oriented principle and taking the best practices of the industry as the benchmark, the Bank innovatively proposed the design concept of "renovation for innovation, vision in integration" and launched the new-generation personal mobile banking of version 6.0, which is an intelligent and personalised one-stop financial service platform, with reinforced digital service capabilities in open interconnection, wealth growth and human-caring technology. As at the end of the Reporting Period, there were 38.1103 million monthly active users (MAU), increasing by 22.82% on a year-on-year basis.

(3) Go Pay

The Bank accelerated digital transformation and development of service channels and released the new version 5.0 of Go Pay APP for credit card, which has a reinforced intelligence level and better customer experience. To attract mobile banking customers to use Go Pay APP, the Bank made a series of functional optimisations including log in. After that, a total of 5.20 million customers logged in the Go Pay APP through mobile banking authorisation in this year. As at the end of the Reporting Period, the number of MAUs of Go Pay APP increased by 3.9270 million compared with that before the new version was released, and it kept growing month by month. In October 2021, Go Pay APP got the second place in the annual appraisal report of credit card APPs published by Sina Finance. As at the end of the Reporting Period, the accumulated number of registered customers of Go Pay APP was 70.2658 million while the number of MAUs was 26.5726 million. The frequencies of Go Pay App used in financial and non-financial scenarios were 82.99% and 55.37% respectively.

(4) Personal payment

The Bank deeply developed functions related to online payment. The Bank took the lead in accessing personal mobile banking to UnionPay Cashier, realising the scenario embedding and payment linkage to the head Internet platform. Besides, the Bank interconnected with Alipay and allowed customers to make payments through scanning personal payee code of Alipay.

(5) Open banking

The Bank continuously enriched exportable products and business solutions and provided various platforms with online financial services including online factoring, e-Letter of guarantee, distributor fast lending, Jiao eBao, bank and enterprise payment. In addition, the Bank accelerated the development of livelihood consumption scenarios and launched standard scenario solutions such as e-Government wallet, Benefit Medical Payment, smart schools and fund supervision. As at the end of the Reporting Period, 1,369 interfaces were launched for open banking with a cumulative 0.26 billion calls. There were 256 new cooperative institutions and 366.6 thousand new electronic accounts with non-zero balance, which are 6.09 and 4.57 times that of the previous year, respectively.

(6) Third-party platforms

The Bank strived to develop new media channels such as "BoCom" WeChat Mini Program and Cloud Banking to enhance its capability of converting and operating new customers acquired from the channels. As at the end of the Reporting Period, customers served by "BoCom" WeChat Mini Program increased approximately tenfold over the end of the previous year. Cloud Banking was updated and was accessible to WeCom of the Bank, serving 2.3684 million customers.

8. *FinTech and Digital Transformation*

◆ During the Reporting Period, the Bank's investment in FinTech[8] increased by 23.60% on a year-on-year basis to 8.750 billion, which accounted for 4.03% of the operating income, representing an increase of 0.50 percentage point on a year-on-year basis.

◆ As at the end of the Reporting Period, the number of FinTech employees was 4,539, which accounted for 5.03% of the Group's total employees.

(1) Draw an IT strategic plan

To adapt to the new situation and requirements in the new development stage, the Bank kept improving the top-level design of FinTech and strengthening the leading role of technology. During the Reporting Period, the Bank released the Action Plan for Digital Transformation, the FinTech Development Plan and the Data Governance Plan under the "14th Five-Year Plan" successively, and put forward the "POWER" vision for FinTech development, in which P stands for Platform, O stands for Open, W stands for Wise, E stands for Enterprise and R stands for Reinvent. By leveraging the dual driving forces of technological innovations and data elements, the Bank was committed to constructing a "New Digital BoCom" with excellent customer experience, abundant ecosystems, intelligent risk control and efficient operation.

During the Reporting Period, the Bank won a number of FinTech awards. For instance, its "Multi-party Secure Computing Platform and Scenario Application Project" won the first prize in the appraisal of FinTech Development Award by the PBOC. The CIPS standard transmit product was awarded the first prize in Shanghai Financial Innovation Competition by Shanghai Municipal People's Government in 2020. "One Thing for Medical Payment" won the 2021 "Shanghai Standard" and Shanghai Finance Excellent Application Scenario Award. The Bank established the Special Committee on Data Industrialisation under the Shanghai FinTech Industry Alliance, and attended the 2021 World Artificial Intelligence Conference as a glory partner and was selected as one of the Top 30 of 2021 SAIL Award.

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[8] Including investment in the communication equipment expenses and line rent expenses, comparative data has been restated in accordance with the current presentation.

(2) Deepen the empowerment of technology

Focusing on the four business features of inclusive finance, trade finance, sci-tech finance and wealth finance, the Bank innovated a number of influential products to improve the operation and management capability.

Empower business development. The Bank released the 6.0 version of Mobile Banking and constructed a unified view and insight system for customers. With the help of big data analysis and intelligent algorithms, the Bank offered customers the most suitable services and products to provide better customer experience. The Bank established a new commercial service system covering debit/credit card, domestic/overseas card, exclusive/discounted services and online/offline merchants, and built a "five centralised" operation system to provide comprehensive services for the merchants. To enable medium- and small-sized enterprises to realise digital transformation, the Bank launched the digital salary scenario-based solution named "Salary & Taxation Manager". The Bank strengthened the function of "Inclusive e-Loan" by integrating with various types of guarantees for individuals and legal persons to provide online one-stop financing support for small and micro enterprises and individual industrial and commercial households. In addition, the interbank wealth management and value connection platform "BoCom e-Platform" went online to offer online one-stop services of investment, financing and settlement to interbank customers.

Empower operation and management. The main functions of the enterprise-level marketing middle office of personal banking business was launched and connected with seven online service channels such as Mobile Banking, Go Pay, Message Centre and New-generation Customer Service Platform. It could handle the calculation of 30.0 billion strategy list sets every day while allowing flexible settings with thousands of labels. The Bank enriched marketing strategy for digital scenarios to implement targeted operations by level and by catagory with quantised data. With the launch of the New-Generation Customer Service Platform and the introduction of the domestic multimedia communication platform, the Group was enabled to share customer service resources, initiatively launched virtual customer service provided by 3D digital human and 4G video customer service, and improved the digital and intelligent level of customer services. The phase I goal of "an integrated platform for centralised decision making, anti-fraud, modelling, supervision, data and operation" for enterprise-level retail risk control middle-office was basically achieved, consistently enhancing the ability of digital risk control.

(3) Strengthen data governance capability

The Bank raised the level of data standardisation management, formulating more than 31 thousand data standards throughout the year. Moreover, the Bank promoted the unification of standards in the system structure and enabled online services for data standardisation, data asset and indicator system. To effectively control data quality, the Bank established a data quality closed-loop control mechanism and made over 10 thousand rules to inspect data quality. The Bank basically completed the construction of the enterprise-level data middle office and deployed big data clusters with sufficient hashrate and "one lake, one house" data bases to help the Bank's digital services quickly respond to demands such as statistics and reporting, business digital transformation and management innovation. The Bank built unified data analysis platform to provide data analysis application support in various scenarios including risk control modelling, business analysis, marketing, customer development for operation and management, facilitating data inspection and use independently. In addition, the Bank reinforced interconnection with external data, established cooperative relations with 12 provincial big data bureaus and 59 municipal big data bureaus., and settled in the Beijing International Big Data Exchange and Shanghai Data Exchange, connecting with a total of 133 external data sources, to exploit values of internal and external data.

(4) Expand the application of innovative technologies

The Bank launched the new-generation cloud platform and the pilot projects for credit card core system. The Bank deepened the application of artificial intelligence technologies by adopting the online model of "manual + AI", with a year-on-year decrease of 20% in human customer service of intelligent customer service at 95559 and an improved one-stop resolution rate up to 91% for customer problems. By launching the pilot application of the privacy computing platform, BoCom made an important step forward in exploring and establishing a mechanism for the exchange and integration of banking data with external public data and industry data, as well as information security protection. A total of 5 projects in the Bank were selected to participate in the FinTech Innovation Regulatory Pilot Programmes of the PBOC, with breakthroughs made in the application of basic and cutting-edge technologies.

(5) Step up efforts to improve network security

The Bank improved the network security governance system adapting to digital transformation, established unified security standards across the Group, optimised the standards for the customer information security management system and carried out special governance campaigns. All these efforts were made to provide better protection for customer information security and privacy. Also, the Bank further increased investment in information security technologies and upgraded the integrated security defence system. With its smooth 24/7 security operation service mechanism and strong security protection capabilities, the Group achieved splendid results in the national security competition. During the Reporting Period, the Bank's production and network were in steady and safe operation, with the actual usable rate of more than 99.99% of important information systems, which ensured the security and stability of financial services.

Construct a new ecosystem for digital renminbi payment and facilitate the new development of digital economy

As one of the designated digital renminbi operating institution, the Bank gave full play to the comprehensive operation advantages of the Group and its customer basis, leveraged the opportunity of digital transformation and the breakthrough of FinTech, and further advanced the construction of “FinTech+(non-)financial scenarios”, highlighting innovations and characteristics.

Focus on scenario ecosystem and create regional advantages. The Bank closely followed regulatory policies and market dynamics, leveraged the digital renminbi’s convenient and secure feature of “payment as settlement” and built ecological applications of digital renminbi in aspect of government affairs and people’s livelihood, such as traffic, education, medical care and taxation. During the Reporting Period, the Bank took the lead in launching the nationwide service of contract signing and tax payment with digital renminbi in Hainan Province. The Bank developed over 60 living consumption scenarios of digital renminbi payment covering library, student affairs centre, school infirmary, catering stores, dining halls and school bus for teachers and students of Sanya College. Currently, it is the educational pilot scenario with the largest population and the largest scale in Hainan Province.

Highlight the demonstration effect and cultivate market awareness. The Bank built a digital renminbi demonstration block to enrich the public consumption experience, make digital renminbi more popular and enhance the brand effect of digital renminbi. During the Reporting Period, the Bank selected 32 places of cultural and tourist spots, universities and popular locations in 11 pilot areas, such as Nanjing Road Pedestrian Street in Shanghai, Beijing Happy Valley and Soochow University as demonstration blocks of digital renminbi consumption. To promote the featured achievements of digital renminbi construction, the Bank cooperated with multi-channel media (platforms) such as local government newspaper, Shanghai Metro, Himalaya and Sina Weibo.

Provide comprehensive services and promote the organic integration. The Bank integrated the digital renminbi application with the digital transformation of enterprises and industries, building an ecosystem of mutual development with the customers based on the construction of (non-) financial ecological scenarios. During the Reporting Period, the Bank launched a few innovative service modes for China TravelSky Holding Company, such as mother-child wallet and smart contract, and built a complete digital renminbi ecosystem for the four civil aviation service fields of cash management, ticket sales, freight settlement and airport charges. In addition, the Bank provided convenient and contactless consumption solutions of “Face Recognition + Digital renminbi Payment in Digital Park” to Xi’an Financial Electronic Settlement Centre and created organic ecosystem for enterprise digital transformation with non-financial service facilitating digital renminbi payment.

(III). Risk Management

The Board of Directors of the Bank established the overall risk appetite of "Stability, Balance, Compliance and Innovation" for the Bank and further set specific indicators of risk limits against various risks including credit, market, operation, liquidity, interest rate of banking book, information technology and country to exercise strict control over various risk types and thus ensured the bottom line of preventing the occurrence of systematic and regional risks.

1. Risk Management Framework

The Board of Directors of the Bank assumed the ultimate responsibility, served the highest function of decision-making, and monitored the Bank's risk condition through the subordinate Risk Management and Related Party Transaction Control Committee. The Bank's senior management established the Comprehensive Risk Management and Internal Control Committee, as well as two business review committees namely the Credit and Investment Review Committee and the Risk Asset Review Committee. The business review committees were guided by and reported regularly to the Comprehensive Risk Management and Internal Control Committee. Each provincial and directly managed branch, overseas branch and subsidiary established the Comprehensive Risk Management and Internal Control Committee accordingly based on the aforementioned framework, which served as the main platform to study the prevention and control of systematic and regional risks and decision-making risk management on major issues, ensuring that the comprehensive risk management system had been implemented throughout the Group.

2. Risk Management Tool

The Bank actively practiced digital transformation in risk management and built an enterprise-level risk control application under the guideline of being market-driven, customer-based, grass roots-oriented and urgency-prioritised. The Bank built a strong foundation for risk data across the Group, optimised the unified view of risks, improved the integrated risk monitoring system covering the Group, and enhanced intelligent risk management. In 2021, the Bank, as a financial institution, took the lead in integrating the multi-party secure computing technology into risk management by launching "BoCom Multi-party Secure Computing Platform and Scenario Application Project" which won the first prize of 2020 FinTech Development Award by the PBOC. During the Reporting Period, the Group pushed forward the construction of risk measurement system, created a full lifecycle model management platform, strengthened the unified management of risk measurement throughout the Group and optimised the measurement system covering all types of major risks. The Group launched the project of implementing new capital management measures and promoted the construction and upgrading of systems.

3. *Credit Risk Management*

During the Reporting Period, the Bank continued to strengthen unified credit risk management. On the basis of maintaining steady increase in the aggregate amount of credit, the Group promoted credit structure adjustment and strived to develop green finance. The Group provided proactive support to key fields such as inclusive small and micro enterprises, advanced manufacturing and strategic emerging industries, and reinforced control over real estate, implicit government debts, overcapacity and credit card. The Group consolidated the foundation of management base, optimised the framework of credit granting policy, in which process the outline of credit granting and risk policy, the guidelines on industry investment, "one policy for one bank" and some special policies were upgraded in a timely manner. Moreover, the Group made the credit process online and more automated, promoted online mortgage registration throughout China and extended its "cross-provincial business" to many cities in Yangtze River Delta region. With these efforts, the system tools were upgraded continuously, which enriched post loan (investment) management and risk monitoring. In addition, risk classification became more sophisticated with the asset quality improved steadily.

The Group enhanced disposal and collection of non-performing loans. During the Reporting Period, the disposal of non-performing loans reached 83.936 billion, representing a year-on-year increase of 1.025 billion. On the one hand, the Head Office successfully disposed projects with significant risks based on its professional disposal capacity, and hence improved the effectiveness of disposal of non-performing loans. On the other hand, the Group actively implemented new regulatory policies on the pilot transfer of non-performing loans and expanded channels to dispose personal and corporate non-performing loans.

For the real estate sector, first, the Group strictly controlled the access conditions and enhanced differentiated management by following the principle of "different policies tailored for different cities and households to achieve systematic management" and the customer selecting standards of "location, form of trade, customer, cost and return". Second, the Bank took measures to dissolve risks, including ensuring "Three Stabilities" (stabilities in the cost of land usage, housing price and expectation) and ensuring "Three Securities" (securities in house delivery, people's livelihood and social stability), requiring all branches to cooperate with local governments in "Two Upholds" (to uphold steady and sound development of the real estate market and to uphold legitimate rights and interests of housing consumers) according to rules of laws and market. Third, the Group enhanced the risk prevention and control, made full use of internal and external tools to strengthen risk monitoring and implement risk checking, improved the initiative of risk management to achieve early identification, early warning, early detection and early response to risks, and in the end promoted the adjustment of industrial structure. As at the end of the Reporting Period, the amount of non-performing loans in real estate increased by 0.549 billion, and the non-performing loan ratio was 1.25%, representing a decrease of 0.1 percentage point over the end of the previous year.

For credit card business, the Group improved the balanced decision-making model and evaluation system of risk and return, made progress in data management, promoted model application and upgraded risk control system, completed customer portraits and implemented targeted policies. The Group consistently made progress in the optimisation of client base, strengthing of customer operation and scaling-up of high-quality assets. Moreover, the Group strengthened the collection of non-performing loans, focused on the settlement and collection of substantially non-performing loans, proactively coped with the historical risks, ensured the controllable quality of credit card assets. As at the end of the Reporting Period, the non-performing loan ratio of credit card business was 2.2%, representing a decrease of 0.07 percentage point over the end of the previous year.

During the Reporting Period, owing to reinforced risk identification, prompt risk response and strict classification standards of asset quality, the Group saw a constantly consolidated asset quality foundation and a rising asset quality level. As at the end of the Reporting Period, the balance of non-performing loans was 96.796 billion and the non-performing loan ratio was 1.48%, representing a decrease of 0.902 billion and 0.19 percentage point respectively over the end of the previous year. The period also witnessed a decrease in both the balance and proportion of overdue loans.

Distribution of loans by five categories of loan classification

(in millions of RMB unless otherwise stated)

	31 December 2021		31 December 2020		31 December 2019	
	Amount	**Proportion (%)**	Amount	Proportion (%)	Amount	Proportion (%)
Pass loan	**6,374,975**	**97.17**	5,668,199	96.92	5,111,715	96.37
Special mention loan	**88,629**	**1.35**	82,527	1.41	114,517	2.16
Total performing loan balance	**6,463,604**	**98.52**	5,750,726	98.33	5,226,232	98.53
Sub-standard loan	**52,960**	**0.81**	52,652	0.90	16,963	0.32
Doubtful loan	**25,978**	**0.40**	26,713	0.46	42,508	0.80
Loss loan	**17,858**	**0.27**	18,333	0.31	18,572	0.35
Total non-performing loan balance	**96,796**	**1.48**	97,698	1.67	78,043	1.47
Total	**6,560,400**	**100.00**	5,848,424	100.00	5,304,275	100.00

Distribution of special mention loans and overdue loans by business type

(in millions of RMB unless otherwise stated)

	31 December 2021				31 December 2020			
	Special mention loan balance	**Special mention loan ratio (%)**	**Overdue loan balance**	**Overdue loan balance ratio (%)**	Special mention loan balance	Special mention loan ratio (%)	Overdue loan balance	Overdue loan balance ratio (%)
Corporate loans	**73,858**	**1.78**	**53,503**	**1.29**	71,677	1.93	60,851	1.64
Personal loans	**14,737**	**0.64**	**33,653**	**1.47**	10,841	0.55	29,264	1.48
Mortgage	**3,966**	**0.27**	**9,001**	**0.60**	2,395	0.19	7,132	0.55
Credit cards	**9,637**	**1.96**	**20,462**	**4.15**	7,684	1.66	18,245	3.93
Personal business loans	**381**	**0.20**	**1,533**	**0.81**	204	0.17	1,648	1.36
Others	**753**	**0.66**	**2,657**	**2.32**	558	0.55	2,239	2.19
Discounted bills	**34**	**0.02**	**6**	**0.004**	9	0.01	88	0.05
Total	**88,629**	**1.35**	**87,162**	**1.33**	82,527	1.41	90,203	1.54

The balance of corporate overdue loan was 53.503 billion, representing a decrease of 7.348 billion over the end of the previous year. The overdue loan ratio was 1.29%, representing a decrease of 0.35 percentage point over the end of the previous year. The balance of personal overdue loan was 33.653 billion, representing an increase of 4.389 billion over the end of the previous year. The overdue loan ratio was 1.47%, representing a decrease of 0.01 percentage point over the end of the previous year.

Distribution of loans and non-performing loans by business type

(in millions of RMB unless otherwise stated)

	31 December 2021				31 December 2020			
	Loans	**Proportion (%)**	**Non-performing loans**	Non-performing loan ratio (%)	Loans	Proportion (%)	Non-performing loans	Non-performing loan ratio (%)
Corporate loans	**4,138,582**	**63.09**	**77,618**	**1.88**	3,707,471	63.39	78,830	2.13
Personal loans	**2,285,096**	**34.83**	**19,168**	**0.84**	1,980,882	33.87	18,773	0.95
Mortgage	**1,489,517**	**22.70**	**5,083**	**0.34**	1,293,773	22.12	4,849	0.37
Credit cards	**492,580**	**7.51**	**10,821**	**2.20**	464,110	7.94	10,558	2.27
Personal business loans	**188,293**	**2.87**	**1,301**	**0.69**	120,985	2.07	1,542	1.27
Others	**114,706**	**1.75**	**1,963**	**1.71**	102,014	1.74	1,824	1.79
Discounted bills	**136,722**	**2.08**	**10**	**0.01**	160,071	2.74	95	0.06
Total	**6,560,400**	**100.00**	**96,796**	**1.48**	5,848,424	100.00	97,698	1.67

Distribution of loans and non-performing loans by industry

(in millions of RMB unless otherwise stated)

	31 December 2021				31 December 2020			
	Loans	Proportion (%)	Non-performing loans	Non-performing loan ratio (%)	Loans	Proportion (%)	Non-performing loans	Non-performing loan ratio (%)
Corporate loans	**4,138,582**	**63.09**	**77,618**	**1.88**	3,707,471	63.39	78,830	2.13
Transportation, storage and postal services	**763,419**	**11.64**	**10,873**	**1.42**	708,649	12.12	9,738	1.37
Manufacturing	**732,565**	**11.16**	**28,305**	**3.86**	658,203	11.25	29,301	4.45
Leasing and commercial services	**650,742**	**9.92**	**11,517**	**1.77**	577,500	9.87	10,876	1.88
Real estate	**419,820**	**6.40**	**5,260**	**1.25**	348,185	5.95	4,711	1.35
Water conservancy, environmental and other public facilities	**382,201**	**5.83**	**3,357**	**0.88**	334,399	5.72	234	0.07
Production and supply of electric power, heat, gas and water	**268,772**	**4.10**	**2,496**	**0.93**	221,313	3.78	2,156	0.97
Wholesale and retail trade	**215,554**	**3.29**	**5,649**	**2.62**	204,856	3.50	9,823	4.80
Construction	**157,729**	**2.40**	**1,504**	**0.95**	135,732	2.32	3,683	2.71
Finance	**132,633**	**2.02**	**–**	**–**	118,702	2.03	10	0.01
Education, science, culture and public health	**122,196**	**1.86**	**2,759**	**2.26**	112,961	1.93	2,908	2.57
Mining	**120,216**	**1.83**	**2,413**	**2.01**	125,367	2.14	2,625	2.09
Others	**77,884**	**1.19**	**743**	**0.95**	85,570	1.48	1,075	1.26
Information transmission, software and information technology services	**60,718**	**0.93**	**1,149**	**1.89**	41,148	0.70	989	2.40
Accommodation and catering	**34,133**	**0.52**	**1,593**	**4.67**	34,886	0.60	701	2.01
Personal loans	**2,285,096**	**34.83**	**19,168**	**0.84**	1,980,882	33.87	18,773	0.95
Discounted bills	**136,722**	**2.08**	**10**	**0.01**	160,071	2.74	95	0.06
Total	**6,560,400**	**100.00**	**96,796**	**1.48**	5,848,424	100.00	97,698	1.67

The Group actively supported the development of real economy with its new loans preferentially going to industries such as manufacturing, services and transportation, and kept reasonable growth of real estate loans. Meanwhile, the Group cooperated with relevant departments and local governments to maintain the steady and sound development of the real estate market and safeguard the legitimate rights and interests of housing consumers. In addition, the Group strictly held control over industries with severe overcapacity. As at the end of the Reporting Period, the balance of loans to industries with severe overcapacity accounted for 2.30% of the total domestic loans, representing a decrease of 0.3 percentage point over the end of the previous year.

Distribution of loans and non-performing loans by region

(in millions of RMB unless otherwise stated)

	31 December 2021				31 December 2020			
	Loans	**Proportion (%)**	**Non-performing loans**	**Non-performing loan ratio (%)**	Loans	Proportion (%)	Non-performing loans	Non-performing loan ratio (%)
Yangtze River Delta	**1,780,637**	**27.14**	**22,399**	**1.26**	1,556,325	26.61	20,149	1.29
Pearl River Delta	**857,521**	**13.07**	**5,559**	**0.66**	711,150	12.16	7,332	1.03
Bohai Rim Economic Zone	**965,957**	**14.72**	**13,893**	**1.44**	838,415	14.34	17,058	2.03
Central China	**1,092,985**	**16.66**	**19,224**	**1.76**	960,512	16.42	18,788	1.96
Western China	**774,445**	**11.80**	**9,661**	**1.25**	681,997	11.66	9,220	1.35
North Eastern China	**247,023**	**3.77**	**12,090**	**4.89**	232,864	3.98	10,998	4.72
Overseas	**348,948**	**5.32**	**3,139**	**0.90**	359,368	6.14	3,586	1.00
Head Office	**492,884**	**7.52**	**10,831**	**2.20**	507,793	8.68	10,567	2.08
Total	**6,560,400**	**100.00**	**96,796**	**1.48**	5,848,424	100.00	97,698	1.67

Notes:

1. Head Office included the Pacific Credit Card Centre.
2. Due to the adjustment to the standards of dividing segments, comparative data has been restated in accordance with the current presentation.

The Group implemented differentiated policies of "one policy for one bank" to make dynamic adjustments to business authorisation based on regional economic traits.

Overdue loans and advances

(in millions of RMB unless otherwise stated)

Overdue period	**31 December 2021** Amount	**Proportion (%)**	31 December 2020 Amount	Proportion (%)
Within 3 months	**23,164**	**0.35**	25,480	0.44
3 months to 1 year	**29,433**	**0.45**	34,145	0.58
1 to 3 years	**27,164**	**0.42**	25,916	0.44
Over 3 years	**7,401**	**0.11**	4,662	0.08
Total	**87,162**	**1.33**	90,203	1.54

The Group adopted prudent classification standards for overdue loans. All the corporate loans overdue for more than 60 days were included in non-performing loans. Loans overdue for over 90 days were included in non-performing loans and accounted for 66% of non-performing loans.

As at the end of the Reporting Period, the balance of overdue loans was 87.162 billion, representing a decrease of 3.041 billion over the end of the previous year. The overdue ratio was 1.33%, representing a decrease of 0.21 percentage point over the end of the previous year. The balance of loans overdue for over 90 days was 63.998 billion, representing a decrease of 0.725 billion over the end of the previous year.

Restructured loans

(in millions of RMB unless otherwise stated)

	31 December 2021 Amount	**Proportion (%)**	31 December 2020 Amount	Proportion (%)
Restructured loans	**8,792**	**0.13**	8,299	0.14
Including: Restructured loans overdue over three months	**1,625**	**0.02**	2,394	0.04

Loan migration rates

(%)	**2021**	2020	2019
Pass loan migration rate	**1.86**	1.84	1.71
Special mention loan migration rate	**45.72**	46.59	29.76
Sub-standard loan migration rate	**29.61**	25.48	42.76
Doubtful loan migration rate	**17.42**	19.92	10.92

Note: Data calculated pursuant to the *Notice on the Distribution of the Regulatory Indicator and Calculation Formula for Off-Field Investigation* issued by the CBIRC.

Credit risk concentration

As at the end of the Reporting Period, the total loans to the largest single borrower of the Group accounted for 3.21% of the Group's net capital, and the total loans to top 10 customers accounted for 15.98% of the Group's net capital. The situation of loans to top 10 single borrowers as at the end of the Reporting Period is shown below.

(in millions of RMB unless otherwise stated)

	As at 31 December 2021		
	Industry	**Amount**	**Percentage of total loans (%)**
Customer A	Transportation, storage and postal services	36,593	0.57
Customer B	Production and supply of electric power, heat, gas and water	34,700	0.53
Customer C	Production and supply of electric power, heat, gas and water	25,000	0.38
Customer D	Transportation, storage and postal services	13,677	0.21
Customer E	Transportation, storage and postal services	12,864	0.20
Customer F	Transportation, storage and postal services	12,768	0.19
Customer G	Manufacturing -- Electronics	12,114	0.18
Customer H	Transportation, storage and postal services	12,000	0.18
Customer I	Transportation, storage and postal services	11,319	0.17
Customer J	Transportation, storage and postal services	11,148	0.17
Total of Top 10 Customers		182,183	2.78

4. Market Risk Management

Market risk refers to the risk of losses of on- and off-balance sheet businesses of the Bank arising from unfavourable changes in interest rate, exchange rate, commodity price, share price and others. Interest rate risk and exchange rate risk were the major market risks encountered by the Group.

The aim of the market risk management of the Group was to proactively identify, measure, monitor, control and report its market risks based on the risk appetite determined by the Board of Directors. By using methods and means of quota management, risk hedging and risk transfer, the Group was able to manage its market risk exposure to an acceptable level and pursued a maximisation of its risk-adjusted profits based on its controlled risks.

The exchange rate risk and general market risk of interest rate risk of trading book of legal persons were assessed with the use of the internal model-based approach to measure capital at risk by the Group, while the market risk not covered by the internal model-based approach was assessed under the standardised approach to measure capital at risk. In terms of the internal model-based approach, historical simulation method was adopted to calculate value at risk ("VaR") and stressed value at risk ("SVaR"), which had a historical observation period of 1 year, a holding period of 10 working days and a 99% confidence interval. Daily capital transaction positions of the Group and the most updated market data were obtained to perform position valuation and sensitivity analysis in a timely manner. In addition, using the historical simulation method, the Group measured VaR of market risk on a daily basis from different perspectives, including risk factors and investment portfolios and products and performed reverse testing on a daily basis to verify the accuracy of the VaR model. The results of internal model approach were applied to capital measurement, quota monitoring and management, performance assessment and risk monitoring and analysis.

During the Reporting Period, the Group kept improving the market risk management system, improved management policies and procedures, optimised the risk management system, strengthened product management, optimised limit setting, strengthened risk assessment and investigation, and continuously improved the management of market risk. The Group closely monitored the financial market fluctuations, enhanced exposure monitoring and risk warning in the event of financial market volatility, and strictly controlled the market risk exposure limits.

5. *Liquidity Risk Management*

The governance structure of liquidity risk management of the Group consisted of a decision-making body comprised the Board of Directors and its Special Committees and Senior Management, a supervisory body comprised the Board of Supervisors and Audit Supervision and an executive body comprised Financial Management Department, Financial Markets Department, Risk Management Department, Operations and Channel Management Department, branches, subsidiaries and the Head Office's departments in charge of each business.

The Group's liquidity risk management goal was to establish and improve the liquidity risk management system, and effectively identify, measure, monitor and manage the liquidity risk at legal entity level and group level, subsidiaries, branches and business lines to ensure that the liquidity needs can be timely satisfied at a reasonable cost.

The Group annually determined liquidity risk appetite according to business strategies, business characteristics, financial strength, financing abilities, overall risk appetite and market influence. According to the liquidity risk appetite, the Group formulated written liquidity risk management strategies, policies and procedures. The strategies and policies of liquidity risk management covered all on- and off-balance sheet businesses, as well as all business departments, branches and subsidiaries that might have a significant impact on liquidity risk at home and abroad and included liquidity risk management under normal and stressful conditions.

During the Reporting Period, the Group thoroughly implemented the regulatory requirements, paid close attention to the macroeconomic development, adhered to a prudent liquidity management strategy and continued to reinforce on- and off-balance sheet liquidity risk management. By predicting risks ahead of time and forecasting in advance and performing cash flow calculation and analysis, the Group reinforced the coordination and integration to improve financing management and high quality liquid asset (HQLA) management, continuously monitored to ensure daytime liquidity security and liquidity limit controllable and launched regular stress testing for liquidity risk, in which the stressed scenarios were established under the consideration of the correlation between different risks and liquidity risk and the impacts of market liquidity on the Group's liquidity risk. The results of stress tests showed that liquidity risk was in a controllable range under various pressures scenarios. The Group organised emergency exercise for liquidity risk to improve the reaction speed and liquidity risk elimination ability. The Group's overall liquidity risk is stable, with the liquidity ratio, the liquidity coverage ratio (LCR), the net stable funding ratio (NSFR) and the liquidity matching rate (LMR) all meeting regulatory requirements.

As the end of the Reporting Period, the table below shows the liquidity ratio indicator of the Group:

	Standard value	**31 December 2021**	31 December 2020	31 December 2019
Liquidity ratios (%)	≥25	**67.11**	69.24	72.92

Note: Calculated according to the regulatory standard of the CBIRC.

The liquidity coverage ratio is the ratio of HQLA to net cash outflows in the following 30 days. The aim is to ensure that commercial banks have sufficient qualified HQLA to meet the liquidity needs of at least 30 days in the future by settling these assets under the liquidity stress scenarios subject to regulatory requirements. The Group's qualified HQLA mainly included cash, reserves that can be withdrawn from the central bank under stress scenarios and bonds that meet the definition of primary and secondary assets in the *Administrative Measures for Liquidity Risk Management of Commercial Banks*. According to the *Administrative Measures for Liquidity Risk Management of Commercial Banks*, commercial banks with an asset scale no less than RMB200.0 billion should always meet the minimum regulatory standards with a liquidity coverage ratio not less than 100%. The daily average liquidity coverage ratio of the Group during the fourth quarter of 2021 was 115.70% (the daily average within the quarter was the arithmetic average of daily data of the quarter, the number of daily data required was 92). The ratio decreased by 7.59 percentage points over the previous quarter mainly due to increase in net cash outflows.

The NSFR ratio is the ratio of available stable funds to the required stable funds. The aim is to ensure that commercial banks have sufficient sources of stable funds to meet the demand for stable funds from all types of assets and off-balance-sheet exposures. According to the *Administrative Measures for Liquidity Risk Management of Commercial Banks*, commercial banks with an asset scale no less than RMB200.0 billion should always meet the minimum regulatory standards with a net stable funding ratio not less than 100%. The Group's net stable funding ratio for the third quarter of 2021 was 109.93%, representing a decrease of 0.87 percentage point over the previous quarter, which was mainly due to the increase in loans issued to retail and small business customers, non-financial institutions, sovereignty, central banks and public sector entities. In the fourth quarter of 2021, the net stable funding ratio was 108.64%, representing a decrease of 1.29 percentage points over the previous quarter, which was mainly due to the increase in loans to retail and small business customers, non-financial institutions, sovereigns, central bank and public sectors, among others.

6. Operational Risk Management

The Group developed comprehensive operational risk management system dealing with the nature, scale and product complexity of the Group's businesses. The Group also standardised the procedures of operational risk controls, control assessment, operational risk event collection and management and key risk indicator monitoring. During the Reporting Period, the Group further enhanced the operational risk classification and matrix evaluation mechanism, strengthened the integrated management of operational risks of subsidiaries, and strengthened operational risk monitoring assessment on key areas. The Group revised and improved the business continuity management and outsourcing risk management system, and strengthened business continuity and outsourcing risk management.

7. Legal Compliance and Anti-money Laundering

During the Reporting Period, the Bank made efforts to improve its legal compliance management framework, strengthened the identification, monitoring, prevention, control and resolution of legal compliance risk, and improved legal knowledge education and the construction of compliance culture, contributing to steady legal and compliance management. During the Reporting Period, the Group took the measures to enhance anti-money laundering management capabilities, including improving the anti-money laundering management policy, process and system, increasing the effectiveness and efficiency of anti-money laundering reform, advancing the evaluation of money laundering risk, strengthening customer identification, strictly managing large-sum transactions and suspicious transactions, and strengthening sanction compliance management.

8. Reputation Risk Management

The Group implemented the *Administrative Measures for Reputational Risk of Banks and Insurance Institutions (Trial Implementation)* and took measures in the management requirements of "Respond Rapidly and Act Precisely". As for the governance structure, the Group brought the leadership of the Party into every phase of the management of reputational risk, and improved the risk governance structure of "Board of Directors, Board of Supervisors and Top Management Team". As for the mechanism, the Group established a sound management system of reputational risk of the Group and optimised the top-level design. Also, the Group made efforts to develop a mechanism with four cores including controlling at source, responding rapidly, handling quickly and acting precisely, and making joint prevention and control, which contributes to abilities to deal with public opinions. As for execution, the Group optimised the closed-loop management of the whole process, consolidated the normal construction as a normal practice, and improved the management of reputational risk. During the Reporting Period, reputational risk was under control and negative public opinions were actively handled. No event occurred regarding significant reputational risk.

9. Cross-Industry, Cross-Border and By-Country Risk Management

The Group set up the risk management system across industries and boarders, characterised by "centralised management, clear allocation, adequate tools, IT support, risk quantification, and consolidation of substantially controlled entities". All subsidiaries and overseas branches take into account both the Group's standardised requirements and the respective requirements from local regulatory governing bodies while performing risk management. During the Reporting Period, considering the uncertainties caused by the global COVID-19 pandemic and changes in the external environment, the Group emphasised the prevention and control of the pandemic and risk management in overseas institutions, improved the risk assessment mechanism and strengthened the development and drilling of various emergency plans to ensure stable operation of business. In addition, the Group also strengthened management of key areas such as employees' awareness of pandemic prevention, liquidity, business continuity and asset quality in overseas institutions. The Group enhanced the consolidation management, refined the full lifecycle management of subsidiaries, and improved the periodic statistical monitoring mechanism. The Group strengthened by-country risk management, continuously improved the internal management mechanism, monitored and implemented limit management requirements, refined by-country risk rating and carried out by-country risk assessment and warning.

10. Management of Large Exposure Risk

The Group thoroughly implemented the requirements of the *Administrative Measures for the Large Exposures of Commercial Banks* issued by the CBIRC, boosted the construction of management system, and optimised internal management mechanism. The Group continuously monitored situations of large exposure risk, and strictly adhered to various delegated authorities' standards, so as to improve the Group's ability to prevent systematic and regional risk. During the Reporting Period, the Group's large exposure risk indicators all met the regulatory requirements.

11. Climate and Environmental Risk Management

The Group actively served the "carbon peak and carbon neutrality" national strategy, integrated climate and environmental risks into its comprehensive risk management system, included climate and environmental risk management as an important part in its medium and long-term plan, actively took measures to improve the governance structure, optimised the management and control means, and prepared to identify and respond to physical risks and transformation risks.

During the Reporting Period, the Group officially became a supporting institution of the Task Force on Climate Related Financial Disclosure (TCFD), and carried out risk detection and evaluation on high carbon emission customers which provided effective support for the goal of high-quality development in the new era. In 2021, the Bank was engaged in the climate risk stress test initiated by the PBOC, in an effort to evaluate the potential impact of the green-oriented transition of society and economy on the quality of assets in industries with high carbon emissions, in the context of "carbon peak and carbon neutrality". According to the test, under stressed scenarios, the credit risks of customers in thermal power, steel and cement rose somewhat, however, the overall risk was under control with limited impact on the capital adequacy of the Bank.

(IV) OUTLOOK

In 2022, the global economy is still faced with multiple uncertainties. The international situation is complex and it is changing constantly with the shift of the macro policy of major developed economies abroad, the relatively large pressure of pandemic prevention and control at home and abroad and the economic and financial situation being still complex and severe. China adheres to the two-pronged approach of both pandemic prevention and control and economic and social development, accelerates the construction of a new development pattern, comprehensively deepens reform and the policy of opening up, and insists on innovation-driven development. China's economic fundamentals will still witness a stable performance with improvement and long-term sustainability.

Opportunities and challenges coexist in China's banking industry. On the one hand, the frequent introduction of various regulatory policies has paved new ways and brought new opportunities for the banking industry. In 2022, economic policies will further strengthen focus on structural adjustment in a targeted and direct manner, providing favourable opportunities for commercial banks to adjust and optimise business structure and customer structure. Under the new development pattern of "dual circulation", expanding domestic demand becomes the strategic move and demands from livelihood consumption continue to unleash, which bring up opportunities for commercial banks to develop inclusive finance and consumer finance. The burgeoning digital economy has created a broad stage for financial innovation and development, and the rapid evolution of digital technology has energised the digital transformation of banks. On the other hand, the external environment is characterised by instability, uncertainty and imbalance, which brings challenges to the development of the banking industry. Some developed countries' withdrawal from ultra-easy policies will cause a strong adverse spillover effect, under which the global financial market may experience more fluctuations. The fact that market risk, liquidity risk and credit risk are intertwined puts forward higher requirements of the comprehensive risk management capabilities and resilience of commercial banks.

In 2022, the Group will continue to adhere to the general work keynote of making progress while remaining stability, fully and faithfully implement the new development philosophy, serve the construction of new development pattern, and deeply promote the strategy of the Group's "14th Five-Year Plan". The Group will also leverage the advantage of being based in the Yangtze River Delta and its exemplary role, accelerate the digital transformation, coordinated development with security and achieve high quality development. The Group will emphasise the following areas:

Make more targeted efforts in serving the real economy. The Group shall resolutely implement the decisions and the deployment of the Party Central Committee, closely follow the policy orientation and continue to increase financial supply to key areas such as inclusive small and micro enterprises, green development and strategic emerging industries while providing reinforced support for the real economy. The Group shall also strengthen product design capabilities in complex financial products and to develop business characteristics and comparative advantages in these segments to further promote value enhancement. The Group shall make efforts to promote common prosperity with its advantage in integrated operations, providing diversified financial services for people's livelihood, clothing, shelter and transportation, as well as education, medical care and elderly care, to contribute to rural revitalisation, improvement in people's livelihood and consumption upgrading.

Promote the integrated development of Yangtze River Delta with full strength. The Group shall strengthen the ability of serving the regional development strategy of the country, provide in-depth services for the enablement of "Three New Major Tasks", "Four Functions" and "Five Centres" in Shanghai and, by taking the lead in institutional innovation and demonstration, make the city the "origin of innovation" and the "test field of reform" for strategy implementation. By making full use of the "one thing" mechanism, the Group shall achieve rapid breakthroughs in great medical and health ecology, sci-tech finance, cross-border finance and other areas, and accelerate the replication and promotion of innovation experience to more sectors and branches on the premise that all risks are under control.

Accelerate the Group's digital transformation. The Group shall be centred around customer demands and accelerate whole process digitalisation to promote a thorough reconstruction of all the tiers and links of the Bank, including value system, operation and management, business flows, and customer service with digital technology. The Group shall promote the construction of a New Digital BoCom by holistic transformation, revolutionary remodeling and all-round empowerment. The Group will further consolidate the construction of network security, improve information security management mechanism so as to ensure the smooth development of information systems and the stability and safety of financial services.

Win the battle for asset quality. The Group shall further the reform of risk credit and anti-money laundering, improve mechanism of risk monitoring, early warning and response, and implement a normalised and institutionalised comprehensive risk detection mechanism to ensure the responsibility for risk management and control. In addition, the Group shall focus on major risky areas and improve the ability of risk mitigation and resolution to identify cross risks and comprehensive management capabilities. Additional efforts shall also be made to strengthen the integration of internal control and crime prevention, coordinate crime prevention and control with risk management, and keep the bottom line for prevention and control of financial risks.

V. OTHER INFORMATION

(I) Human Resource

1. Basic information of Employees and Organisation

As at the end of the Reporting Period, the Group had a total of 90,238 employees, of whom 84,113 employees were based in domestic banking institutions and 2,577 were local employees in overseas branches (sub-branches). The number of employees of the Bank's subsidiaries was 3,548, excluding staff dispatched from the Head Office and branches. The number of retired employees that the Bank had obligation to bear the cost to was 2,466. Among the employees of the Group, 45.28% were male and 54.72% were female.

For employees in domestic banking institutions, 28,902 employees held professional and technical qualifications, of which 579 employees held senior professional and technical qualifications, accounting for 0.69%. 15,490 employees held intermediate professional and technical qualifications, accounting for 18.42%. 12,833 employees held junior professional and technical qualifications, accounting for 15.26%. The number of employees with master's degree and above was 12,303, accounting for 14.63%. The number of employees with bachelor's degree was 59,324, accounting for 70.53%. The number of employees with associate's degree and below was 12,486, which accounted for 14.84%.

Structure of position categories of domestic employees

Category of position	**Number of employees**	**Proportion (%)**
Sales Development	29,362	34.91
Financial Operation	23,979	28.51
Operating and Management	7,694	9.15
Service Assurance	6,258	7.44
Risk Compliance	5,504	6.54
FinTech	4,074	4.84
Audit and Supervision	1,387	1.65
Others	5,855	6.96
Total	**84,113**	**100.00**

Note: FinTech headcount includes the personnel of FinTech Department and various personnel from different business departments empowering the bussiness with science and technology.

As at the end of the Reporting Period, the Bank's assets, entities and employees were presented by regions as follows:

	Assets		Entities		Employees	
	Amount (in millions of RMB)	Proportion (%)	Number of entities	Proportion (%)	Number of employees	Proportion (%)
Yangtze River Delta	2,881,066	24.70	711	24.04	25,307	29.19
Pearl River Delta	1,059,386	9.08	320	10.82	9,138	10.54
Bohai Rim Economic Zone	1,711,386	14.67	485	16.40	13,330	15.38
Central China	1,277,003	10.95	545	18.42	13,620	15.71
Western China	881,918	7.56	479	16.19	10,776	12.43
North Eastern China	409,288	3.51	348	11.77	8,534	9.85
Overseas	1,095,657	9.39	69	2.33	2,577	2.97
Head Office	4,459,033	38.22	1	0.03	3,408	3.93
Eliminated and unallocated assets	(2,108,980)	(18.08)	–	–	-	-
Total	**11,665,757**	**100.00**	**2,958**	**100.00**	**86,690**	**100.00**

Note: The number of employees in the Head Office excluded the employees in the Pacific Credit Card Centre, the financial service centres/business department and the staff dispatched from the Head Office.

2. *Employees' Remuneration Policy*

In response to the reform and development requirements, the Bank improved the performance appraisal and remuneration system whereby "salary is determined by post and bonus granted upon performance". The Bank adhered to consistency of value creation with fairness, optimised the allocation of remuneration resources, guided and maximised value creation of operating units, and improved capabilities of pursuing high-quality development. Besides, the Bank insisted on responsibility orientation, grass-root orientation and performance orientation, and focused on positive incentives. The Bank implemented the requirements of risk management and control, and continued to improve the deferred payment system for the performance based incentives of the employees in key positions for the purpose of stable operation and sustainable development. In addition to basic social pension and insurance, the Bank cared about the welfare of staff and implemented the supplementary benefits such as annuity.

3. Training Management

During the Reporting Period, the Bank continuously held various training classes for cadres and staff, including 1 special training session for leaders in charge of directly affiliated institutions, 1 training session for deputy management cadres of departments of the Head Office, 1 training session for young and middle-aged cadres,1 orientation training session for senior managers, and 4 centralised training sessions for FinTech management trainees, and carried out special trainings on digital transformation and digital leadership for management cadres at all levels. The Bank paid great attention to professional trainings and held various seminars on corporate businesses, FinTech businesses, international businesses, inclusive finance business, credit granting businesses and interbank businesses. In addition, the Bank conducted various trainings including enhancement trainings for account managers to improve their business operating abilities in corporate businesses, retail businesses, inclusive finance business and interbank businesses, risk compliance and anti-money laundering training, green finance training as well as rural revitalisation training, to strengthen the professional competence of employees.

The Bank paid great attention to professional ethics training and anti-corruption warning education for employees, and continuously strengthened the anti-corruption awareness of cadres and employees. During the Reporting Period, the Bank educated cadres and employees to take lessons from corruption, resist corruption and guard against degeneration by printing special case study materials, holding warning education conferences, and playing warning education films.

As for means of training, in view of the impact of COVID-19 pandemic, the Bank switched to online training via its own platform e-Campus, xuexi.cn APP, HUAWEI Video and Tencent Meeting. During the Reporting Period, the Bank organised training for nearly 1.08 million cadre and staff, including face-to-face training for over 0.15 million people and online training for over 0.92 million people.

4. Talent Training and Reserve

During the Reporting Period, the Bank strengthened the top-level design, coordination, overall promotion and implementation of the Bank's talent-related work and talent team construction, and strived to build a financial talent team with strong political awareness, good working styles, proficiency in businesses and reasonable structure.

The Bank formulated the *Administrative Measures for Grading of Experts in Bank of Communications (2021)* to broaden the career development channels for employees, and invigorate talents to do businesses, resulting in the selection and employment of over 300 experts during the year. The Bank would introduce and make good use of FinTech talents in all aspects, implement the dual management model for FinTech talents, and promote the working mechanism of dispatching FinTech talents such as business analysts and data analysts to business departments, boosting exchanges and cooperation, as well as integration between businesses and technology. The Bank actively kept aligned with national and local talent programmes, creating a favourable atmosphere of respecting knowledge and talents. During the year, 59 talents were recommended and submitted to the management talent pool of China banking industry, 1 talent was listed as overseas financial talents of Shanghai, 1 talent was listed as leading financial talents of Shanghai, and 5 talents were listed as young financial talents of Shanghai.

(II) Compliance with *Corporate Governance Code* under the Hong Kong Listing Rules

Sound corporate governance is the basis for the stable development of commercial banks, and plays a significant role in effectively serving the real economy, preventing and mitigating financial risks, and protecting the legitimate rights and interests of financial consumers. With the vision of "building the bank with the best corporate governance", the Bank aspired to the best practices in corporate governance, continuously promoted the organic integration of the Party's leadership with corporate governance and improved the the structure and system of corporate governance. While accelerating the construction of a governance mechanism for modern financial enterprises that operates and balances coordinately with statutorily defined transparent authorties and responsibilities, the Bank ensured that the operating system generally led by the Party Committees, strategically decided by the Board of Directors, legally supervised by the Board of Supervisors and authorised by senior management runs effectively and hence consistently improved the scientificity, robustness and effectiveness of corporate governance.

The Board of Directors of the Bank confirmed that, during the Reporting Period ended 31 December 2021, the Bank had complied with the principles and code provisions contained in the *Corporate Governance Code* of Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**") all the time, and complied with the majority of the recommended best practices.

(III) Compliance with *Model Code for Securities Transactions by Directors of Listed Issuers*

The Bank required that the directors, supervisors and senior management of the Bank should strictly adhere to the *Model Code for Securities Transactions by Directors of Listed Issuers* contained in Appendix X of the Hong Kong Listing Rules. Also, the Bank adopted a set of standards not less strict than those mentioned above for the securities transactions of the directors, supervisors and senior management. According to the checking results, all the directors, supervisors and senior management of the Bank confirmed that the securities transactions conducted by them were in compliance with the above rules during the Reporting Period.

(IV) Changes in the Bank's Shareholdings of Directors, Supervisors and Senior Management

Name	Position	Class of shares	Number of shares held at the beginning of the Reporting Period (share)	Increase (or decrease) in shareholdings during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)
Ren Deqi	Chairman of the Board of Directors and Executive Director	A share	0	0	0
		H share	200,000	100,000	300,000
Chan Siu Chung	Non-executive Director	A share	0	0	0
		H share	49,357	0	49,357
Guan Xingshe	Employee Supervisor	A share	0	40,000	40,000
		H share	0	0	0
Lin Zhihong	Employee Supervisor	A share	30,000	0	30,000
		H share	0	0	0
Po Ying	Employee Supervisor	A share	65,000	0	65,000
		H share	0	0	0
Guo Mang	Executive Vice President	A share	50,000	0	50,000
		H share	0	0	0
Gu Sheng	Secretary of the Board of Directors	A share	66,100	0	66,100
		H share	21,000	0	21,000
Tu Hong	Chief Business Officer (Interbank and Market Business)	A share	0	0	0
		H share	50,000	0	50,000

Name	Position	Class of shares	Number of shares held at the beginning of the Reporting Period (share)	Increase (or decrease) in shareholdings during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)
Lin Hua	Chief Risk Officer	A share	107,100	25,000	132,100
		H share	0	0	0
Ng Siu On	BoCom-HSBC Strategic Cooperation Consultant	A share	0	0	0
		H share	30,000	0	30,000
Resigned/Retired Directors, Supervisors and Senior Management					
He Zhaobin	Ex-Non-executive Director	A share	20,000	0	20,000
		H share	0	0	0
Du Yarong	Ex-Employee Supervisor	A share	90,000	10,000	100,000
		H share	20,000	0	20,000
Wang Feng	Ex-Chief Business Officer (Retail and Private Business)	A share	189,335	50,000	239,335
		H share	140,000	0	140,000

Ms. Lin Zhihong and Ms. Po Ying purchased 10,000 A shares of the Bank respectively in January 2022.

Additionally, Mr. Chan Siu Chung, Director of the Bank, held 98 H shares of BOCOM International Holdings Company Limited. Save as disclosed above, as at the end of the Reporting Period, none of the Bank's directors, supervisors or chief executives had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the *SFO*) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the *SFO*, or which were required to be recorded in the register as kept pursuant to Section 352 of the *SFO*, or which were required, pursuant to the *Model Code,* to be notified to the Bank and the Hong Kong Stock Exchange.

(V). Annual Profit Distribution

The Board of Directors proposed that based on the total issued ordinary shares of 74,262,726,645 shares of the Bank as at the end of the Reporting Period, a cash dividend of RMB0.355 per share (inclusive of tax) (the "**Final Dividend**") will be distributed to the registered shareholders of A share and H share of the Bank, totalling RMB26.363 billion. The proposal of the profit distribution plan is subject to the approval of the 2021 annual general meeting (the "**2021 AGM**") to be held on Tuesday, 28 June 2022.

The register of members for H shares of the Bank will be closed from Saturday, 28 May 2022 to Tuseday, 28 June 2022 (both days inclusive), during which period no transfer of the H shares will be registered. Holders of the H shares intending to attend the 2021 AGM shall lodge all the transfer documents for H shares together with the relevant share certificates with Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Bank in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Friday, 27 May 2022.

If the resolution regarding the payment of the Final Dividend is approved by the shareholders of the Bank at the 2021 AGM, the Final Dividend is expected to be distributed on Tuesday, 12 July 2022 to the shareholders whose names appear on the register of members of A shares of the Bank at the close of business on Monday, 11 July 2022, and on Tuesday, 2 August 2022 to the shareholders whose names appear on the register of members of H shares of the Bank at the close of business on Monday, 11 July 2022.

The register of members for H shares of the Bank will be closed from Wednesday, 6 July 2022 to Monday, 11 July 2022 (both days inclusive) during which period no transfer of H shares will be registered. In order to be qualified to receive the Final Dividend, for holders of H shares, all transfer documents together with the relevant share certificates must be lodged with the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 5 July 2022.

(VI) Subsequent Events

Please refer to Note 13. Non-adjusting Events after Reporting Period to the sixth section Financial Report of this Announcement for details about the subsequent events.

VI. FINANCIAL REPORT

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

	Year ended 31 December	
	2021	2020
Interest income	**377,646**	369,101
Interest expense	**(215,953)**	(215,765)
Net interest income	**161,693**	153,336
Fee and commission income	**52,285**	49,298
Fee and commission expense	**(4,712)**	(4,212)
Net fee and commission income	**47,573**	45,086
Net gains arising from trading activities	**23,344**	13,844
Net gains arising from financial investments	**1,311**	1,177
Including: Net gains on derecognition of financial assets measured at amortised cost	*46*	*27*
Share of profits of associates and joint ventures	**277**	222
Insurance business income	**16,515**	15,170
Other operating income	**19,035**	17,889
Net operating income	**269,748**	246,724
Credit impairment losses	**(66,371)**	(62,059)
Other assets impairment losses	**(2,320)**	(484)
Insurance business expense	**(17,054)**	(15,729)
Other operating expenses	**(90,044)**	(82,027)
Profit before tax	**93,959**	86,425
Income tax	**(5,020)**	(6,855)
Net profit for the year	**88,939**	79,570

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

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

	Year ended 31 December	
	2021	2020
Other comprehensive income, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Loans and advances to customers at fair value through other comprehensive income		
Amount recognised in equity	*459*	*19*
Amount reclassified to profit or loss	*(428)*	*(183)*
Debt investments at fair value through other comprehensive income		
Amount recognised in equity	*2,796*	*(920)*
Amount reclassified to profit or loss	*(442)*	*(825)*
Effective portion of gains or losses on hedging instruments in cash flow hedges		
Amount recognised in equity	*891*	*(1,362)*
Amount reclassified to profit or loss	*(463)*	*815*
Translation difference on foreign operations	**(3,450)**	(4,776)
Others	**14**	(8)
Subtotal	**(623)**	(7,240)
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of equity investments designated at fair value through other comprehensive income	**(1,555)**	(1,204)
Actuarial losses on pension benefits	**55**	(132)
Changes in fair value attributable to changes in the credit risk of financial liability designated at fair value through profit or loss	**(36)**	7
Others	**2**	20
Subtotal	**(1,534)**	(1,309)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

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

	Year ended 31 December	
	2021	2020
Other comprehensive income, net of tax	**(2,157)**	(8,549)
Total comprehensive income for the year	**86,782**	71,021
Net profit attributable to:		
Shareholders of the Bank	**87,581**	78,274
Non-controlling interests	**1,358**	1,296
	88,939	79,570
Total comprehensive income attributable to:		
Shareholders of the Bank	**85,696**	69,960
Non-controlling interests	**1,086**	1,061
	86,782	71,021
Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (in RMB yuan)	**1.10**	0.99

Consolidated Statement of Financial Position

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

	As at 31 December 2021	As at 31 December 2020
ASSETS		
Cash and balances with central banks	**734,728**	817,561
Due from and placements with banks and other financial institutions	**632,708**	571,130
Derivative financial assets	**39,220**	54,212
Loans and advances to customers	**6,412,201**	5,720,568
Financial investments at fair value through profit or loss	**638,483**	482,588
Financial investments at amortised cost	**2,203,037**	2,019,529
Financial investments at fair value through other comprehensive income	**681,729**	735,220
Investments in associates and joint ventures	**5,779**	4,681
Property and equipment	**171,194**	169,471
Deferred income tax assets	**32,061**	27,991
Other assets	**114,617**	94,665
Total assets	**11,665,757**	10,697,616
LIABILITIES		
Due to and placements from banks and other financial institutions	**1,947,768**	1,787,491
Financial liabilities at fair value through profit or loss	**50,048**	29,279
Derivative financial liabilities	**36,074**	55,942
Due to customers	**7,039,777**	6,607,330
Certificates of deposits issued	**892,020**	634,297
Current income tax liabilities	**4,725**	3,786
Deferred income tax liabilities	**1,889**	1,286
Debt securities issued	**503,525**	497,755
Other liabilities	**212,695**	201,822
Total liabilities	**10,688,521**	9,818,988

Consolidated Statement of Financial Position (Continued)

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

	As at 31 December 2021	As at 31 December 2020
EQUITY		
Share capital	**74,263**	74,263
Other equity instruments	**174,790**	133,292
Including: Preference shares	*44,952*	*44,952*
Perpetual bonds	*129,838*	*88,340*
Capital surplus	**111,428**	111,428
Other reserves	**346,092**	333,176
Retained earnings	**258,074**	214,448
Equity attributable to shareholders of the Bank	**964,647**	866,607
Equity attributable to non-controlling interests of ordinary shares	**9,424**	8,763
Equity attributable to non-controlling interests of other equity instruments	**3,165**	3,258
Non-controlling interests	**12,589**	12,021
Total equity	**977,236**	878,628
Total equity and liabilities	**11,665,757**	10,697,616

Consolidated Statement of Changes in Equity

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

		Other equity instruments			Other reserves											Non-controlling interests		
	Share capital	Preference Shares	Perpetual bonds	Capital surplus	Statutory reserve	Discretionary reserve	Statutory general reserve	Revaluation reserve for financial assets at fair value through other comprehensive income	Revaluation reserve for the changes in credit risk of the financial liabilities designated at fair value through profit or loss	Effective portion of gains or losses on hedging instruments in cash flow hedges	Translation reserve on foreign operations	Actuarial changes reserve	Others	Retained earnings	Attributable to the shareholders of the Bank	Attributable to non-controlling interests of ordinary shares	Attributable to non-controlling interests of other equity instruments	Total
As at 1 January 2021	74,263	44,952	88,340	111,428	72,431	139,930	123,163	456	12	(532)	(3,517)	(142)	1,375	214,448	866,607	8,763	3,258	878,628
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	87,581	87,581	1,236	122	88,939
Other comprehensive income	-	-	-	-	-	-	-	1,019	(36)	428	(3,367)	55	16	-	(1,885)	(179)	(93)	(2,157)
Total comprehensive income	-	-	-	-	-	-	-	1,019	(36)	428	(3,367)	55	16	87,581	85,696	1,057	29	86,782
Capital contribution by other equity instruments holders	-	-	41,498	-	-	-	-	-	-	-	-	-	-	-	41,498	-	-	41,498
Dividends paid to ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(23,541)	(23,541)	(396)	-	(23,937)
Dividends paid to preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,755)	(1,755)	-	-	(1,755)
Interest paid to perpetual bond holders	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,858)	(3,858)	-	-	(3,858)
Interest paid to non-cumulative subordinated additional tier-1 capital securities holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(122)	(122)
Transfer to reserves	-	-	-	-	7,536	92	7,117	-	-	-	-	-	-	(14,745)	-	-	-	-
Transferred from other comprehensive income	-	-	-	-	-	-	-	56	-	-	-	-	-	(56)	-	-	-	-
As at 31 December 2021	74,263	44,952	129,838	111,428	79,967	140,022	130,280	1,531	(24)	(104)	(6,884)	(87)	1,391	258,074	964,647	9,424	3,165	977,236
As at 1 January 2020	74,263	59,876	39,994	113,663	64,897	139,853	117,567	3,421	5	15	1,199	(10)	1,363	177,141	793,247	7,665	-	800,912
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	78,274	78,274	1,231	65	79,570
Other comprehensive income	-	-	-	-	-	-	-	(2,938)	7	(547)	(4,716)	(132)	12	-	(8,314)	(35)	(200)	(8,549)
Total comprehensive income	-	-	-	-	-	-	-	(2,938)	7	(547)	(4,716)	(132)	12	78,274	69,960	1,196	(135)	71,021
Capital contribution by other equity instruments holders	-	(14,924)	48,346	(2,201)	-	-	-	-	-	-	-	-	-	-	31,221	-	3,458	34,679
Dividends paid to ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(23,393)	(23,393)	(132)	-	(23,525)
Dividends paid to preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,714)	(2,714)	-	-	(2,714)
Interest paid to perpetual bond holders	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,680)	(1,680)	-	-	(1,680)
Interest paid to non-cumulative subordinated additional tier-1 capital securities holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(65)	(65)
Transfer to reserves	-	-	-	-	7,534	77	5,596	-	-	-	-	-	-	(13,207)	-	-	-	-
Transferred from other comprehensive income	-	-	-	-	-	-	-	(27)	-	-	-	-	-	27	-	-	-	-
Others	-	-	-	(34)	-	-	-	-	-	-	-	-	-	-	(34)	34	-	-
As at 31 December 2020	74,263	44,952	88,340	111,428	72,431	139,930	123,163	456	12	(532)	(3,517)	(142)	1,375	214,448	866,607	8,763	3,258	878,628

Consolidated Statement of Cash Flows

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

	Year ended 31 December	
	2021	2020
Cash flows from operating activities:		
Profit before tax:	**93,959**	86,425
Adjustments for:		
Provision for impairment losses	**66,371**	62,059
Provision for other assets impairment losses	**2,320**	484
Provision for insurance contracts reserve	**15,518**	15,495
Depreciation and amortisation	**14,839**	14,776
(Reversal)/provision for outstanding litigation and unsettled obligation	**(199)**	32
Net gains on the disposal of property, equipment and other assets	**(454)**	(166)
Interest income from financial investments	**(88,262)**	(90,683)
Accreted interests on impaired financial assets	**(1,251)**	(1,369)
Fair value gains	**(1,474)**	(5,951)
Share of profit of associates and joint ventures	**(277)**	(222)
Net gains arising from financial investments	**(1,311)**	(1,177)
Interest expense on debt securities issued	**16,341**	14,566
Operating cash flows before movements in operating assets and liabilities	**116,120**	94,269
Net decrease in balances with central banks	**14,515**	29,357
Net (increase)/decrease in due from and placements with banks and other financial institutions	**(106,359)**	127,404
Net increase in financial assets at fair value through profit or loss	**(128,020)**	(83,695)
Net increase in loans and advances to customers	**(776,234)**	(597,926)
Net (increase)/decrease in other assets	**(22,218)**	7,907
Net increase/(decrease) in due to and placements from banks and other financial institutions	**161,477**	(113,503)
Net increase in financial liabilities at fair value through profit or loss	**2,317**	8,899
Net increase in due to customers and certificates of deposits issued	**674,635**	669,890
Net increase in other liabilities	**26,622**	19,878
Net increase/(decrease) in value-added tax and surcharge payable	**1,431**	(328)
Income tax paid	**939**	(12,754)
Net cash flows (used in)/generated from operating activities	**(34,775)**	149,398

Consolidated Statement of Cash Flows (Continued)

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

	Year ended 31 December	
	2021	2020
Cash flows from investing activities:		
Cash payments for financial investments	**(896,387)**	(838,096)
Cash received on disposal or redemption of financial investments	**750,323**	671,877
Dividends received	**2,936**	1,562
Interest received from financial investments	**86,558**	89,464
Cash payments for acquisition of intangible assets and other assets	**(2,467)**	(2,735)
Cash received on disposal of intangible assets and other assets	**507**	372
Cash payments for purchase and construction of property and equipment	**(20,480)**	(21,414)
Cash received on disposal of property and equipment	**3,462**	4,379
Net cash flows used in investing activities	**(75,548)**	(94,591)
Cash flows from financing activities:		
Cash received from issuing other equity instruments	**41,498**	51,804
Cash received on debt securities issued	**96,121**	177,486
Repayment of principals and interests of lease liabilities	**(2,413)**	(2,415)
Cash payments for distribution of dividends	**(88,834)**	(27,785)
Repayment of principals of debt securities issued	**(15,350)**	(80,476)
Cash payments for interest on debt securities	**–**	(13,050)
Cash payments for redemption of other equity instruments	**(29,152)**	(17,125)
Dividends and others paid to non-controlling interests	**(564)**	(162)
Net cash flows generated from financing activities	**1,306**	88,277
Effect of exchange rate changes on cash and cash equivalents	**(3,795)**	(3,699)
Net (decrease)/increase in cash and cash equivalents	**(112,812)**	139,385
Cash and cash equivalents at the beginning of the year	**307,120**	167,735
Cash and cash equivalents at the end of the year	**194,308**	307,120
Net cash flows from operating activities include:		
Interest received	**291,450**	285,937
Interest paid	**(185,593)**	(205,169)

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all the applicable International Financial Reporting Standards ("**IFRSs**") and disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance (Cap.622). The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment property which are measured at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

1.1 New and amended standards adopted by the Group

The Group has adopted the following new and amendments to the International Financial Reporting Standards ("**IFRSs**"):

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

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

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

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

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

Amendments to IFRS 16

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

- permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021);

- require a lessee applying the amendment to do so for annual reporting periods beginning on or after 1 April 2021;

- require a lessee applying the amendment to do so retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and

- specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8.

The adoption of these standards and amendments does not have a material effect on the Group's consolidated financial information.

1.2 Standards and amendments issued but not yet effective

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

Amendments to IFRS 10 and IAS 28

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

Amendments to IAS 16

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

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

Amendments to IFRS 3

The amendments to IFRS 3, 'Business combinations', referred to the 2018 Conceptual Framework for Financial Reporting, are in order to determine what constitutes an asset or a liability in a business combination. In addition, the amendments add a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The amendments also clarify that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

Amendments to IAS 37

The amendment clarifies the meaning of 'costs to fulfil a contract' and explains that the direct cost of fulfilling a contract comprises:

- The incremental costs of fulfilling that contract (for example, direct labour and materials); and

- An allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of PP&E used to fulfil the contract).

The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

Annual Improvements to IFRS Standards 2018 – 2020 Cycle

The Annual Improvements to IFRSs 2018 – 2020 Cycle include a number of amendments to various IFRSs:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

- IFRS 16 Leases – amendment of its illustrative example to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

- IFRS 1 First – time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

IFRS 17 and its amendments

IFRS 17 Insurance Contracts was issued in May 2017 as replacement for IFRS 4. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of discounted probability weighted cash flows, an explicit risk adjustment, and a contractual service margin ("**CSM**") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

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

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

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

The IASB issued the amendments to IFRS 17 Insurance contracts, on 25 June 2020, together with an amendment to IFRS 4, so that eligible insurers can still apply IFRS 9 alongside IFRS 17. This concluded the IASB's targeted amendments to IFRS 17 which aimed to ease implementation of the standard by reducing implementation costs and making it easier for entities to explain, to investors and others, the results from applying IFRS 17. The amendments to IFRS 17 include:

- Effective date

  The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.

- Expected recovery of insurance acquisition cash flows

  An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.

- Contractual service margin attributable to investment services

  Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.

- Reinsurance contracts held – recovery of losses

  When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.

- Other amendments to IFRS 17 include:

  – Scope exclusions for some credit card (or similar) contracts, and some loan contracts;

  – Presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups;

  – Applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss;

  – An accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17;

  – Inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows;

  – Selected transition reliefs and other minor amendments.

  The Group is assessing the impact on the Group's operating results and financial position of adopting IFRS 17.

Amendments to IAS 8

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

- The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

Amendments to IAS 1 and IFRS Practice Statement 2

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) amends IAS 1 in the following ways:

- An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;

- Several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;

- The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;

- The amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and

- The amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

Amendments to IAS 12

The main change in Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This is also explained in the newly inserted paragraph IAS 12.22A.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognises deferred tax for all temporary differences related to leases and decommissioning obligations and recognises the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Except for the above-mentioned impact of IFRS 17 and its amendments, the adoption of the above new standards and amendments issued but not yet effective is not expected to have a material effect on the Group's consolidated financial information.

2 NET INTEREST INCOME

	(In millions of RMB)	
	Year ended 31 December	
	2021	2020
Interest income		
Loans and advances to customers	**266,419**	251,468
Financial investments	**88,262**	90,683
Due from and placements with banks and other financial institutions	**12,266**	16,180
Balances with central banks	**10,699**	10,770
	377,646	369,101
Interest expense		
Due to customers	**(140,982)**	(139,142)
Due to and placements from banks and other financial institutions	**(38,581)**	(46,653)
Certificates of deposit issued	**(20,049)**	(15,404)
Debt securities issued	**(16,341)**	(14,566)
	(215,953)	(215,765)
Net interest income	**161,693**	153,336
Including:		
Interest income on impaired financial assets	**1,251**	1,369

3 FEE AND COMMISSION INCOME

(In millions of RMB)

	Year ended 31 December	
	2021	2020
Bank cards	**20,136**	20,107
Wealth management business	**11,775**	9,856
Custody and other fiduciary business	**7,484**	7,033
Agency services	**5,664**	4,200
Investment banking	**3,120**	3,706
Guarantee and commitment	**2,527**	2,617
Settlement services	**1,296**	1,531
Others	**283**	248
	52,285	49,298

	Year ended 31 December	
	2021	2020
Fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading or designated at FVPL	**1,576**	1,342
Fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	**3,758**	3,458

4 CREDIT IMPAIRMENT LOSSES

	Year ended 31 December	
	2021	2020
Due from and placements with banks and other financial institutions	**1,085**	225
Loans and advances to customers at amortised cost	**63,339**	55,303
Loans and advances to customers at FVOCI	**158**	(12)
Credit related commitments and financial guarantees	**1,998**	4,874
Financial investments at amortised cost	**(124)**	(129)
Debt investments at FVOCI	**(87)**	316
Others	**2**	1,482
	66,371	62,059

5 OTHER ASSETS IMPAIRMENT LOSSES

	(In millions of RMB)	
	Year ended 31 December	
	2021	2020
Impairment losses on operating lease assets	**1,981**	485
Impairment losses on precious metal	**55**	–
Impairment losses on foreclosed assets	**284**	(1)
	2,320	484

6 INCOME TAX

	Year ended 31 December	
	2021	2020
Current income tax		
– Mainland China enterprise income tax	**7,522**	8,247
– Hong Kong profits tax	**608**	630
– Income tax arising in Macao, Taiwan and other countries or regions	**753**	577
Subtotal	**8,883**	9,454
Deferred income tax	**(3,863)**	(2,599)
Total	**5,020**	6,855

The provision for enterprise income tax in Mainland China is calculated based on the statutory rate of 25% (2020: 25%) of the assessable income of the Bank and each of the subsidiary established in Mainland China. Taxation arising in other jurisdictions (including Hong Kong) is calculated at the rates prevailing in the relevant jurisdictions, the shortfall arising from the difference between tax paid by overseas branches and the accrued tax under the regulation of Mainland China shall be compensated by the head office.

The actual taxation on the Group differs from the theoretical amount calculated using the Group's profit before tax at the tax rate of 25% (2020: 25%). The major reconciliation items are as follows:

	(In millions of RMB)	
	Year ended 31 December	
	2021	2020
Profit before tax	**93,959**	86,425
Tax calculated at statutory rate of 25%	**23,490**	21,606
Effects of different tax rates prevailing in Hong Kong, Macao, Taiwan and other countries or regions	**(207)**	(152)
Effects of non-deductible expenses (1)	**2,445**	3,644
Effects of non-taxable income (2)	**(19,663)**	(17,393)
Others	**(934)**	(420)
Adjustments for income tax filing of prior years	**(111)**	(430)
Income tax	**5,020**	6,855

(1) Non-deductible expenses primarily represent non-deductible write-offs.

(2) Non-taxable income primarily represents interest income from PRC treasury bonds and municipal government bonds and fund investment income gained in Mainland China.

7 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the period.

		(In millions of RMB)
	Year ended 31 December	
	2021	2020
Net profit attributable to shareholders of the Bank	**87,581**	78,274
Less: Dividends paid to preference shareholders	**(1,755)**	(2,714)
Interest paid to perpetual bond holders	**(3,858)**	(1,680)
Net profit attributable to ordinary shareholders of the Bank	**81,968**	73,880
Weighted average number of ordinary shares in issue (expressed in millions) at the end of the year	**74,263**	74,263
Basic and diluted earnings per share (expressed in RMB per share)	**1.10**	0.99

For the purpose of calculating basic earnings per share, a cash dividend of RMB1,755 million on non-cumulative preference shares declared for the period was deducted from the amounts attributable to shareholders of the Bank. The conversion feature of preference shares may lead to the possible existence of contingently issuable ordinary shares. The triggering events of conversion did not occur for the year ended 31 December 2021, and therefore the conversion feature of preference shares has no effect on the calculation of the basic and diluted earnings per share.

For the calculation of basic earnings per share, distributions on non-cumulative perpetual bonds declared for the period was deducted from the amounts attributable to shareholders of the Bank. The Bank has declared an interest of RMB3,858 million on perpetual bonds during the year ended 31 December 2021.

8 DERIVATIVE FINANCIAL INSTRUMENTS

The following derivative financial instruments are utilised by the Group for trading or hedging purposes:

Currency and commodity forwards are contracts between two parties to buy or sell certain currencies or commodities at a specified future date at a predetermined price. The party agreeing to buy the underlying currency or commodities in the future assumes a long position, and the party agreeing to sell the currency or commodities in the future assumes a short position. The price agreed upon is called the delivery price, which is equal to the forward price at the time the contract is entered into.

Currency, commodity and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies, commodities or interest rates (i.e. fixed-for-floating swaps) or a combination of these (i.e. cross-currency interest rate swaps). The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Currency, commodity and interest rate options are contractual agreements under which the seller (writer) grants the buyer (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) on or before a set date or during a set period, a specific amount of a currency or commodity at a predetermined price or to receive an interest payment based on a variable interest rate and pay at a fixed interest rate or vice versa. The seller receives a premium from the buyer in consideration for assuming foreign exchange, interest rate risk or commodity price fluctuations. Options may be either exchange-traded or negotiated between the Group and a customer (over the counter market).

The notional amounts of certain types of financial instruments provide a reference of the amounts recognised in the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative financial instruments may become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or commodity price relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative financial instruments held are set out in the following tables.

(In millions of RMB)

	Contractual/ Notional Amount	Fair values Assets	Fair values Liabilities
As at 31 December 2021			
Foreign exchange and commodity contracts	**3,501,041**	**27,195**	**(24,899)**
Interest rate contracts and others	**3,626,588**	**12,025**	**(11,175)**
Total amount of derivative financial instruments recognised	**7,127,629**	**39,220**	**(36,074)**

	Contractual/ Notional Amount	Fair values Assets	Fair values Liabilities
As at 31 December 2020			
Foreign exchange and commodity contracts	2,435,423	44,435	(40,914)
Interest rate contracts and others	3,101,818	9,777	(15,028)
Total amount of derivative financial instruments recognised	5,537,241	54,212	(55,942)

The tables above provide a breakdown of the contractual or notional amounts and the fair values of the Group's derivative financial instruments outstanding at year end. These instruments, comprising foreign exchange, interest rate and commodity derivatives allow the Group and its customers to transfer, mitigate or reduce their foreign exchange, interest rate and commodity price fluctuation risks.

The Group undertakes its transactions in foreign exchange, interest rates and commodity contracts with other financial institutions and customers. Management has established limits for these contracts based on counterpart types, industry sectors and countries. Related risks are regularly monitored and controlled by management.

Notional amounts of derivative financial instruments by original currency:

	As at 31 December 2021	As at 31 December 2020
	(In millions of RMB)	
RMB	**4,686,806**	3,772,066
USD	**1,981,299**	1,387,805
HKD	**231,035**	247,659
Others	**228,489**	129,711
Total	**7,127,629**	5,537,241

Hedge accounting

The above derivative financial instruments including those designated as hedging instruments by the Group are as follows:

	Contractual/ Notional Amount	Fair values	
		Assets	Liabilities
As at 31 December 2021			
Derivative financial instruments designated as hedging instruments in fair value hedges	**141,731**	**1,871**	**(1,274)**
Derivative financial instruments designated as hedging instruments in cash flow hedges	**71,805**	**519**	**(973)**
Total	**213,536**	**2,390**	**(2,247)**

	Contractual/ Notional Amount	Fair values	
		Assets	Liabilities
As at 31 December 2020			
Derivative financial instruments designated as hedging instruments in fair value hedges	139,555	184	(4,689)
Derivative financial instruments designated as hedging instruments in cash flow hedges	58,382	268	(1,901)
Total	197,937	452	(6,590)

(a) Fair value hedge

The Group uses interest rate swaps to hedge against changes in fair value arising from changes in interest rates. Some purchased interest rate swap contracts are designated as hedging instruments, whose terms are identical with those of the corresponding hedged items regarding interest rate, maturity and currency. The Group uses regression analysis to evaluate the effectiveness of hedging. With the support of testing results, the Group's management considers the hedging relationship to be highly effective. The hedged items include due from and placements with banks and other financial institutions, debt investments at FVOCI, due to and placements from banks and other financial institutions, loans and advances to customers and certificates of deposits issued.

The following table shows the profit or loss effects of the fair value hedges:

(In millions of RMB)

	Year ended 31 December	
	2021	2020
Net gains/(losses) from fair value hedges:		
Hedging instruments	**4,405**	(4,314)
Hedged items attributable to the hedged risk	**(4,386)**	4,462
Total	**19**	148

(b) Cash flow hedge

The Group uses foreign exchange contracts to hedge against exposures to cash flow variability primarily resulting from foreign exchange risks, and uses interest rate swaps to hedge against exposures to cash flow variability primarily resulting from interest rate risks. The hedged items include debt investments at FVOCI, due from and placements with banks and other financial institutions, debt securities issued, loans and advances to customers, due to and placements from banks and other financial institutions and certificates of deposits issued. The Group mainly uses regression analysis to evaluate the effectiveness of hedging. With the supporting of testing results, the Group's management considers the hedging relationship to be highly effective.

For the year ended 31 December 2021, the Group recognised a profit of RMB1,133 million (31 December 2020: a loss of RMB1,761 million) from effective portion of cash flow hedge in other comprehensive income. The Group reclassifies a loss of RMB617 million from other comprehensive income to profit or loss(31 December 2020: a profit of RMB1,085 million). Gains or losses arising from ineffective portion of cash flow hedge were immaterial. There were no transactions for which cash flow hedge accounting had to be ceased as a result of the highly probable cash flows no longer being expected to occur.

9 DIVIDENDS

(In millions of RMB)

	Year ended 31 December	
	2021	2020
Dividends to ordinary shareholders of the Bank	**23,541**	23,393
Dividends to preference shareholders of the Bank	**1,755**	2,714
Interest to perpetual bond holders of the Bank	**3,858**	1,680

Under PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

(1) Making up cumulative losses from prior years, if any;

(2) Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank as determined under the relevant PRC accounting standards;

(3) Allocations to statutory general reserve;

(4) Allocations to the discretionary reserve upon approval by the Annual General Meeting of Shareholders. These funds form part of the shareholders' equity.

The cash dividends are recognised in the consolidated statement of financial position upon approval by the shareholders at Annual General Meeting.

Pursuant to the approval by the Board meeting on 29 April 2021, the Bank will appropriate domestic preference dividends on 7 September 2021 with a dividend yield of 3.9% (the actual dividend yield obtained by the preference shareholders), with total amount of RMB1,755 million.

Pursuant to the approval by the Annual General Meeting of Shareholders on 29 June 2021, the Bank appropriated RMB6,432 million to the statutory general reserve. It was also resolved that a cash dividend of RMB0.317 (before tax) for each ordinary share, with total amount of RMB23,541 million, calculated based on 74,263 million shares outstanding (the par value per share is RMB1) as at 31 December 2020, will be distributed to ordinary shareholders.

The Bank distributed the interest on the 2020 undated capital bonds amounting to RMB801 million on 18 November 2021.

The Bank distributed the interest on the 2019 undated capital bonds amounting to RMB1,680 million on 20 September 2021.

The Bank distributed the interest on the 2020 undated capital bonds amounting to RMB1,377 million on 25 September 2021.

On 25 March 2022, the Board of Directors of the Bank proposed to appropriate RMB7,522 million to the statutory reserve and RMB11,422 million to the statutory general reserve. A cash dividend of RMB0.354 (before tax) for each share, totalling RMB26,289 million, calculated based on the total number of shares outstanding of 74,263 million shares (RMB1 per share) as at 31 December 2021 was also proposed. The proposal will be subject to the approval by the General Meeting of Shareholders.

10 CREDIT RELATED COMMITMENTS AND FINANCIAL GUARANTEES, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

Credit related commitments and financial guarantees

The following tables provide the contractual amounts of the Group's credit related commitments and financial guarantees which the Group has committed to its customers:

(In millions of RMB)

	As at 31 December 2021	As at 31 December 2020
Letters of guarantee	**373,630**	333,610
Letters of credit commitments	**194,724**	163,151
Acceptance bills	**368,120**	319,076
Credit card commitments	**908,358**	800,441
Loan commitments		
– Under 1 year	**3,936**	5,111
– 1 year and above	**57,657**	55,323
	1,906,425	1,676,712

Capital expenditure commitments

		(In millions of RMB)
	As at 31 December 2021	As at 31 December 2020
Contracted but not provided for	**71,053**	62,224

Operating lease commitments

The Group acts as lessor in operating leases principally through aircraft and vessels leasing undertaken by its subsidiaries. The future minimum lease receivables on certain aircraft and vessel under irrevocable operating leases are as follows:

	As at 31 December 2021	As at 31 December 2020
Within 1 year (inclusive)	**13,186**	13,074
Beyond 1 year but no more than 2 years (inclusive)	**12,864**	12,622
Beyond 2 years but no more than 3 years (inclusive)	**12,269**	12,220
Beyond 3 years but no more than 5 years (inclusive)	**21,388**	22,062
More than 5 years	**38,879**	36,562
	98,586	96,540

Commitments on security underwriting and bond acceptance

The Group is entrusted by the Ministry of Finance ('**MOF**') to underwrite certain Certificated Bonds and Savings Bonds. The investors of Certificated Bonds and Savings Bonds have early redemption right while the Group has the obligation to buy back those Certificated Bonds and Savings Bonds. The redemption price is the principal value of the Certificated Bonds or Savings Bonds plus unpaid interest till redemption date. As at 31 December 2021, the principal value of the certain Certificated Bonds and Savings Bonds that the Group had the obligation to buy back amounted to RMB78,594 million (31 December 2020: RMB81,548 million). The MOF will not provide funding for the early redemption of these Certificated Bonds and Savings Bonds on a back-to-back basis but will pay interest and principal at maturity. The Group expects the amount of redemption before the maturity dates of these bonds through the Group will not be material.

The original maturities of these bonds vary from 1 to 5 years.

As at 31 December 2021, the Group had no announced but unfulfilled irrevocable commitment on security underwriting (31 December 2020: Nil).

Legal proceedings

The Group has been involved as defendants in certain lawsuits arising from its normal business operations. Management of the Group believes, based on legal advice, the final result of these lawsuits will not have a material impact on the financial position or operations of the Group. The total outstanding claims against the Group (as defendant) by a number of third parties at the end of the year are summarised as follows:

(In millions of RMB)

	As at 31 December 2021	As at 31 December 2020
Outstanding litigations	**4,096**	3,876
Provision for outstanding litigation	**472**	1,032

11 SEGMENTAL ANALYSIS

The Group's Board of Directors and senior management reviews the Group's operation by the particular economic areas in which the Group's branches and subsidiaries provide products or services. The Group's geographical operating segments are decided based upon location of the assets, as the Group's branches and subsidiaries mainly serve local customers.

The reportable geographical operating segments derive their revenue primarily from commercial banking services and investing activities, including deposits, loans, bills, trade financing, money market placements and takings, and securities investments, etc.

The Group's geographical operating segments include provincial and directly managed branches and subsidiaries (if any) in relevant regions, as follows:

(1) Yangtze River Delta: including Shanghai (excluding Head Office), Jiangsu Province, Zhejiang Province, and Anhui Province;

(2) Pearl River Delta: including Fujian Province and Guangdong Province;

(3) Bohai Rim Economic Zone: including Beijing, Tianjin, Hebei Province, and Shandong Province;

(4) Central China: including Shanxi Province, Jiangxi Province, Henan Province, Hubei Province, Hunan Province, Hainan Province, and Guangxi Zhuang Autonomous Region;

(5) Western China: including Chongqing, Sichuan Province, Guizhou Province, Yunnan Province, Shanxi Province, Gansu Province, Qinghai Province, Inner Mongolia Autonomous Region, Ningxia Autonomous Region, and Xinjiang Uyghur Autonomous Region;

(6) Northeastern China: including Liaoning Province, Jilin Province and Heilongjiang Province;

(7) Overseas: including Hong Kong, New York, Tokyo, Singapore, Seoul, Frankfurt, Macau, Ho Chi Minh City, San Francisco, Sydney, Taipei, London, Luxembourg, Brisbane, Paris, Rome, Brazil, Melbourne, Toronto, Prague, Johannesburg;

(8) Head Office, including the Pacific Credit Card Centre.

The revenue from external parties is reported to the Board of Directors and the senior management in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

As the Group's major revenue is derived from interest, and the Board of Directors and the senior management relies primarily on net interest income to assess the performance of segments, the interest income and expenses for all reportable segments are presented on a net basis.

The Group's Board of Directors and senior management reviews the segment performance on the basis of profit before tax. Funds are ordinarily allocated between segments. Costs of these funds are charged at the Group's cost of capital and disclosed in inter-segment net interest income. There are no other material items of income or expenses between the segments.

Geographical operating segment information

(In millions of RMB)

	Year ended 31 December 2021								
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Total
External interest income	74,720	34,117	36,732	47,925	32,359	10,039	18,082	123,672	377,646
External interest expense	(48,442)	(21,514)	(37,735)	(25,027)	(15,472)	(9,411)	(7,584)	(50,768)	(215,953)
Inter-segment net interest income/ (expense)	21,275	6,424	24,200	7,087	1,800	5,192	18	(65,996)	-
Net interest income	47,553	19,027	23,197	29,985	18,687	5,820	10,516	6,908	161,693
Fee and commission income	14,540	3,652	5,739	5,803	3,064	1,238	2,488	15,761	52,285
Fee and commission expense	(2,941)	(39)	(77)	(101)	(26)	(18)	(233)	(1,277)	(4,712)
Net fee and commission income	11,599	3,613	5,662	5,702	3,038	1,220	2,255	14,484	47,573
Net gains arising from trading activities	7,031	376	380	659	1,824	12	(784)	13,846	23,344
Net gains arising from financial investments	849	-	27	-	-	18	589	(172)	1,311
Insurance business income	16,459	-	-	-	-	-	56	-	16,515
Share of profits of associates and joint ventures	-	-	-	-	-	-	47	230	277
Other operating income	15,316	416	954	734	551	203	456	405	19,035
Total operating income -net	98,807	23,432	30,220	37,080	24,100	7,273	13,135	35,701	269,748
Credit impairment losses	(7,451)	(4,828)	(8,046)	(9,019)	(10,600)	(9,582)	(977)	(15,868)	(66,371)
Other assets impairment losses	(2,020)	(6)	(8)	(14)	(58)	(212)	-	(2)	(2,320)
Insurance business expense	(17,037)	-	-	-	-	-	(17)	-	(17,054)
Other operating expense	(26,518)	(6,571)	(8,854)	(9,125)	(5,922)	(3,378)	(4,372)	(25,304)	(90,044)
Profit before tax	45,781	12,027	13,312	18,922	7,520	(5,899)	7,769	(5,473)	93,959
Income tax									(5,020)
Net profit for the year									88,939
Depreciation and amortisation	(1,814)	(909)	(1,133)	(1,116)	(954)	(498)	(469)	(1,206)	(8,099)
Capital expenditure	(17,500)	(660)	(494)	(864)	(488)	(265)	(141)	(2,535)	(22,947)

(In millions of RMB)

	Year ended 31 December 2020								
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Total
External interest income	69,139	29,870	34,257	43,757	29,309	9,248	23,605	129,916	369,101
External interest expense	(47,044)	(19,874)	(35,346)	(23,741)	(15,176)	(9,090)	(14,820)	(50,674)	(215,765)
Inter-segment net interest income/ (expense)	23,063	6,369	21,884	7,625	2,324	5,189	19	(66,473)	–
Net interest income	45,158	16,365	20,795	27,641	16,457	5,347	8,804	12,769	153,336
Fee and commission income	11,724	3,370	5,173	5,560	3,001	1,154	2,802	16,514	49,298
Fee and commission expense	(2,137)	(47)	(71)	(69)	(25)	(19)	(226)	(1,618)	(4,212)
Net fee and commission income	9,587	3,323	5,102	5,491	2,976	1,135	2,576	14,896	45,086
Net gains/(losses) arising from trading activities	3,443	171	253	485	57	16	(346)	9,765	13,844
Net gains/(losses) arising from financial investments	507	–	–	–	–	–	2,420	(1,750)	1,177
Insurance business income	15,103	–	–	–	–	–	67	–	15,170
Share of profits of associates and joint ventures	–	–	–	–	–	–	50	172	222
Other operating income	14,321	495	1,218	629	497	174	285	270	17,889
Total operating income -net	88,119	20,354	27,368	34,246	19,987	6,672	13,856	36,122	246,724
Credit impairment losses	(7,443)	(4,301)	(7,287)	(10,201)	(1,679)	(3,028)	(1,156)	(26,964)	(62,059)
Other assets impairment losses	(486)	–	1	–	–	(4)	5	–	(484)
Insurance business expense	(15,699)	–	–	–	–	–	(30)	–	(15,729)
Other operating expense	(25,848)	(6,376)	(8,188)	(8,471)	(5,882)	(3,248)	(4,222)	(19,792)	(82,027)
Profit before tax	38,643	9,677	11,894	15,574	12,426	392	8,453	(10,634)	86,425
Income tax									(6,855)
Net profit for the year									79,570
Depreciation and amortisation	(1,779)	(902)	(1,114)	(1,096)	(945)	(486)	(488)	(1,078)	(7,888)
Capital expenditure	(19,236)	(545)	(760)	(1,460)	(561)	(273)	(193)	(1,130)	(24,158)

(In millions of RMB)

	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Eliminations	Total
As at 31 December 2021										
Segment assets	2,881,066	1,059,386	1,711,386	1,277,003	881,918	409,288	1,095,657	4,459,033	(2,141,041)	11,633,696
Including:										
Investments in associates and joint ventures	*4*	-	-	*1*	-	-	*201*	*5,573*	-	*5,779*
Unallocated assets										32,061
Total assets										11,665,757
Segment liabilities	(2,658,802)	(1,042,577)	(1,688,784)	(1,239,658)	(870,308)	(417,068)	(1,046,572)	(3,863,904)	2,141,041	(10,686,632)
Unallocated liabilities										(1,889)
Total liabilities										(10,688,521)

	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Eliminations	Total
As at 31 December 2020										
Segment assets	2,564,088	930,550	1,567,967	1,196,795	825,149	385,027	1,114,676	4,226,501	(2,141,128)	10,669,625
Including:										
Investments in associates and joint ventures	*4*	–	–	*6*	–	–	*203*	*4,468*	–	*4,681*
Unallocated assets										27,991
Total assets										10,697,616
Segment liabilities	(2,359,977)	(918,511)	(1,549,435)	(1,165,323)	(811,091)	(386,178)	(1,057,224)	(3,711,091)	2,141,128	(9,817,702)
Unallocated liabilities										(1,286)
Total liabilities										(9,818,988)

Given the adjustment to the standards of dividing segments and evaluation guidelines of income allocation within segment, the comparative figures were stated under existing standards

Business information

The Group is engaged predominantly in banking and related financial activities. It comprises corporate banking, personal banking, treasury and other business. Corporate banking mainly comprises corporate loans, bills, trade financing, corporate deposits and remittance. Personal banking mainly comprises personal loans, personal deposits, credit cards and remittance. Treasury mainly comprises money market placements and takings, financial investment, and securities sold under repurchase agreements. The "Others Business" segment mainly comprises items which cannot be categorised in the above business segments.

The business information of the Group is summarised as follows:

(In millions of RMB)

	Year ended 31 December 2021				
	Corporate Banking Business	**Personal Banking Business**	**Treasury Business**	**Other Business**	**Total**
External net interest income	**69,804**	**53,414**	**38,353**	**122**	**161,693**
Inter-segment net interest income/(expense)	**16,291**	**18,260**	**(34,551)**	**–**	**–**
Net interest income	**86,095**	**71,674**	**3,802**	**122**	**161,693**
Net fee and commission income	**10,341**	**30,743**	**6,330**	**159**	**47,573**
Net gains arising from trading activities	**8,883**	**2,073**	**12,040**	**348**	**23,344**
Net gains arising from financial investments	**(323)**	**313**	**1,321**	**–**	**1,311**
Share of profits of associates and joint ventures	**6**	**–**	**–**	**271**	**277**
Insurance business income	**56**	**16,459**	**–**	**–**	**16,515**
Other operating income	**15,406**	**2,857**	**35**	**737**	**19,035**
Total operating income – net	**120,464**	**124,119**	**23,528**	**1,637**	**269,748**
Credit impairment losses	**(47,024)**	**(19,079)**	**(259)**	**(9)**	**(66,371)**
Other assets impairment losses	**(2,265)**	**(55)**	**–**	**–**	**(2,320)**
Insurance business expense	**(17)**	**(17,037)**	**–**	**–**	**(17,054)**
Other operating expense					
– Depreciation and amortisation	**(2,941)**	**(4,460)**	**(641)**	**(57)**	**(8,099)**
– Others	**(35,267)**	**(40,350)**	**(5,404)**	**(924)**	**(81,945)**
Profit before tax	**32,950**	**43,138**	**17,224**	**647**	**93,959**
Income tax					**(5,020)**
Net profit for the year					**88,939**
Depreciation and amortisation	**(2,941)**	**(4,460)**	**(641)**	**(57)**	**(8,099)**
Capital expenditure	**(8,332)**	**(12,636)**	**(1,817)**	**(162)**	**(22,947)**

(In millions of RMB)

	Year ended 31 December 2020				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income	61,666	49,328	42,280	62	153,336
Inter-segment net interest income/(expense)	18,634	16,978	(35,612)	–	–
Net interest income	80,300	66,306	6,668	62	153,336
Net fee and commission income	11,254	28,090	5,585	157	45,086
Net gains arising from trading activities	3,909	1,444	8,371	120	13,844
Net gains arising from financial investments	(140)	396	926	(5)	1,177
Share of profits of associates and joint ventures	(8)	–	–	230	222
Insurance business income	32	15,138	–	-	15,170
Other operating income	14,408	2,530	219	732	17,889
Total operating income – net	109,755	113,904	21,769	1,296	246,724
Credit impairment losses	(33,072)	(28,214)	(772)	(1)	(62,059)
Other assets impairment losses	(489)	-	-	5	(484)
Insurance business expense	(30)	(15,699)	-	-	(15,729)
Other operating expense					
– Depreciation and amortisation	(1,430)	(2,250)	(176)	(52)	(3,908)
– Others	(34,150)	(38,444)	(4,537)	(988)	(78,119)
Profit before tax	40,584	29,297	16,284	260	86,425
Income tax					(6,855)
Net profit for the year					79,570
Depreciation and amortisation	(2,949)	(4,433)	(407)	(99)	(7,888)
Capital expenditure	(9,033)	(13,574)	(1,247)	(304)	(24,158)

(In millions of RMB)

	As at 31 December 2021				
	Corporate Banking Business	**Personal Banking Business**	**Treasury Business**	**Other Business**	**Total**
Segment assets	**4,645,110**	**2,385,982**	**4,530,160**	**72,444**	**11,633,696**
Including:					
Investments in associates and joint ventures	**–**	**–**	**–**	***5,779***	***5,779***
Unallocated assets					**32,061**
Total assets					**11,665,757**
Segment liabilities	**(4,999,768)**	**(2,533,625)**	**(3,078,851)**	**(69,663)**	**(10,681,907)**
Unallocated liabilities					**(6,614)**
Total liabilities					**(10,688,521)**

	As at 31 December 2020				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
Segment assets	4,192,292	2,067,778	4,346,218	63,337	10,669,625
Including:					
Investments in associates and joint ventures	–	–	–	*4,681*	*4,681*
Unallocated assets					27,991
Total assets					10,697,616
Segment liabilities	(4,832,353)	(2,312,508)	(2,598,865)	(70,190)	(9,813,916)
Unallocated liabilities					(5,072)
Total liabilities					(9,818,988)

There were no significant transactions with a single external customer that the Group mainly relied on.

The comparative information was prepared in accordance with the categorisation of the current period since the assessment rules of the income and expense distribution between various business segments have been adjusted.

12 LIQUIDITY RISK

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the end of reporting date to the contractual maturity date.

(In millions of RMB)

	On demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Overdue	Undated	Total
As at 31 December 2021									
Assets									
Cash and balances with central banks	103,648	-	304	-	-	-	-	630,776	734,728
Due from and placements with banks and other financial institutions	88,993	171,428	89,547	225,329	45,687	11,724	-	-	632,708
Derivative financial assets	-	6,099	7,172	13,032	11,052	1,865	-	-	39,220
Financial investments at FVPL	2,697	25,684	47,293	92,313	43,656	50,780	-	376,060	638,483
Loans and advances to customers	-	504,850	289,612	1,435,771	1,309,429	2,837,626	34,913	-	6,412,201
Financial investments at FVOCI	-	17,504	56,506	120,183	289,879	181,366	29	16,262	681,729
Financial investments at amortised cost	-	18,227	37,752	284,065	1,014,207	846,389	2,397	-	2,203,037
Other assets	93,428	150	18	505	35,656	2,509	4,198	187,187	323,651
Total assets	288,766	743,942	528,204	2,171,198	2,749,566	3,932,259	41,537	1,210,285	11,665,757
Liabilities									
Due to and placements from banks and other financial institutions	(816,423)	(339,771)	(247,890)	(491,785)	(44,522)	(7,377)	-	-	(1,947,768)
Financial liabilities at FVPL	(11,631)	(24,954)	(1,995)	(10,202)	(1,266)	-	-	-	(50,048)
Derivative financial liabilities	-	(5,493)	(6,739)	(11,698)	(10,266)	(1,878)	-	-	(36,074)
Due to customers	(2,917,672)	(892,406)	(544,620)	(1,043,211)	(1,641,829)	(39)	-	-	(7,039,777)
Other liabilities	(59,181)	(113,511)	(198,029)	(739,771)	(285,206)	(219,156)	-	-	(1,614,854)
Total liabilities	(3,804,907)	(1,376,135)	(999,273)	(2,296,667)	(1,983,089)	(228,450)	-	-	(10,688,521)
Net amount on liquidity gap	(3,516,141)	(632,193)	(471,069)	(125,469)	766,477	3,703,809	41,537	1,210,285	977,236

(In millions of RMB)

	On demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Overdue	Undated	Total
As at 31 December 2020									
Assets									
Cash and balances with central banks	176,216	–	320	–	–	–	–	641,025	817,561
Due from and placements with banks and other financial institutions	111,953	174,623	91,078	153,121	33,242	7,113	–	–	571,130
Derivative financial assets	–	9,718	11,570	22,283	9,068	1,573	–	–	54,212
Financial investments at FVPL	2,100	9,722	12,857	37,651	44,167	58,795	314	316,982	482,588
Loans and advances to customers	–	484,371	319,698	1,305,770	1,103,053	2,476,035	31,641	–	5,720,568
Financial investments at FVOCI	–	28,930	46,507	126,501	339,517	182,346	72	11,347	735,220
Financial investments at amortised cost	–	41,210	49,086	278,043	972,565	678,355	270	–	2,019,529
Other assets	61,973	286	19	15,410	16,448	4,047	4,432	194,193	296,808
Total assets	352,242	748,860	531,135	1,938,779	2,518,060	3,408,264	36,729	1,163,547	10,697,616
Liabilities									
Due to and placements from banks and other financial institutions	(664,483)	(247,467)	(268,704)	(544,824)	(48,745)	(13,268)	–	–	(1,787,491)
Financial liabilities at FVPL	(7,107)	(6,291)	(7,636)	(8,111)	(134)	–	–	–	(29,279)
Derivative financial liabilities	–	(8,357)	(10,798)	(20,858)	(12,210)	(3,719)	–	–	(55,942)
Due to customers	(2,826,643)	(716,981)	(560,281)	(942,581)	(1,560,842)	(2)	–	–	(6,607,330)
Other liabilities	(68,467)	(94,306)	(235,723)	(374,652)	(367,189)	(198,609)	–	–	(1,338,946)
Total liabilities	(3,566,700)	(1,073,402)	(1,083,142)	(1,891,026)	(1,989,120)	(215,598)	–	–	(9,818,988)
Net amount on liquidity gap	(3,214,458)	(324,542)	(552,007)	47,753	528,940	3,192,666	36,729	1,163,547	878,628

13 NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

In February 2022, the Bank issued a tier-2 capital bond of RMB30,000 million with the maturity date in 2032 and a coupon rate of 3.45% on the national interbank bond market. The Bank has an option to exercise its right of redemption at the end of 2027.

VII. PUBLICATION OF THE ANNOUNCEMENT OF ANNUAL RESULTS

This results announcement is extracted from the 2021 Annual Report prepared in accordance with the IFRSs. The full report will be published on the website of HKEx News at www.hkexnews.hk, as well as the website of the Bank at www.bankcomm.com for the reference of shareholders. The 2021 Annual Report, which is prepared in accordance with China Accounting Standards, will be available on the website of Shanghai Stock Exchange at www.sse.com.cn and the website of the Bank at www.bankcomm.com. Investors should read the full text of the Annual Report for details of the Annual Results. The Annual Report prepared in accordance with the IFRSs is anticipated to be despatched to the shareholders of H shares in April 2022.

This announcement is prepared in both Chinese and English. Should there be any inconsistency between the Chinese and English versions, the Chinese version should prevail.

By order of the Board
Bank of Communications Co., Ltd.
Ren Deqi
Chairman of the Board

Shanghai, the PRC
25 March 2022

As at the date of this announcement, the directors of the Bank are Mr. Ren Deqi, Mr. Liu Jun, Mr. Li Longcheng, Mr. Wang Linping*, Mr. Chang Baosheng*, Mr. Liao, Yi Chien, David*, Mr. Chan Siu Chung*, Mr. Song Hongjun*, Mr. Chen Junkui*, Mr. Liu Haoyang*, Mr. Yeung Chi Wai, Jason#, Mr. Woo Chi Wan, Raymond#, Mr. Cai Haoyi#, Mr. Shi Lei#, Mr.Zhang Xiangdong# and Ms.Li Xiaohui#.*

* *Non-executive directors*
\# *Independent non-executive directors*