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**CHINA BOHAI BANK CO., LTD.**

**渤海銀行股份有限公司**

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

**(Stock Code: 9668)**

## **2021 ANNUAL RESULTS ANNOUNCEMENT**

The Board of Directors (the “**Board**”) of CHINA BOHAI BANK CO., LTD. (the “**Bank**”) hereby announces the audited annual results of the Bank for the year ended December 31, 2021. This announcement, containing the full text of the 2021 annual report of the Bank, complies with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited relating to information to accompany preliminary announcements of annual results.

### **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

The Chinese and English versions of this results announcement are available on the website of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Bank ([www.cbhb.com.cn](http://www.cbhb.com.cn)). If there are any discrepancies in interpretations between the Chinese and English versions, the Chinese version shall prevail. The printed version of the Bank's 2021 annual report will be despatched to the holders of H shares of the Bank subsequently and will be available for viewing on the website of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Bank ([www.cbhb.com.cn](http://www.cbhb.com.cn)) in due course.

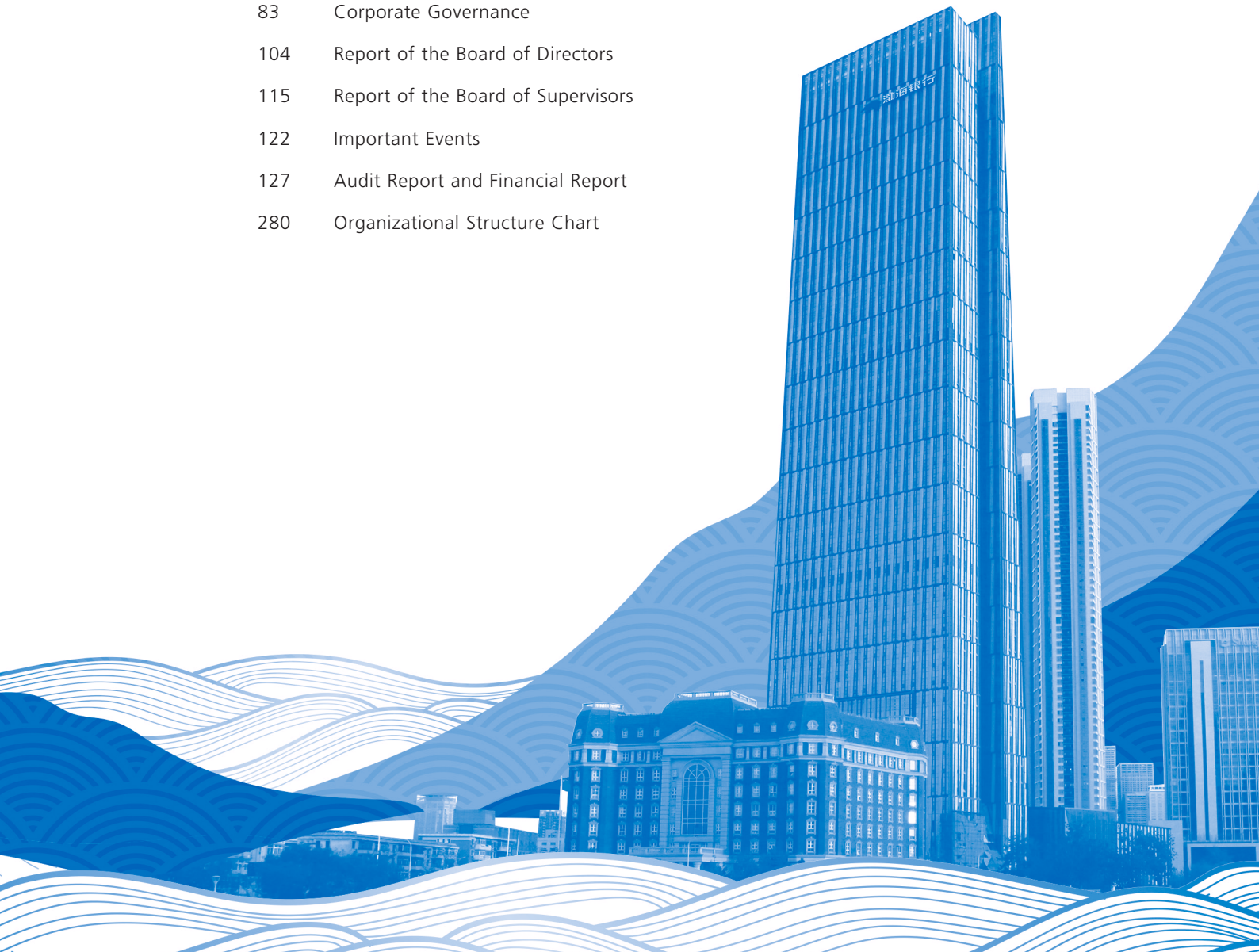
By order of the Board  
**CHINA BOHAI BANK CO., LTD.**  
**LI Fuan**  
*Chairman*

Tianjin, China  
March 29, 2022

*As at the date of this announcement, the Board of the Bank comprises Mr. LI Fuan, Mr. QU Hongzhi and Mr. DU Gang as executive directors; Mr. FUNG Joi Lun Alan, Mr. WANG Zhiyong, Ms. YUAN Wei, Mr. YE Baishou, Mr. HU Aimin, Mr. ZHANG Xifang and Mr. ZHANG Yunji as non-executive directors; and Mr. MAO Zhenhua, Mr. CHI Guotai, Mr. MU Binrui, Mr. TSE Yat Hong, Mr. WANG Ren and Mr. ZHU Ning as independent non-executive directors.*

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## Definitions

2021 Final Dividend	the cash dividends of RMB0.87 (tax inclusive) per 10 shares distributable to all holders of ordinary shares as recommended by the Board of Directors
Articles of Association	the Articles of Association of CHINA BOHAI BANK CO., LTD.
Bank, our Bank, Company, our Company	CHINA BOHAI BANK CO., LTD. (渤海銀行股份有限公司), a joint stock company established on December 30, 2005 in the PRC with limited liability pursuant to the relevant PRC laws and regulations, and its H Shares were listed on the Hong Kong Stock Exchange (Stock Code: 9668)
CBIRC	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
CBRC	the former China Banking Regulatory Commission (中國銀行業監督管理委員會)
Central Bank or PBoC	the People's Bank of China
China Accounting Standards for Business Enterprises	Accounting Standards for Business Enterprises – Basic Standards, specific accounting standards, application guidance and interpretations to the Accounting Standards for Business Enterprises and other regulations issued by the Ministry of Finance of the PRC on and after February 15, 2006
Commercial Banking Law	the Commercial Banking Law of the PRC (中華人民共和國商業銀行法)
Company Law	the Company Law of the PRC (中華人民共和國公司法)
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
date of this annual report	the date on which this annual report was considered and approved by the Board of Directors of the Bank
Domestic Shares	ordinary shares issued by the Bank with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
H Shares	the overseas listed foreign shares issued by the Bank with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong Dollars and listed and traded on the Hong Kong Stock Exchange
HKEX	Hong Kong Exchanges and Clearing Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
IFRS	International Financial Reporting Standards, International Accounting Standards ("IAS"), the related standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB")

Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
Reporting Period	the year ended December 31, 2021
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council (中華人民共和國國務院國有資產監督管理委員會)
SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
the Fourth “Five-Year Plan”	the Plan for Development Strategy of CHINA BOHAI BANK CO., LTD. (2021-2025) (渤海銀行股份有限公司 2021-2025 年發展戰略規劃)
Tianjin SASAC	the State-owned Assets Supervision and Administration Commission of Tianjin People’s Government

## Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and members of senior management of the Bank undertake that the information contained in this annual report does not include any false records, misleading statements or material omissions, and assume several and joint liabilities for the truthfulness, accuracy and completeness of the content of this annual report.

The Bank considered and approved the Annual Report 2021 of the Bank at the 30th meeting of the fifth session of the Board of Directors held on March 29, 2022. 18 Directors should attend the meeting, among which 18 Directors actually attended, of which, Mr. YE Baishou (non-executive Director) authorized Ms. YUAN Wei (non-executive Director) to exercise his voting right; Mr. LI Yi (executive Director) authorized Mr. DU Gang (executive Director) to exercise his voting right. 5 Supervisors of the Bank attended the meeting.

The Bank considered and approved the Annual Report 2021 of the Bank at the 12th meeting of the fifth session of the Board of Supervisors held on March 29, 2022. 5 Supervisors should attend the meeting, among which 5 Supervisors actually attended. The Board of Supervisors and the Supervisors of the Bank believe that after reviewing the information contained in the Annual Report 2021 of the Bank, no false records, misleading statements or material omissions have been found, and they have no objection to the truthfulness, accuracy and completeness of the content of this annual report.

Mr. LI Fuan, the legal representative and chairman of the Board of Directors of the Bank, Mr. QU Hongzhi, the president of the Bank, Mr. DU Gang, the person in charge of accounting affairs of the Bank, and Mr. WANG Fenglei, the person in charge of accounting department, hereby warrant the truthfulness, accuracy and completeness of the financial statements in this annual report.

The Profit Distribution Plan for 2021 of the Bank has been considered and approved at the 30th meeting of the fifth session of the Board of Directors, at which, the Board approved a cash dividend of RMB0.87 (tax inclusive) per 10 shares to all Shareholders of ordinary shares of the Bank. Such profit distribution plan shall be subject to the consideration and approval of the Shareholders' general meeting. For details, please refer to "Report of the Board of Directors: PROFIT DISTRIBUTION" in this annual report.

The Bank's 2021 Annual Financial Reports prepared in accordance with the China Accounting Standards for Business Enterprises (中國企業會計準則) and IFRS have been audited by KPMG Huazhen LLP and KPMG in accordance with the Auditing Standards for Certified Public Accountants of China and Hong Kong Auditing Standards, respectively. And standard unqualified audit reports were issued.

Forward-looking statements such as future plans contained in this annual report do not constitute substantive commitments made by the Bank to its investors. Investors are cautioned against the investment risks and should understand the difference among plans, forecasts and commitments.

This annual report describes in detail the major risks that the Bank faces in its operational management, as well as the corresponding measures taken by the Bank. For details, please refer to the section "Management Discussion and Analysis: Comprehensive Risk Management" in this annual report.

Financial data and indicators contained in this annual report are prepared in accordance with IFRS. Unless otherwise stated, they are denominated in Renminbi (RMB). Certain amounts and percentage figures included in this annual report have been subject to rounding adjustments. Any discrepancy between the sum and total amounts in the tables is due to rounding.

This annual report is prepared in both Chinese and English. Should there be any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

# Chairman's Statement

Time flies while we ring in the new year. The wind is howling while the tide is high.

2021 is a landmark year in the history of our Party and our country. This year, we celebrated our Party's 100th birthday, witnessed the building of a moderately prosperous society in all respects, and made a good start of the 14th "Five-Year Plan". We pay tribute to our Party's glorious journey, remember the hardships and glories yesterday and carry on with our great dream tomorrow.

We shall keep the original aspiration and founding mission in mind at all times. In 2021, we reviewed the past and looked forward to the future. Under the framework of the National 14th "Five-Year Plan" and based on our experience in carrying out the Third "Five-Year Plan", we worked out and implemented our own Fourth "Five-Year Plan" with high quality to embark on a new journey of innovation and transformation.

Over the past year, we upheld Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as guidance. We firmly established "Four Consciousness", persisted with "Four Confidences" and ensured the "Two Upholds". We built a solid wall for epidemic prevention and control, constantly improved the effectiveness of our corporate governance, and further promoted strategic transformation and development. We insisted on returning finance to its origin, i.e. serving the real economy, serving the people for a better life and improving the effectiveness of operation and management. Adhering to the business principle of "Compliance is Lifeblood", we made on-going efforts to strengthen internal control & compliance building and promote the high-quality implementation of rules and regulations.

Over the past year, Bohai Bank has seen continuous improvements in its assets and liabilities' structure, continuous enhancements in its financial technology empowerment, and steady optimization of its customer business model. Bohai Bank ranked 111th among the top 1,000 World Banks released by The Banker, a British magazine, up 22 places from the previous year, while we climbed the rankings for the 10th consecutive year. The Bank won a series of awards including "Outstanding Retail Bank of the Year", "Outstanding Innovative Commercial Bank of the Year", "Outstanding Bank with Competitive Customer Experience" and "2021 Outstanding Wealth Management Bank".

In 2022, we will embark with confidence on a new journey towards our second 100-year goal in the midst of profound changes unseen in a century. There should be no boundaries for travelers as their paths have been paved with stones. We shall seize the opportunities of the times to put in all our efforts. We will uphold the guidance of national strategies, actively respond to the macroeconomic situation and industry development trends, accurately identify changes, make rational response to changes, proactively seek changes, and continue to focus on our transformation into a retail, transaction and light-model bank. We will actively build the banking ecosystem through "Bank the world" to become a "modern wealth and treasury manager offering the best experience".

We will remain down-to-earth, practical and mindful of our responsibilities to achieve long-term development. Bohai Bank will fully implement the spirit of the 19th CPC National Congress and the plenary sessions of the 19th Central Committee, thoroughly implement the plans and arrangements of the Central Economic Work Conference, hold to the overall work keynote of seeking progress while maintaining stability, unswervingly follow the path of high-quality sustainable development, cultivate new opportunities in the midst of crisis, open up new regime in the midst of changes, and greet the 20th CPC National Congress with a new look and good performance!



Li Fuan  
Chairman  
March 29, 2022

## President's Statement



In 2021, the macroeconomic situation was complex and the epidemic prevention and control tasks and challenges were tough. The senior management of China Bohai Bank kept in alignment with the central Party leadership, actively responded to internal and external difficulties and challenges in line with the decisions and arrangements of the party committee of the Head Office and the Board of Directors through transformation, and coordinated the promotion of basic management optimization and business development by closely focusing on the goals and tasks determined at the beginning of the year to achieve steady progress in major operating indicators.

As of the end of the Reporting Period, our total assets amounted to RMB1,582,708 million, representing an increase of RMB189,184 million as compared to the end of the previous year or a year-on-year increase of 13.58%; total liabilities amounted to RMB1,476,144 million, representing an increase of RMB185,866 million as compared to the end of the previous year or a year-on-year increase of 14.41%; net assets amounted to RMB106,564 million, representing an increase of RMB3,318 million or 3.21% as compared to the end of the previous year. Net profit amounted to RMB8,630 million, representing an increase of RMB185 million or 2.19% as compared to the end of the previous year. Net assets per share attributable to ordinary Shareholders of the Bank was RMB4.88, representing an increase of RMB0.19 as compared to the end of the previous year. The non-performing loan ratio of the Bank was 1.76%, representing a decrease

of 0.01 percentage point from the beginning of the year. The allowance to gross loan ratio, the allowance coverage ratio, and the capital adequacy ratio were 2.39%, 135.63% and 12.35%, respectively, which were all in line with regulatory requirements. The Bank successfully issued US\$300 million bonds in the international bond market. The number of branches opened in the year was the highest in the Bank's history. The quality and efficiency of serving the real economy continued to enhance and the business development of various lines continued to improve; the Bank intensified efforts to dispose of non-performing assets and the strategic transformation was steadily advanced.

Be grateful for the times! We would like to express our sincere thanks to the investors who agree with the investment value of China Bohai Bank, the customers who boost the business development of China Bohai Bank, the regulatory authorities that lead the compliant development of China Bohai Bank, and the relevant departments that care for the reform and innovation of China Bohai Bank! We appreciate public attention and support to the growth, development, reform and innovation of China Bohai Bank! We are grateful to our staff whose never-failing silent efforts keep pushing China Bohai Bank forward!

Crisis and opportunity will coexist in 2022. The goal is set and we are on a mission. The senior management of China Bohai Bank will firmly establish "Four Consciousness", persist with "Four Confidences" and ensure "Two Upholds", turn crises into opportunities, be pragmatic, and insist on reform and innovation to enhance development momentum. We will strengthen risk control to ensure stable operation, adjust the structure to promote strategic transformation, strengthen management to improve operating efficiency, adhere to the guiding ideology of business development of thriving bank by customers, developing bank by deposit, enriching bank by intermediate business income, strengthening bank by technology, leading bank by innovation and protecting bank by risk control to continuously promote the new infrastructure projects of China Bohai Bank's financial technology, innovative R&D, operation system, incentive and restraint, internal control and compliance, risk management, training and education to achieve new development and results, constantly going forward to the goal of developing China Bohai Bank into a first-class international public commercial bank.

A great vision, simple and pure, requires credible actions. It is not an easy task to start and maintain an enterprise, and results are achieved only by hard work. We will continue to strengthen the courage to face difficulties and the ability to resolve problems, carry forward the spirit of losing no time to work hard, and implement the excellent working style of seeking truth and being pragmatic to show new image and take new actions. We will promote the high-quality development of China Bohai Bank in the new era and hand in good results as a tribute to the Party's 20th National Congress!

QU Hongzhi  
President  
March 29, 2022

## Statement of the Chairman of the Board of Supervisors

2021 is the centenary anniversary of the founding of The Communist Party of China and the foundation year for achieving the development goals of the “14th Five-Year” Plan. In 2021, the Board of Supervisors insisted on comprehensively studying and implementing the guiding principles of the Party’s 19th National Congress and all Plenary Sessions of the 19th Party Central Committee, seriously implemented the major policies of the Central Government and the decisions of the Tianjin Municipal Party Committee, strengthened the role of Party building, enhanced the effectiveness of supervision, and accelerated the high-quality transition and development.

During the Reporting Period, the Board of Supervisors faithfully performed its duties under the laws and regulations and the Articles of Association of the Bank, acted on the general principle of pursuing progress while ensuring stability, convened meetings of the Board of Supervisors and its special committees in accordance with the annual work plan, and the meeting procedures were in compliance with laws and regulations and the decision-making of such meetings was timely and effective; we strengthened duty performance and through a variety of approaches such as attending Shareholders’ general meeting and meetings of the Board of Directors and its special committees, we effectively completed our supervision over the Board of Directors, the senior management and their members during their performance of duties to identify any violations of laws and regulations; we effectively fulfilled information disclosure obligations in accordance with the rules and regulatory requirements of the Hong Kong Stock Exchange; we constantly improved the comprehensive risk management mechanisms by intensifying day-to-day supervision on risk management and conducting special audits; we strengthened self-construction and organized Supervisors to conduct special investigations and trainings around our priorities; we consolidated and improved a system for the Board of Supervisors and constantly improved its working level.

In 2022, facing complicated and challenging business circumstances, we will adhere to promote high-quality development without wavering. For this year work to deliver, the Board of Supervisors will continue to follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, carry forward the great founding spirit of the Party, earnestly implement the deployments of the Central Economic Work Conference, and in accordance with the fundamental principles of maintaining overall stability, ensuring coordination, implementing category-based policies, and defusing risks through targeted efforts, make economic stability our top priority and pursue progress while ensuring stability; according to laws and regulations and regulatory provisions, we will target on protecting the legal rights of the Bank, the Shareholders, employees, creditors and other stakeholders, faithfully perform the supervisory duties of the Board of Supervisors, fully utilize the supervision results, and strive to enhance the quality and effectiveness of supervision, manifest our determination to defend the spirit of “Two Establishments” and “Two Upholds” into the effectiveness of promoting the Bank’s high-quality transformation and development, so as to ensure that excellent results are achieved by the time the 20th National Congress is convened!



A handwritten signature in black ink, appearing to read 'Wang Chunfeng'. The signature is stylized and fluid.

WANG Chunfeng  
Chairman of the Board of Supervisors  
March 29, 2022



# Corporate Profile

- I. Legal Chinese Name:** 渤海銀行股份有限公司 (Abbreviation: 渤海銀行)
- II. Legal English Name:** CHINA BOHAI BANK CO., LTD. (Abbreviation: CBHB)
- III. Legal Representative:** LI Fuan
- IV. Authorized Representatives:** DU Gang and SO Shuk Yi Betty
- V. Secretary to the Board of Directors:** DU Gang  
**Joint Company Secretaries:** DU Gang and SO Shuk Yi Betty
- VI. Registered Address and Office Address:** 218 Haihe East Road, Hedong District, Tianjin, China  
**Postcode:** 300012  
**International Website:** www.cbhb.com.cn  
**Customer Service and Complaints Hotline:** (86) 95541, (86) 400 888 8811  
**E-mail:** IR@cbhb.com.cn  
**Tel:** (86) 22-5878 9668  
**Fax:** (86) 22-5831 6529
- VII. Principal Place of Business in Hong Kong:** Suites 1201-1209 and 1215-1216, 12/F, Two International Finance Centre, Central, Hong Kong
- VIII. Websites for Information Disclosure:** website of the HKEX (www.hkexnews.hk) and website of the Bank (www.cbhb.com.cn)  
**Place where the annual report is kept:** Office of the Board of Directors of the Bank
- IX. Listing Stock Exchange of H Shares:** Hong Kong Stock Exchange  
**Stock Short Name:** CBHB  
**Stock Code:** 9668
- X. Share Registrar**  
Domestic Shares: China Securities Depository and Clearing Corporation Limited  
No.17 Tai Ping Qiao Street, Xicheng District, Beijing  
H Shares: Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
- XI. Legal Advisors**  
As to PRC Laws: Commerce & Finance Law Offices  
12-14th Floor, China World Office 2, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing  
As to Hong Kong Laws: Paul Hastings  
22/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong
- XII. Auditors**  
Domestic Accounting Firm: KPMG Huazhen LLP  
8/F, Tower E2, Oriental Plaza, 1 East Chang'an Avenue, Dongcheng District, Beijing  
Signed Certified Public Accountants: GUAN Yiming, ZHANG Zexu  
International Accounting Firm: KPMG  
8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong  
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
- XIII. Compliance Advisor:** Haitong International Capital Limited  
Suites 3001-3006 and 3015-3016, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
- XIV. Other Relevant Information**  
Initial Registration Date: December 30, 2005  
Registered Capital: RMB17,762 million  
Unified Social Credit Code: 911200007109339563  
Financial Licence Institution Serial Number: B0017H112000001

# Awards and Ranking

In 2021, the Bank ranked 111th among the “Top 1000 World Banks” by the British magazine, The Banker, moving up 22 places compared with our ranking in the previous year.

The Bank ranked 322nd among the “2021 Fortune China 500 List (2021年《財富》中國500強排行榜)”. This is the first time the Bank has been included in the list.

In the 21st Century Annual Finance Summit of Asia of 2021 (2021年21世紀亞洲金融年會) hosted by the 21st Century Business Herald, the Bank won the awards of “Annual Pension Business Bank (年度養老業務銀行)” and “Annual Low-carbon Bank (年度低碳銀行)”.

In the “12th China Finance Golden Tripod Awards (第十二屆中國金融金鼎獎)” selection hosted by the National Business Daily, the Bank won the “Annual Financial Technology (年度金融科技)” award, and selected to “Top 50 Brand Value List of Chinese Listed Companies (中國上市公司品牌價值榜新銳榜 Top50)”.

In the “2021 Financial Institutions of Excellent Competitiveness (2021年卓越競爭力金融機構)” selection hosted by the China Business Journal, the Bank won the “Outstanding Bank with Competitive Customer Experience (卓越競爭力客戶體驗銀行)” award.

At the 2021 China’s Financial Innovation Forum and China Financial Innovation Award Presentation (2021中國金融創新論壇暨中國金融創新獎成果發佈會) hosted by the Chinese Banker, the Bank won the “Top 10 Transaction Banking Innovation Award (十佳交易銀行創新獎)” and “Top 10 Retail Banking Innovation Award (十佳零售銀行創新獎)”.

In the “Golden Jubilee Award (金禧獎)” selection hosted by China Investment Network, the Bank won the awards of “2021 Excellent Financial Technology Company (2021卓越金融科技公司)” and “2021 Outstanding Wealth Management Bank (2021優秀財富管理銀行)”.

At the “2021 Thinking Finance Investor Annual Party and the 13th JINQIAO PRIZE Award Ceremony (2021年思維財經投資者年會暨第13屆金橋獎頒獎盛典)”, the Bank won the “2021 Outstanding Innovative Commercial Bank of the Year (2021年度優秀創新能力商業銀行)” award.

In the “First ‘Brand Thrives, Wins the Future’: 2021 Tianjin Good Brands Solicitation and Selection Activity”, the Bank was awarded “2021 Tianjin Good Brand TOP Influence Brand”.

The Bank won the “Emerging Private Banking Award” at the “11th Fund and Wealth Management • Jiefu award” ceremony of Finance Vision China.

In “the 5th New Gravity Summit”, the Bank was awarded the “2021 Digital Risk Control Innovation Model Award of Financial Institutions”.

In “the Customer Insight 2021 (6th) Banking Industry Customer Experience Summit Forum”, the Bank was awarded the “Digital Intelligence and Efficiency Improvement Model in Banking”, “Excellent Case in Banking: Service Experience Model”.

In “2021 ‘Golden Headset’ China’s Best Customer Center Selection and Award”, the Bank won the “Excellent Customer Service Award”.

In Bank Annual Selection of the 10th ‘GoldenWis’ Award of JRJ Navigation China (第十屆金融界領航中國『金智獎』銀行業年度評選), the Bank received the “Outstanding Inclusive Finance Award”(傑出普惠金融獎).

The Bank won the “Market Innovation-driven Award (市場創新驅動獎)” and the “Social Responsibility Award (社會責任踐行獎)” at the Export-Import Bank of China 2021 Domestic Renminbi Financial Bond Underwriting and Market Making Group (中國進出口銀行2021年度境內人民幣金融債券承銷做市團機構) Awards.

The Bank won the “Golden Honor Award” - “Bank of the Year for Outstanding Investment Return (年度卓越投資回報銀行)” and “Bank with Outstanding Operational Management Capability (卓越運營管理能力銀行)” at the China Asset Management and Wealth Management Industry Annual Summit 2021.

In the 12th “Golden Pixiu Award (金貔貅獎)” selection among banking industry hosted by Each Finance and Financial Money magazine, the Bank won the “Gold Innovator Financial Institution of the Year (年度金牌創新力金融機構)”.

In the 2nd Yangtze River Delta Fintech Innovation and Application Global Competition, the Bank received the “2021 China Fintech Financial Institution Best Application Award (2021中國金融科技金融機構最佳應用獎)”.

# Summary of Accounting Data and Business Data

## I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS

(Unit: RMB'000)

	2021	2020	Increase (decrease) (%)	2019	2018	2017
Operating results data:						
Operating income	29,194,364	32,492,170	(10.15)	28,378,394	23,210,064	25,250,147
Profit before taxation	10,303,797	10,085,092	2.17	9,901,850	8,027,462	8,425,428
Net profit	8,629,724	8,444,571	2.19	8,192,756	7,080,155	6,753,820
Net profit attributable to equity holders of the Bank	8,629,724	8,444,571	2.19	8,192,756	7,080,155	6,753,820
Net cash flows generated from operating activities	82,987,687	52,085,407	59.33	(41,679,518)	(167,616,433)	(25,917,585)
Indicators per share (RMB):						
Basic earnings per share attributable to ordinary Shareholders of the Bank	0.43	0.47	(8.51)	0.57	0.49	0.49
Diluted earnings per share attributable to ordinary Shareholders of the Bank	0.43	0.47	(8.51)	0.57	0.49	0.49
Net cash flows generated from operating activities per share	4.67	3.27	42.81	(2.88)	(11.60)	(1.86)
Financial ratios (%):						
Average return on total assets <sup>(1)</sup>	0.58	0.67	a decrease of 0.09 percentage point	0.76	0.70	0.73
Weighted average return on net assets <sup>(2)</sup>	8.88	10.68	a decrease of 1.80 percentage points	13.71	13.59	15.12

	December 31, 2021	December 31, 2020	Increase (decrease) (%)	December 31, 2019	December 31, 2018	December 31, 2017
Scale indicators:						
Total assets	1,582,707,598	1,393,523,125	13.58	1,116,930,025	1,034,451,332	1,002,567,049
Gross loans and advances to customers <sup>(3)</sup>	955,355,247	887,537,545	7.64	708,057,530	565,453,709	464,889,833
Total liabilities	1,476,143,521	1,290,277,295	14.41	1,034,291,428	978,592,211	954,101,747
Gross deposits from customers <sup>(3)</sup>	820,589,157	746,725,783	9.89	637,934,899	598,166,690	582,103,318
Total equity	106,564,077	103,245,830	3.21	82,638,597	55,859,121	48,465,302
Net assets per share attributable to ordinary Shareholders of the Bank (RMB) <sup>(4)</sup>	4.88	4.69	4.05	4.34	3.87	3.35
Share capital	17,762,000	17,762,000	-	14,450,000	14,450,000	14,450,000

- Notes: (1) Average return on total assets equals net profit divided by average value of total assets at the beginning and end of the period.
- (2) Weighted average return on net assets is calculated pursuant to the Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 9): Calculation and Disclosure of Rate of Return on Equity and Earnings per Share (2010 Revision) (《公開發行證券的公司信息披露編報規則第9號—淨資產收益率和每股收益的計算及披露(2010年修訂)》 issued by the CSRC.
- (3) Gross loans and advances to customers and gross deposits from customers exclude interests accrued.
- (4) Net assets per share attributable to ordinary Shareholders of the Bank equals equity attributable to holders of ordinary shares of the Bank at the end of the period, which has excluded other equity instruments, divided by total share capital at the end of the period.

## II. SUPPLEMENTARY FINANCIAL INDICATORS

(Unit: %)

	2021	2020	Changes	2019	2018	2017	
Profitability indicators:							
Net interest spread <sup>(1)</sup>	1.61	2.18	a decrease of 0.57 percentage point	2.04	1.46	1.60	
Net interest margin <sup>(2)</sup>	1.72	2.35	a decrease of 0.63 percentage point	2.22	1.54	1.77	
Cost-to-income ratio <sup>(3)</sup>	32.88	26.52	an increase of 6.36 percentage points	29.50	35.40	34.22	
	December 31, 2021	December 31, 2020	Changes	December 31, 2019	December 31, 2018	December 31, 2017	
Asset quality indicators:							
NPL ratio <sup>(4)</sup>	1.76	1.77	a decrease of 0.01 percentage point	1.78	1.84	1.74	
Allowance coverage ratio <sup>(5)</sup>	135.63	158.80	a decrease of 23.17 percentage points	187.73	186.96	185.89	
Allowance to gross loan ratio <sup>(6)</sup>	2.39	2.81	a decrease of 0.42 percentage point	3.34	3.44	3.24	
Capital adequacy indicators <sup>(7)</sup> :							
Capital adequacy ratio <sup>(8)</sup>	12.35	12.08	an increase of 0.27 percentage point	13.07	11.77	11.43	
Tier 1 capital adequacy ratio <sup>(8)</sup>	10.76	11.01	a decrease of 0.25 percentage point	10.63	8.61	8.12	
Core tier 1 capital adequacy ratio <sup>(8)</sup>	8.69	8.88	a decrease of 0.19 percentage point	8.06	8.61	8.12	
Leverage ratio <sup>(9)</sup>	5.66	6.32	a decrease of 0.66 percentage point	6.22	4.52	4.24	
Other indicators:							
Liquidity ratio	RMB	56.68	48.70	an increase of 7.98 percentage points	59.98	55.39	40.77
	Foreign currency against RMB	97.69	165.37	a decrease of 67.68 percentage points	214.20	293.44	226.38
	Total	59.28	53.40	an increase of 5.88 percentage points	63.85	56.37	42.62
Proportion of loans to the single largest customer <sup>(10)</sup>		8.43	8.10	an increase of 0.33 percentage point	6.37	9.09	7.90
Proportion of loans to top ten customers <sup>(10)</sup>		56.43	50.57	an increase of 5.86 percentage points	48.13	55.24	47.59
Inter-bank ratio	Inter-bank (RMB)	0.27	0.37	a decrease of 0.10 percentage point	0.42	1.07	0.22
	Inter-bank loans ratio	0.64	0.27	an increase of 0.37 percentage point	0.32	0.17	0.14

- Notes: (1) Net interest spread is calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (2) Net interest margin is calculated by dividing net interest income by the average balance of total interest-earning assets.
- (3) Cost-to-income ratio is calculated by dividing total operating expenses (excluding tax and surcharges, etc.) by operating income.
- (4) NPL ratio equals the balance of non-performing loans divided by gross loans and advances to customers (excluding interests accrued).
- (5) Allowance coverage ratio equals the sum of allowance for impairment losses on the loans measured at amortised cost and allowance for impairment losses on the loans measured at fair value through other comprehensive income divided by the NPL balances.
- (6) Allowance to gross loan ratio equals the sum of allowance for impairment losses on the loans measured at amortised cost and allowance for impairment losses on the loans measured at fair value through other comprehensive income divided by gross loans and advances to customers (excluding interests accrued).
- (7) According to the relevant requirements of the Regulatory Requirement on Information Disclosure of Capital Composition in Commercial Banks (《關於商業銀行資本構成信息披露的監管要求》) and the Leverage Ratio Rules for Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》), the Bank disclosed the capital composition, leverage ratio and other statements for the Reporting Period on the website of the Bank ([www.cbhb.com.cn](http://www.cbhb.com.cn)).
- (8) The Bank calculates the capital adequacy ratios for each tier according to the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》).
- (9) The Bank calculates the leverage ratio according to the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), the Leverage Ratio Rules for Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》) and China Accounting Standards for Business Enterprises (中國企業會計準則).
- (10) Proportion of loans to the single largest customer and proportion of loans to top ten customers are the ratio of the gross loan of the single largest customer to the net capital and the ratio of the gross loan of the top ten customers to the net capital, respectively.

# Management Discussion and Analysis

## I. ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENT IN 2021

In 2021, with the support of macro and anti-epidemic policies, the global economy continued to recover. However, with the rapid mutation of the virus and the repeated spread of the epidemic worldwide in the second half of the year, problems such as debt, inflation, energy, and supply chains continued to ferment and escalate. Some monetary and fiscal policies of critical economies were adjusted or withdrawn. The global central banks' monetary policies represented by the Federal Reserve moved towards normalization. The global economic growth slowed down, the degree of divergence in countries' economic recovery increased, and the economic recovery situation of emerging economies became more severe. The Global Economic Outlook report of January 2022 released by the World Bank estimated that the global economy had increased by 5.5% in 2021, the developed economies had increased by 5%, and the emerging market and developing economies had increased by 6.3%.

China's economy was stable and improving and continued to recover. Against the background of increasing uncertainties in the international environment, the spread of the epidemic the domestic economy facing, and the high global commodity prices, the overall development momentum of our country's economy was good. The key macro indicators were in a reasonable range, where GDP growth was 8.1% in 2021, with an average two-year growth of 5.1%. By quarter, the year-on-year GDP growth for the first quarter was 18.3%, for the second quarter 7.9%, for the third quarter 4.9%, for the fourth quarter 4.0%. In terms of the contribution of the troika to economic growth, the contribution of net exports to China's economic growth in 2021 showed strong resilience, mainly benefiting from the export substitution effect and the support of foreign demand. From January to December 2021, compared with last year, the year-on-year growth for the total retail sales of consumer goods was 12.5%; the year-on-year growth for the national fixed asset investment (excluding rural households) was 4.9%; the year-on-year growth for the overall import and export of goods was 21.4%. Price data showed that the CPI growth was at a low level, and the PPI grew rapidly. For the whole year of 2021, the national consumer price increased by 0.9% from a year earlier, and the producer price of industrial products increased by 8.1% from a year earlier.

The financial aggregates grew steadily, and the support for the real economy was further increased. Since 2021, China has coordinated the work of epidemic prevention and control as well as economic and social development, and effectively implemented macro policies. The prudent monetary policy maintained flexible and precise, reasonable and moderate. Financial aggregates grew steadily. And macro leverage ratio maintained essential stability. There was faster development of credit in green, inclusive and other areas, and market interest rates have been stable with a decline. At the end of 2021, the year-on-year growth of China's Aggregate Financing to the Real Economy (stock) was 10.3%. Among them, the balance of RMB loans issued to the real economy was RMB191.54 trillion, representing a year-on-year increase of 11.6%; at the end of December, the year-on-year growth for the M2 was 9%.

Regulatory policies reinforce stable growth, structural adjustment and risk prevention. To guide financial institutions to increase support for the real economy, especially for the micro and small enterprises, science and technology innovation and green development, China made two cuts to the required reserve ratio in 2021, launched carbon emission reduction facility and special refinancing loans for clean and efficient use of coal to promote sustainable and high-quality development for the real economy. Regulatory authorities strengthened the prevention and resolution of financial risks, guided the healthy development of the real estate industry, strengthened the supervision of Internet loans, regulated the corporate governance of banks, further improved kinds of systems, such as macro prudential policy framework, financial infrastructure supervision, comprehensive statistics of the financial industry and issued the rules for supervisory rating of commercial banks, and the measures for the administration of credit reporting services.

## II. DEVELOPMENT STRATEGIES

The Bank's strategic vision is to become "a modern wealth and treasury manager offering the best experience (最佳體驗的現代財資管家)" and its mission is to "serve the national strategy, serve the real economy and serve the good life, create sustainable value for shareholders, create a broad stage for employees and fulfill legal person responsibility for society (服務國家戰略、服務實體經濟、服務美好生活，為股東創造持續價值，為員工打造廣闊舞台，為社會履行法人責任)." The Bank is based on the new development stage, implementing the new development concept and integrating into the new development pattern. During the Fourth "Five-Year Plan", the Bank insisted on transforming into a retail bank, a transaction bank and a light-model bank. The Bank focuses on building an eco-banking model of "Bank the world" to create five strategic capabilities of "Ecosystem" "Engaged" "Enable" "Everywhere" and "Engined" achieving comprehensive upgrade of business model. During the Fourth "Five-Year Plan", the Bank has accelerated the formation of a trinity of corporate, retail, and financial market business development. The retail banking business insists on using MAU operation as the starting point and AUM operation as the cornerstone, and enhancing customer value as the goal, providing customers/users with personalized, differentiated, and customized products and services through the "Plug & Play" business model to build the distinct competitive advantages for Bohai Bank. The corporate banking business adheres to the transformation direction of "Transaction Banking + FPA", and it realizes the change from asset pulling to asset leveraging through the "Platform Boosting" business model, which lays a solid foundation for the Bank's business transformation. The financial market business insists on taking trading as its soul, returning to its origin and creating value as its starting and ending point, and effectively helps the Bank's strategic transformation and business development through the "Supportive Activation" business model.

During the Fourth "Five-Year Plan" period, the Bank will build a strategic support system with "Seven New Infrastructure Construction" as the main body. The "Seven New Infrastructure Construction" includes FinTech, creative R&D, operation system, incentives and constraints, internal control & compliance, risk management, training and education. The FinTech system was positioned to strengthen technology empowering and drive the "light front platform, fast middle platform, strong back platform" comprehensive digital transformation. The creative R&D system is positioned to drive development with innovation, creating a flexible production system and an agile innovation bank. The operation system is located at "lifting weights as lightness", and the "weights" of operation enables the "lightness" of business. The incentives and constraints system is fighter-oriented, and gives play to the advantage of flexible mechanisms. The internal control & compliance system is located in the "prevention system" and "repair system" to enhance immunity. The risk management system is designed to enhance the ability of "risk control for the bank protection, taking the construction of "Risk 30+" as the support to realize the transformation from "management" to "empowering." The training and education system is designed to supplement digital talents, and we strive to raise the percentage of digital talents in our workforce to 20%.

## III. SCOPE OF BUSINESSES

The business scope of the Bank include: absorbing public deposits; offering short-term, medium-term and long-term loans; arranging settlement of domestic and international accounts; handling acceptance and discount of bill; issuing financial bonds; acting as agent to issue, settle and underwrite government bonds and proprietary trading bonds issued by government and financial institutions; inter-bank borrowing and lending; trading of foreign currencies by itself and on behalf of its customers; settling and selling foreign exchanges; bank card business; letters of credit and financial guarantees; acting as agent on inward and outward payments and acting as an insurance agent; offering safe-deposit facilities; derivative trading; securities investment custody, insurance fund custody; selling securities investment fund and other business approved by the banking regulatory institutions of the State Council. (Projects that are subject to approval in accordance with laws shall only be carried out upon approval by relevant authorities)



## IV. OVERALL OPERATING PERFORMANCE

In 2021, China's economy was in the process of recovery from major shocks including COVID-19. Meanwhile, various new changes arose at home and abroad, which made it more difficult to maintain stable operation of the economy. China Bohai Bank actively responded to the nation's call to benefit the real economy and support enterprise development. At the same time, the Bank overcame difficulties faced, firmly implemented strategic transformation and new development philosophy, formed a new development plan. The Bank promoted the upgrade of inclusive financial services, actively laid out on green finance, made efforts to serve rural revitalization, and vigorously met environmental changes and risk challenges, so as to promote high-quality development with high-quality party building. The Bank's major operational indicators achieved growth in stable, realizing an operating income of RMB29.194 billion and net profits of RMB8.630 billion, as well as maintaining constantly stable in respect of asset quality. With the gradual control on domestic epidemic, further revitalization on real economy and the effectivity of favorable policies such as relatively loose monetary policy, the operating environment of commercial banks will be positive as a whole, and the Bank's operating and management results, as well as capital market performance, will be further improved.

### Steady growth in the size of assets and liabilities

As of the end of the Reporting Period, total assets of the Bank amounted to RMB1,582.708 billion, representing an increase of RMB189.184 billion or 13.58% as compared to the end of the previous year, among which net loans and advances to customers amounted to RMB937.907 billion, representing an increase of RMB70.786 billion or 8.16% as compared to the end of the previous year. Total liabilities amounted to RMB1,476.144 billion, representing an increase of RMB185.866 billion or 14.41% as compared to the end of the previous year, among which deposits from customers amounted to RMB835.921 billion, representing an increase of RMB77.685 billion or 10.25% as compared to the end of the previous year. The scales of both deposits and loans realized rapid growth. During the Reporting Period, net profit of the Bank amounted to RMB8.630 billion, representing an increase of 2.19% as compared to the previous year, the overall profit remained stable.

### Continuous optimization of credit business structure

During the Reporting Period, the Bank actively promoted the efficient implementation of various strategic initiatives, concentrated on strengthening the financial support for manufacturing technology innovation, transformation and upgrading manufacturing enterprises. Meanwhile, it actively innovated credit management mechanisms and financial product systems, centered on the new industrial chain and innovation chain of manufacturing industry, and continuously promoted the growth of credit size for manufacturing enterprises. As of the end of the Reporting Period, the balance of the Bank's loans for the manufacturing industry amounted to RMB100.507 billion, representing an increase of RMB21.934 billion or 27.92% as compared to the end of the previous year. Furthermore, the Bank increased credit support for energy conservation and environmental protection enterprises and projects such as energy conservation and emission reduction, circular economy and clean energy, so as to promote the development of green credit business in an all-round manner. As of the end of the Reporting Period, the balance of green credit of the Bank amounted to RMB24.719 billion, representing an increase of RMB4.838 billion or 24.33% as compared to the end of the previous year.

### Continual stability in asset quality

As of the end of the Reporting Period, the balance of the non-performing loans of the Bank amounted to RMB16.835 billion, representing an increase of RMB1.121 billion as compared to the end of last year. The NPL ratio was 1.76%, representing a decrease of 0.01 percentage point as compared to the end of last year. Allowance for loans loss was adequate, the allowance for loan impairment of the Bank was RMB22.832 billion, representing a decrease of RMB2.121 billion as compared to the end of last year, whereas financial investment impairment provisions was RMB11.642 billion and other impairment provisions was RMB771 million. Allowance to gross loan ratio was 2.39%, and allowance coverage ratio was 135.63%. Asset quality was stable and allowance indicators met the regulatory requirements.

## V. ANALYSIS OF FINANCIAL STATEMENTS

### (I) Key Items in the Statement of Profit or Loss and Other Comprehensive Income

#### 1. Changes in items in the statement of profit or loss and other comprehensive income

During the Reporting Period, the Bank realized a net profit of RMB8.63 billion, representing an increase of 2.19% as compared to the previous year.

The following table sets forth the changes in key items in the statement of profit or loss and other comprehensive income for the periods indicated:

(Unit: RMB'000)

	2021	2020	Change	Change (%)
Net interest income	25,179,299	28,477,036	(3,297,737)	(11.58)
Net non-interest income	4,015,065	4,015,134	(69)	(0.00)
Operating income	29,194,364	32,492,170	(3,297,806)	(10.15)
Operating expenses	(10,212,572)	(9,182,900)	(1,029,672)	11.21
Impairment losses on assets	(8,677,995)	(13,224,178)	4,546,183	(34.38)
Profit before taxation	10,303,797	10,085,092	218,705	2.17
Income tax	(1,674,073)	(1,640,521)	(33,552)	2.05
Net profit	8,629,724	8,444,571	185,153	2.19
Total comprehensive income	5,778,017	7,513,156	(1,735,139)	(23.09)

#### 2. Net interest income

During the Reporting Period, the net interest income of the Bank amounted to RMB25.179 billion, representing a decrease of 11.58% as compared to the previous year.

##### (1) Net interest spread and net interest margin

During the Reporting Period, the net interest spread of the Bank was 1.61%, representing a decrease of 0.57 percentage point as compared to the previous year; and the net interest margin was 1.72%, representing a decrease of 0.63 percentage point as compared to the previous year.

The following table sets forth the interest-earning assets and interest-bearing liabilities of the Bank for the periods indicated:

(Unit: RMB'000)

	2021			2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Assets:						
Loans and advances to customers	949,353,014	48,770,205	5.14	813,182,773	46,689,830	5.74
Financial investments	332,018,866	11,754,529	3.54	273,884,632	11,461,869	4.18
Deposits with the central bank	78,690,209	1,009,503	1.28	74,866,111	1,047,020	1.40
Deposits with banks and other financial institutions	63,700,987	283,696	0.45	26,459,350	208,053	0.79
Placements with banks and other financial institutions	20,973,678	312,392	1.49	10,214,120	272,487	2.67
Financial assets held under resale agreements	19,833,513	387,763	1.96	13,667,815	227,950	1.67
<b>Total interest-earning assets</b>	<b>1,464,570,267</b>	<b>62,518,088</b>	<b>4.27</b>	<b>1,212,274,801</b>	<b>59,907,209</b>	<b>4.94</b>
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Liabilities:						
Deposits from customers	802,328,322	20,257,631	2.52	720,572,624	19,327,768	2.68
Deposits from banks and other financial institutions	187,768,911	5,544,708	2.95	94,150,338	2,508,869	2.66
Placements from banks and other financial institutions	54,955,422	577,466	1.05	25,091,549	502,793	2.00
Financial assets sold under repurchase agreements	33,900,838	761,082	2.25	30,503,300	630,760	2.07
Debt securities issued	255,119,654	8,095,150	3.17	210,324,409	6,551,656	3.12
Borrowing from the central bank	70,187,397	2,102,752	3.00	59,813,934	1,908,327	3.19
<b>Total interest-bearing liabilities</b>	<b>1,404,260,544</b>	<b>37,338,789</b>	<b>2.66</b>	<b>1,140,456,154</b>	<b>31,430,173</b>	<b>2.76</b>
Net interest income		25,179,299			28,477,036	
Net interest spread			1.61			2.18
Net interest margin			1.72			2.35

## (2) Interest income

During the Reporting Period, the interest income of the Bank amounted to RMB62.518 billion, representing an increase of 4.36% as compared to the previous year.

### *Interest income arising from loans and advances to customers*

During the Reporting Period, the Bank's interest income arising from loans and advances to customers amounted to RMB48.770 billion, representing a year-on-year increase of 4.46%, primarily due to an increase in the interest income of personal loans and discounted bills as compared to the same period of the previous year.

The following table sets forth the average balance, interest income and average yield for components of loans and advances to customers of the Bank for the periods indicated:

(Unit: RMB'000)

	2021			2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	553,498,010	25,548,884	4.62	518,874,332	27,082,088	5.22
Personal loans	336,516,875	21,465,193	6.38	267,148,844	18,758,719	7.02
Discounted bills	59,338,129	1,756,128	2.96	27,159,597	849,023	3.13
<b>Gross loans and advances to customers</b>	<b>949,353,014</b>	<b>48,770,205</b>	<b>5.14</b>	<b>813,182,773</b>	<b>46,689,830</b>	<b>5.74</b>

*Interest income arising from deposits with the central bank, deposits with banks and other financial institutions and placements with banks and other financial institutions and interest income arising from financial assets held under resale agreements*

During the Reporting Period, the Bank's interest income arising from deposits with the central bank, deposits with banks and other financial institutions and placements with banks and other financial institutions totaled RMB1,605 million, representing a year-on-year increase of 5.11%; and the interest income arising from financial assets held under resale agreements amounted to RMB388 million, representing a year-on-year increase of 70.11%.

*Interest income arising from financial investments*

During the Reporting Period, the Bank's interest income arising from financial investments amounted to RMB11,755 million, representing a year-on-year increase of 2.55%.

### (3) Interest expense

During the Reporting Period, the Bank's interest expense amounted to RMB37,339 million, representing a year-on-year increase of 18.80%.

*Interest expense on deposits from customers*

During the Reporting Period, the Bank's interest expense on deposits from customers amounted to RMB20,258 million, representing a year-on-year increase of 4.81%.

The following table sets forth the average balance, interest expense and average cost on deposits from customers of the Bank for the periods indicated:

(Unit: RMB'000)

	2021			2020		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
<b>Corporate deposits</b>	<b>541,788,424</b>	<b>14,515,970</b>	<b>2.68</b>	<b>429,974,198</b>	<b>10,790,225</b>	<b>2.51</b>
Of which: Demand deposits	161,019,638	1,461,285	0.91	162,329,484	1,213,861	0.75
Time deposits	380,768,786	13,054,685	3.43	267,644,714	9,576,364	3.58
<b>Personal deposits</b>	<b>121,832,761</b>	<b>3,341,834</b>	<b>2.74</b>	<b>80,604,433</b>	<b>2,328,284</b>	<b>2.89</b>
Of which: Demand deposits	37,791,429	127,603	0.34	22,902,271	82,040	0.36
Time deposits	84,041,332	3,214,231	3.82	57,702,162	2,246,244	3.89
Pledged deposits and others	138,707,137	2,399,827	1.73	209,993,993	6,209,259	2.96
<b>Gross deposits from customers</b>	<b>802,328,322</b>	<b>20,257,631</b>	<b>2.52</b>	<b>720,572,624</b>	<b>19,327,768</b>	<b>2.68</b>

*Interest expense on borrowing from the central bank, deposits from banks and other financial institutions and placements from banks and other financial institutions and interest expense on financial assets sold under repurchase agreements*

During the Reporting Period, the Bank's interest expense on borrowing from the central bank, deposits from banks and other financial institutions and placements from banks and other financial institutions totaled RMB8,225 million, representing a year-on-year increase of 67.17%; interest expense on financial assets sold under repurchase agreements amounted to RMB761 million, representing a year-on-year increase of 20.66%.

*Interest expense on debt securities issued*

During the Reporting Period, the Bank's interest expense on debt securities issued amounted to RMB8,095 million, representing a year-on-year increase of 23.56%.

(4) **Impact of changes in volume and interest rate on interest income and interest expense**

The following table sets forth the allocation of changes in the interest income and interest expense of the Bank due to changes in volume and changes in rate for the periods indicated:

(Unit: RMB'000)

	2021 vs. 2020 due to changes in volume	2021 vs. 2020 due to changes in rate	Net increase (decrease) (%)
Loans and advances to customers	6,959,472	(4,879,097)	4.46
Financial investments	2,045,522	(1,752,862)	2.55
Deposits with the central bank	52,322	(89,839)	(3.58)
Deposits with banks and other financial institutions	165,605	(89,962)	36.36
Placements with banks and other financial institutions	160,432	(120,527)	14.64
Financial assets held under resale agreements	120,176	39,637	70.11
<b>Changes in interest income</b>	<b>9,503,529</b>	<b>(6,892,650)</b>	<b>4.36</b>
Deposits from customers	2,082,779	(1,152,916)	4.81
Deposits from banks and other financial institutions	2,762,803	273,036	121.00
Placements from banks and other financial institutions	313,043	(238,370)	14.85
Financial assets sold under repurchase agreements	75,416	54,906	20.66
Debt securities issued	1,438,332	105,162	23.56
Borrowing from the central bank	308,071	(113,646)	10.19
<b>Changes in interest expense</b>	<b>6,980,444</b>	<b>(1,071,828)</b>	<b>18.80</b>
<b>Changes in net interest income</b>	<b>2,523,085</b>	<b>(5,820,822)</b>	<b>(11.58)</b>

Note: Changes in interest income and expense caused by both changes in volume and changes in rate have been allocated to the amount of impact of changes in volume on changes in interest income and expense.

### 3. Net non-interest income

During the Reporting Period, the net non-interest income of the Bank amounted to RMB4,015 million, same as the previous year.

#### (1) Net fee and commission income

During the Reporting Period, the net fee and commission income of the Bank amounted to RMB2,238 million, representing a decrease of 22.90% as compared to the previous year, primarily due to a decrease in agency service income and custodian service income.

The following table sets forth the principal components of the Bank's net fee and commission income for the periods indicated:

(Unit: RMB'000)

	2021	2020	Change (%)
<b>Fee and commission income</b>	<b>3,891,888</b>	<b>5,196,988</b>	<b>(25.11)</b>
Of which: Agency service fees	1,761,457	3,075,667	(42.73)
Settlement and clearing fees	738,739	591,198	24.96
Custodian service fees	501,052	770,970	(35.01)
Consulting service fees	401,420	284,057	41.32
Credit commitments and asset management fees	349,691	367,637	(4.88)
Bank card fees	71,262	47,851	48.92
Others	68,267	59,608	14.53
<b>Fee and commission expense</b>	<b>1,654,091</b>	<b>2,294,532</b>	<b>(27.91)</b>
Of which: Information service fees	1,386,952	2,023,435	(31.46)
Agency service fees	79,141	106,269	(25.53)
Consulting service fees	57,190	74,475	(23.21)
Settlement and clearing fees	54,790	39,289	39.45
Bank card fees	49,548	33,212	49.19
Others	26,470	17,852	48.27
<b>Net fee and commission income</b>	<b>2,237,797</b>	<b>2,902,456</b>	<b>(22.90)</b>

#### (2) Other net non-interest income

During the Reporting Period, other net non-interest income of the Bank amounted to RMB1,777 million, representing an increase of 59.73% as compared to the previous year.

The following table sets forth the principal components of other net non-interest income of the Bank for the periods indicated:

(Unit: RMB'000)

	2021	2020	Change (%)
Net trading gains	280,164	44,600	528.17
Net gains arising from investment securities	1,398,941	997,253	40.28
Other operating income	98,163	70,825	38.60
<b>Total</b>	<b>1,777,268</b>	<b>1,112,678</b>	<b>59.73</b>

#### 4. Operating expenses

During the Reporting Period, the operating expenses of the Bank amounted to RMB10.213 billion, representing an increase of 11.21% as compared to the previous year.

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

(Unit: RMB'000)

	2021	2020	Change (%)
Staff costs	6,042,879	5,447,384	10.93
Depreciation and amortisation	1,398,491	1,428,134	(2.08)
Taxes and surcharges	426,707	437,697	(2.51)
Interest expense on lease liabilities	141,067	165,020	(14.52)
Other general and administrative expenses	2,203,428	1,704,665	29.26
<b>Total</b>	<b>10,212,572</b>	<b>9,182,900</b>	<b>11.21</b>

#### 5. Impairment losses on assets

The Bank strictly followed the regulatory requirements to provide impairment losses on credit based on the principle of prudence. During the Reporting Period, the impairment losses on credit provided by the Bank amounted to RMB8.678 billion, representing a decrease of 34.38% as compared to the same period of the previous year, among which the impairment losses on loans and advances to customers amounted to RMB7.516 billion, the impairment losses on investments amounted to RMB1.654 billion, and other impairment losses reversed amounted to RMB492 million.

#### 6. Income tax

During the Reporting Period, the income tax of the Bank amounted to RMB1.674 billion and the effective tax rate was 16.25%. The increase in income tax was primarily due to an increase in profit before taxation.

The following table sets forth the difference between the income tax of the Bank and the calculation based on the statutory rate of 25% for the periods indicated:

(Unit: RMB'000)

	2021	2020	Change (%)
Profit before taxation	10,303,797	10,085,092	2.17
Income tax calculated at statutory tax rate of 25%	2,575,949	2,521,273	2.17
Tax impacts of the adjustment for:			
Non-deductible	314,746	254,518	23.66
Non-taxable income	(977,317)	(900,194)	8.57
Deductible items of interest expense on undated capital bonds	(237,500)	(237,500)	–
Others	(1,805)	2,424	N/A
Income tax	1,674,073	1,640,521	2.05

## (II) Balance Sheet Items

### 1. Items of assets

As of the end of the Reporting Period, the total assets of the Bank amounted to RMB1,582.708 billion, representing an increase of 13.58% as compared to the end of the previous year, which was mainly due to an increase in asset scale led by the rapid development of loans and advances to customers and financial investments.

The following table sets forth the composition of total assets of the Bank as of the dates indicated:

(Unit: RMB'000)

	December 31, 2021		December 31, 2020		Change (%)
	Amount	%	Amount	%	
Cash and deposits with the central bank	115,143,453	7.28	96,548,417	6.93	19.26
Deposits with banks and other financial institutions	27,730,508	1.75	27,805,363	2.00	(0.27)
Placements with banks and other financial institutions and financial assets held under resale agreements	9,262,262	0.59	6,063,668	0.44	52.75
Derivative financial assets	676,154	0.04	232,498	0.02	190.82
Loans and advances to customers	937,906,589	59.26	867,120,217	62.23	8.16
Financial investments	467,631,104	29.55	375,926,746	26.98	24.39
Property and equipment	3,585,904	0.23	3,630,154	0.26	(1.22)
Deferred tax assets	10,923,356	0.69	8,664,618	0.62	26.07
Right-of-use assets	3,921,702	0.25	3,976,754	0.29	(1.38)
Other assets	5,926,566	0.36	3,554,690	0.23	66.73
<b>Total assets</b>	<b>1,582,707,598</b>	<b>100.00</b>	<b>1,393,523,125</b>	<b>100.00</b>	<b>13.58</b>

#### (1) Loans and advances to customers

As of the end of the Reporting Period, the Bank's gross loans and advances to customers (including discounts) amounted to RMB955.355 billion, representing an increase of 7.64% as compared to the end of the previous year.

The following table sets forth the distribution of loans and advances to customers of the Bank by product type as of the dates indicated:

(Unit: RMB'000)

	December 31, 2021		December 31, 2020		Change (%)
	Amount	%	Amount	%	
Corporate loans and advances	537,239,254	56.23	546,118,850	61.53	(1.63)
Discounted bills	76,698,756	8.03	31,046,668	3.50	147.04
Personal loans	341,417,237	35.74	310,372,027	34.97	10.00
<b>Gross loans and advances to customers</b>	<b>955,355,247</b>	<b>100.00</b>	<b>887,537,545</b>	<b>100.00</b>	<b>7.64</b>
Interests accrued	5,296,053		4,408,520		
<b>Total</b>	<b>960,651,300</b>		<b>891,946,065</b>		



## (2) Financial investments

As of the end of the Reporting Period, the financial investments of the Bank amounted to RMB467.631 billion, representing an increase of 24.39% as compared to the end of the previous year.

The following table sets forth the composition of financial investments of the Bank as of the dates indicated:

(Unit: RMB'000)

	December 31, 2021		December 31, 2020		Change (%)
	Amount	%	Amount	%	
Financial investments measured at fair value through profit or loss	102,377,637	21.89	72,597,497	19.31	41.02
Financial investments measured at fair value through other comprehensive income	89,218,927	19.08	61,813,595	16.44	44.34
Financial investments measured at amortised cost	276,034,540	59.03	241,515,654	64.25	14.29
<b>Total</b>	<b>467,631,104</b>	<b>100.00</b>	<b>375,926,746</b>	<b>100.00</b>	<b>24.39</b>

Further details of the Bank's financial investments are set forth in "Audit Report and Financial Report: Notes to the Financial Statements" in this annual report.

The following table sets forth the top 10 financial bonds held by the Bank as of the end of the Reporting Period:

(Unit: RMB'000)

	Total price	Return rate (%)	Maturity
Financial bond A	5,920,000	3.06	2023-08-05
Financial bond B	4,070,000	3.30	2026-03-03
Financial bond C	4,030,000	2.20	2023-04-01
Financial bond D	4,020,000	3.02	2031-05-27
Financial bond E	4,020,000	3.19	2024-03-03
Financial bond F	3,510,000	3.34	2025-07-14
Financial bond G	3,280,000	3.35	2026-03-24
Financial bond H	3,250,000	2.25	2025-04-22
Financial bond I	3,100,000	3.45	2025-09-23
Financial bond J	3,020,000	2.00	2022-07-22

### (3) Financial derivatives transactions

The Bank's financial derivatives transactions mainly consist of interest rate swaps, foreign exchange swaps and foreign exchange forwards. The Bank flexibly uses various derivative financial instruments to hedge exchange rate and interest rate risks, and actively uses derivative financial instruments to hedge transaction risk exposure, manage the portfolio of liability position, optimize the structure of liability maturity and keep a sound trading style in order to cooperate with the Bank's liquidity management.

As of the end of the Reporting Period, the contractual amounts and fair value of the main types of unexpired derivative financial instruments held by the Bank are set out as follows:

(Unit: RMB'000)

	December 31, 2021			December 31, 2020		
	Contract/ Notional amount	Fair value		Contract/ Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Interest rate swaps	201,286,476	47,291	(38,405)	130,258,400	82,861	(73,125)
Exchange rate swaps	59,174,936	17,386	(356,177)	25,338,865	16,575	(255,739)
Exchange rate forwards	43,299,707	577,205	(521,346)	6,921,165	123,941	(115,620)
Precious metal swaps	2,748,971	6,134	(84,366)	2,739,600	-	(82,149)
Option contracts	1,676,974	28,138	(25,548)	1,725,576	9,121	(6,531)
<b>Total</b>	<b>308,187,064</b>	<b>676,154</b>	<b>(1,025,842)</b>	<b>166,983,606</b>	<b>232,498</b>	<b>(533,164)</b>

## 2. Items of liabilities

As of the end of the Reporting Period, the total liabilities of the Bank amounted to RMB1,476.144 billion, representing an increase of 14.41% as compared to the end of the previous year, which was mainly due to an increase in total liabilities led by the increase of deposits from customers, deposits from banks and other financial institutions, placements from banks and other financial institutions and debt securities issued.

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

(Unit: RMB'000)

	December 31, 2021		December 31, 2020		Change (%)
	Amount	%	Amount	%	
Borrowing from the central bank	78,846,876	5.34	71,592,485	5.55	10.13
Deposits from banks and other financial institutions	171,542,080	11.62	130,273,359	10.10	31.68
Placements from banks and other financial institutions	60,198,745	4.08	31,920,614	2.47	88.59
Derivative financial liabilities	1,025,842	0.07	533,164	0.04	92.41
Financial assets sold under repurchase agreements	68,199,110	4.62	52,406,083	4.06	30.14
Deposits from customers	835,920,665	56.63	758,235,794	58.77	10.25
Income tax payable	1,224,898	0.08	2,485,405	0.19	(50.72)
Debt securities issued	242,598,064	16.43	225,154,090	17.45	7.75
Lease liabilities	4,047,564	0.27	4,136,314	0.32	(2.15)
Other liabilities	12,539,677	0.86	13,539,987	1.05	(7.39)
<b>Total liabilities</b>	<b>1,476,143,521</b>	<b>100.00</b>	<b>1,290,277,295</b>	<b>100.00</b>	<b>14.41</b>

Note: As of December 31, 2021, of the RMB78,846,876 thousand borrowed from the central bank, the amount borrowed at fixed interest rate was RMB77,900,000 thousand, and the interest payable to the central bank was RMB946,876 thousand.

### Deposits from customers

As of the end of the Reporting Period, the gross deposits from customers of the Bank amounted to RMB820.589 billion, representing an increase of 9.89% as compared to the end of the previous year.

The following table sets forth the distribution of deposits from customers of the Bank by product type and customer type as of the dates indicated:

(Unit: RMB'000)

	December 31, 2021		December 31, 2020		Change (%)
	Amount	%	Amount	%	
<b>Corporate deposits</b>	<b>556,129,430</b>	<b>67.77</b>	<b>476,289,401</b>	<b>63.78</b>	<b>16.76</b>
Of which: Demand deposits	175,579,642	21.40	187,615,249	25.12	(6.42)
Time deposits	380,549,788	46.37	288,674,152	38.66	31.83
<b>Personal deposits</b>	<b>134,931,535</b>	<b>16.44</b>	<b>101,942,200</b>	<b>13.65</b>	<b>32.36</b>
Of which: Demand deposits	47,169,584	5.75	20,467,078	2.74	130.47
Time deposits	87,761,951	10.69	81,475,122	10.91	7.72
Pledged deposits	129,299,647	15.76	168,289,715	22.54	(23.17)
Fiscal deposits	138,608	0.02	119,136	0.02	16.34
Inward and outward remittances	89,937	0.01	85,331	0.01	5.40
<b>Gross deposits from customers</b>	<b>820,589,157</b>	<b>100.00</b>	<b>746,725,783</b>	<b>100.00</b>	<b>9.89</b>
Interests accrued	15,331,508		11,510,011		
<b>Total</b>	<b>835,920,665</b>		<b>758,235,794</b>		

The following table sets forth the distribution of the Bank's deposits from customers by currency as of the dates indicated:

(Unit: RMB'000)

	December 31, 2021		December 31, 2020		Change (%)
	Amount	%	Amount	%	
RMB	707,696,923	84.66	674,607,125	88.97	4.91
Foreign currency against RMB	128,223,742	15.34	83,628,669	11.03	53.33
<b>Total</b>	<b>835,920,665</b>	<b>100.00</b>	<b>758,235,794</b>	<b>100.00</b>	<b>10.25</b>

### 3. Total equity

As of the end of the Reporting Period, the total equity of the Bank amounted to RMB106.564 billion, representing an increase of RMB3.318 billion or 3.21% as compared to the end of the previous year, primarily due to an increase of net profit of the Bank during the Reporting Period.

The following table sets forth the composition of the items in the Bank's total equity as of the dates indicated:

(Unit: RMB'000)

	December 31, 2021	December 31, 2020	Change (%)
Share capital	17,762,000	17,762,000	–
Other equity instruments	19,961,604	19,961,604	–
Other comprehensive income	(2,813,629)	38,078	N/A
Capital reserve	10,732,077	10,732,077	–
Surplus reserve	6,731,609	5,868,637	14.70
General reserve	19,496,787	17,664,811	10.37
Retained earnings	34,693,629	31,218,623	11.13
<b>Total</b>	<b>106,564,077</b>	<b>103,245,830</b>	<b>3.21</b>

### 4. Off-balance sheet items that may have a significant impact on the financial position and operating results

The off-balance sheet items of the Bank are set out in "Audit Report and Financial Report: Notes to the Financial Statements" in this annual report.

### 5. Market share of primary goods or services

According to the Statements of Incomes and Expenditures Related to Lendings from Banks published by the PBoC in December 2021, as of the end of the Reporting Period, the market share of the gross deposits and loans of the Bank among the 12 national joint-stock commercial banks in Mainland China is as follows:

	Market share (%)
Gross deposits	2.27
Of which: Gross savings deposits	1.62
Gross loans	2.58

## (III) Items of the Cash Flow Statement

During the Reporting Period, net cash flow generated from operating activities of the Bank amounted to RMB82.988 billion, of which cash outflow generated from changes in operating assets amounted to RMB95.081 billion, cash inflow generated from changes in operating liabilities amounted to RMB167.128 billion. Net cash flow used in the investment activities of the Bank amounted to RMB76.070 billion, of which proceeds from disposal sale and redemption of investments amounted to RMB410.355 billion, payments on acquisition of investments amounted to RMB495.220 billion. Net cash flow generated from financing activities of the Bank amounted to RMB5.878 billion, of which proceeds from debt securities issued amounted to RMB405.497 billion, repayment of debt securities issued amounted to RMB389.014 billion.

## (IV) Other Financial Information

### 1. *The items with change rate over 30% in the accounting statements and the brief analysis on the reasons*

(Unit: RMB'000)

Items of balance sheet	December 31, 2021	December 31, 2020	Change (%)	Main reasons for changes during the Reporting Period
Placements with banks and other financial institutions	9,262,262	6,063,668	52.75	Increase in placements with domestic financial institutions
Derivative financial assets	676,154	232,498	190.82	Increase in derivative financial assets
Financial investments measured at fair value through profit or loss	102,377,637	72,597,497	41.02	Increase in debt securities and investment funds as well as trust plans and asset management plans
Financial investments measured at fair value through other comprehensive income	89,218,927	61,813,595	44.34	Increase in investment debt securities
Other assets	5,926,566	3,554,690	66.73	Increase in investment funds payment and interest receivable
Deposits from banks and other financial institutions	171,542,080	130,273,359	31.68	Increase in deposits from domestic banks and other financial institutions
Placements from banks and other financial institutions	60,198,745	31,920,614	88.59	Increase in domestic and foreign placements from banks
Derivative financial liabilities	1,025,842	533,164	92.41	Increase in derivative financial liabilities
Financial assets sold under repurchase agreements	68,199,110	52,406,083	30.14	Increase in financial assets sold under repurchase agreements
Income tax payable	1,224,898	2,485,405	(50.72)	Decrease in income tax payable
Other comprehensive income	(2,813,629)	38,078	N/A	Decrease in fair value of equity instruments at fair value through other comprehensive income

Items of statement of profit or loss and other comprehensive income	2021	2020	Change (%)	Main reasons for changes during the Reporting Period
Net trading gains	280,164	44,600	528.17	Increase in net gains from equity investments, net gains from bonds and decrease in net losses from derivative investments
Net gains arising from investment securities	1,398,941	997,253	40.28	Increase in net gain on financial investment at fair value through profit or loss and net gain on disposal of financial investment at amortized cost
Other operating income	98,163	70,825	38.60	Increase in government grants
Impairment losses on assets	(8,677,995)	(13,224,178)	(34.38)	Decrease in impairment losses on financial investments and credit commitments
Other comprehensive income, net of tax	(2,851,707)	(931,415)	N/A	Decrease in fair value of equity instruments at fair value through other comprehensive income

### 2. *Pledge of assets*

Details for the pledge of assets of the Bank are set out in "Audit Report and Financial Report: Notes to the Financial Statements" in this annual report.

### 3. *Overdue and outstanding debts*

The Bank had no overdue and outstanding debts as of the end of the Reporting Period.

## VI. ANALYSIS OF CAPITAL ADEQUACY RATIOS

As of the end of the Reporting Period, the Bank calculated the capital adequacy ratios at all levels in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and other relevant regulatory requirements, among which, the core tier 1 capital adequacy ratio was 8.69%, the tier 1 capital adequacy ratio was 10.76% and the capital adequacy ratio was 12.35%, all of which were in compliance with the regulatory requirements.

In calculating its capital adequacy ratio, the Bank considers itself and the financial institutions it invests directly or indirectly in compliance with the requirements of the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》). The items related to capital adequacy ratios at all levels calculated by the Bank in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and the relevant requirements are as follows:

(Unit: RMB'000)

	December 31, 2021	December 31, 2020
Core tier 1 capital	86,602,473	83,572,689
Core tier 1 capital regulatory deductions	(2,454,831)	(468,892)
Net core tier 1 capital	84,147,642	83,103,797
Other tier 1 capital	19,961,604	19,961,604
Net tier 1 capital	104,109,246	103,065,401
Tier 2 capital	15,394,751	10,056,377
Of which: Qualifying portion of tier 2 capital instruments enjoying favorable policies during the transitional period	408,562	817,124
Tier 2 capital regulatory deductions	—	—
Net capital	119,503,997	113,121,778
Capital adequacy ratio (%)	12.35	12.08
Tier 1 capital adequacy ratio (%)	10.76	11.01
Core tier 1 capital adequacy ratio (%)	8.69	8.88

Note: Capital adequacy ratio = net capital/risk-weighted assets\*100%. See table below for details of risk-weighted assets.

The following table sets forth the risk-weighted assets calculated by the Bank in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), among which, credit risk-weighted assets are calculated using the method of weighting, market risk-weighted assets are calculated using the standardized approach, and operational risk-weighted assets are calculated using basic indicator approach.

(Unit: RMB'000)

	December 31, 2021	December 31, 2020
<b>Credit risk-weighted assets</b>	<b>904,314,644</b>	<b>881,225,155</b>
Of which: On-balance sheet credit risk	850,942,779	819,831,605
Off-balance sheet credit risk	52,113,951	60,787,483
Counterparty credit risk	1,257,914	606,067
Market risk-weighted assets	7,622,511	2,622,352
Operational risk-weighted assets	55,846,759	52,259,283
<b>Total risk-weighted assets</b>	<b>967,783,914</b>	<b>936,106,790</b>

According to the information disclosure requirements on asset securitization in Appendix 15 of the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), as of the end of the Reporting Period, the Bank's on-balance sheet credit risk exposure included RMB53.040 billion of on-balance sheet asset securitization risk exposure and RMB10.608 billion of risk-weighted assets.

## VII. LEVERAGE RATIO

During the Reporting Period, the Bank measured the leverage ratio pursuant to the Leverage Ratio Rules for Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》) and relevant regulatory rules as follows:

(Unit: RMB'000)

	December 31, 2021	December 31, 2020
Tier 1 capital	106,564,077	103,534,293
Tier 1 capital deductions	(2,454,831)	(468,892)
Total adjusted on-balance sheet and off-balance sheet assets	1,840,929,792	1,630,457,496
Of which: Total adjusted on-balance sheet assets	1,579,576,613	1,388,973,883
Total adjusted off-balance sheet assets	257,449,988	238,803,364
Others	3,903,191	2,680,249
Leverage ratio (%)	5.66	6.32

Note: "Others" include the assets balance of derivatives and securities financing transactions.

## VIII. SEGMENT REPORTING

The following table shows the segment performance of the Bank by business segment for the periods indicated:

(Unit: RMB'000)

	2021		2020	
	Operating income	Profit before taxation	Operating income	Profit before taxation
Corporate banking	12,985,310	3,333,055	13,936,171	5,662,397
Retail banking	10,351,875	3,793,616	8,617,163	2,350,749
Financial markets	5,742,493	3,316,576	9,549,509	1,855,100
Others	114,686	(139,450)	389,327	216,846
<b>Total</b>	<b>29,194,364</b>	<b>10,303,797</b>	<b>32,492,170</b>	<b>10,085,092</b>

The following table shows the segment performance of the Bank by geographic region for the periods indicated:

(Unit: RMB'000)

	2021		2020	
	Operating income	Profit before taxation	Operating income	Profit before taxation
Northern and Northeastern China	16,713,854	5,497,224	20,358,742	7,312,177
Eastern China	5,516,553	2,420,915	5,333,119	685,611
Central and Southern China	5,098,228	1,368,924	4,855,826	922,032
Western China	1,865,729	1,016,734	1,944,483	1,165,272
<b>Total</b>	<b>29,194,364</b>	<b>10,303,797</b>	<b>32,492,170</b>	<b>10,085,092</b>

## IX. LOAN QUALITY ANALYSIS

### (I) Distribution of Loans by Five-category Classification

(Unit: RMB'000)

	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Normal loans	911,529,352	95.41	846,131,237	95.34
Special mention loans	26,991,348	2.83	25,692,529	2.89
<b>NPLs</b>	<b>16,834,547</b>	<b>1.76</b>	<b>15,713,779</b>	<b>1.77</b>
Of which: Substandard loans	7,773,484	0.81	8,633,726	0.97
Doubtful loans	6,045,599	0.63	4,852,977	0.55
Loss loans	3,015,464	0.32	2,227,076	0.25
<b>Gross loans and advances to customers</b>	<b>955,355,247</b>	<b>100.00</b>	<b>887,537,545</b>	<b>100.00</b>

### (II) Loan Migration

(Unit: %)

	December 31, 2021	December 31, 2020	December 31, 2019
Migration rate of normal loans	3.00	4.57	2.71
Migration rate of special mention loans	19.62	12.16	22.84
Migration rate of substandard loans	89.73	83.46	76.28
Migration rate of doubtful loans	17.24	12.08	13.98

### (III) Distribution of Loans and NPLs by Product Type

(Unit: RMB'000)

	December 31, 2021				December 31, 2020			
	Amount	%	NPL amount	NPL ratio (%)	Amount	%	NPL amount	NPL ratio (%)
<b>Corporate loans and advances</b>	<b>537,239,254</b>	<b>56.23</b>	<b>11,935,572</b>	<b>2.22</b>	<b>546,118,850</b>	<b>61.53</b>	<b>12,728,869</b>	<b>2.33</b>
Of which: Short-term corporate loans	233,536,298	24.44	6,589,514	2.82	202,826,916	22.85	8,116,015	4.00
Medium - and long-term corporate loans	303,702,956	31.79	5,346,058	1.76	343,291,934	38.68	4,612,854	1.34
<b>Discounted bills</b>	<b>76,698,756</b>	<b>8.03</b>	-	-	<b>31,046,668</b>	<b>3.50</b>	-	-
Of which: Bank acceptance bills	74,255,944	7.77	-	-	24,189,841	2.73	-	-
Commercial acceptance bills	2,442,812	0.26	-	-	6,856,827	0.77	-	-
<b>Personal loans</b>	<b>341,417,237</b>	<b>35.74</b>	<b>4,898,975</b>	<b>1.43</b>	<b>310,372,027</b>	<b>34.97</b>	<b>2,984,910</b>	<b>0.96</b>
Of which: Residential and commercial housing loans	191,493,666	20.04	819,453	0.43	167,701,283	18.90	500,713	0.30
Personal consumption loans	103,737,632	10.86	3,553,159	3.43	117,005,285	13.18	2,139,312	1.83
Personal business loans	46,185,939	4.84	526,363	1.14	25,665,459	2.89	344,885	1.34
<b>Gross loans and advances to customers</b>	<b>955,355,247</b>	<b>100.00</b>	<b>16,834,547</b>	<b>1.76</b>	<b>887,537,545</b>	<b>100.00</b>	<b>15,713,779</b>	<b>1.77</b>



**(IV) Distribution of Corporate Loans and NPLs by Industry**

(Unit: RMB'000)

	December 31, 2021				December 31, 2020			
	Amount	%	NPL amount	NPL ratio (%)	Amount	%	NPL amount	NPL ratio (%)
Lease and business services	180,718,892	18.91	1,739,708	0.96	171,383,263	19.31	3,135,737	1.83
Manufacturing	100,507,008	10.52	3,236,795	3.22	78,572,827	8.85	3,841,511	4.89
Real estate	75,817,353	7.94	2,811,659	3.71	111,774,970	12.59	2,385,067	2.13
Water conservancy, environment and public facilities management	60,174,126	6.30	71,073	0.12	57,281,338	6.45	59,876	0.10
Wholesale and retail	44,945,025	4.70	2,217,513	4.93	46,695,083	5.26	1,781,545	3.82
Construction	26,574,895	2.78	991,811	3.73	25,998,522	2.93	284,057	1.09
Transportations and communications, storage and post	13,109,144	1.37	46,021	0.35	15,266,620	1.72	42,528	0.28
Production and supply of electricity, heat, gas and water	9,554,863	1.00	5,939	0.06	8,434,143	0.95	4,939	0.06
Mining	8,745,021	0.92	155,693	1.78	10,576,481	1.19	184,837	1.75
Finance	5,805,897	0.61	-	-	5,220,010	0.59	500,000	9.58
Agriculture, forestry, animal husbandry and fishery	2,049,445	0.21	-	-	2,381,667	0.27	-	-
Education	1,707,452	0.18	-	-	2,712,058	0.31	-	-
Public health and social work	1,679,583	0.18	170,000	10.12	2,588,730	0.29	170,000	6.57
Others	5,850,550	0.61	489,360	8.36	7,233,138	0.82	338,772	4.68
<b>Corporate loans and advances</b>	<b>537,239,254</b>	<b>56.23</b>	<b>11,935,572</b>	<b>2.22</b>	<b>546,118,850</b>	<b>61.53</b>	<b>12,728,869</b>	<b>2.33</b>

**(V) Distribution of Loans and NPLs by Geographical Areas**

(Unit: RMB'000)

	December 31, 2021				December 31, 2020			
	Amount	%	NPL amount	NPL ratio (%)	Amount	%	NPL amount	NPL ratio (%)
Northern and Northeastern China	395,136,402	41.36	7,459,702	1.89	389,592,957	43.89	6,510,978	1.67
Eastern China	240,292,222	25.15	2,777,614	1.16	211,867,272	23.87	2,242,715	1.06
Central and Southern China	232,967,007	24.39	5,994,187	2.57	209,862,150	23.65	6,445,485	3.07
Western China	86,959,616	9.10	603,044	0.69	76,215,166	8.59	514,601	0.68
<b>Gross loans and advances to customers</b>	<b>955,355,247</b>	<b>100.00</b>	<b>16,834,547</b>	<b>1.76</b>	<b>887,537,545</b>	<b>100.00</b>	<b>15,713,779</b>	<b>1.77</b>

**(VI) Distribution of Loans and NPLs by Security Type**

(Unit: RMB'000)

	December 31, 2021				December 31, 2020			
	Amount	%	NPL amount	NPL ratio (%)	Amount	%	NPL amount	NPL ratio (%)
Collateralized loans	303,198,889	31.74	4,432,025	1.46	294,096,608	33.14	3,313,043	1.13
Pledged loans	128,118,417	13.41	3,213,644	2.51	95,062,754	10.71	3,131,023	3.29
Guaranteed loans	272,839,508	28.56	5,316,299	1.95	275,929,006	31.09	6,876,835	2.49
Unsecured loans	174,499,677	18.26	3,872,579	2.22	191,402,509	21.56	2,392,878	1.25
Discounted bills	76,698,756	8.03	-	-	31,046,668	3.50	-	-
<b>Gross loans and advances to customers</b>	<b>955,355,247</b>	<b>100.00</b>	<b>16,834,547</b>	<b>1.76</b>	<b>887,537,545</b>	<b>100.00</b>	<b>15,713,779</b>	<b>1.77</b>

**(VII) Distribution of Loans by Overdue Period**

As of the end of the Reporting Period, the Bank's overdue loans amounted to RMB38,555.77 million, representing an increase of RMB13,905.56 million as compared to the end of the previous year.

(Unit: RMB'000)

	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Overdue within three months	24,010,144	2.51	10,606,590	1.20
Overdue more than three months to one year	6,286,462	0.66	8,270,669	0.93
Overdue more than one year to three years	6,256,132	0.65	4,069,444	0.46
Overdue more than three years	2,003,029	0.21	1,703,509	0.19
<b>Total overdue loans</b>	<b>38,555,767</b>	<b>4.03</b>	<b>24,650,212</b>	<b>2.78</b>
<b>Gross loans and advances to customers</b>	<b>955,355,247</b>	<b>100.00</b>	<b>887,537,545</b>	<b>100.00</b>

**(VIII) Loans to Ten Largest Customers Who Are Single Borrowers**

(Unit: RMB'000)

Borrowers	Industry	December 31, 2021			
		Amount	NPL amount	% of net capital base	% of gross loans
Customer A	Manufacturing	10,071,929	–	8.43	1.05
Customer B	Manufacturing	9,419,741	–	7.88	0.99
Customer C	Lease and business services	7,717,349	–	6.46	0.81
Customer D	Manufacturing	6,463,114	–	5.41	0.68
Customer E	Lease and business services	6,437,748	–	5.39	0.67
Customer F	Manufacturing	5,759,997	–	4.82	0.60
Customer G	Construction	5,736,000	–	4.80	0.60
Customer H	Manufacturing	5,632,616	–	4.71	0.59
Customer I	Manufacturing	5,402,345	–	4.52	0.57
Customer J	Lease and business services	4,791,000	–	4.01	0.50
<b>Total</b>	–	<b>67,431,839</b>	–	<b>56.43</b>	<b>7.06</b>

**(IX) Restructured Loans**

Restructured loans refer to those loans that the financial status of the relevant borrowers deteriorates, or that borrowers are not capable of repaying and therefore certain clauses on the loan contract are adjusted. As of the end of the Reporting Period, the Bank's balance of restructured loans amounted to RMB1,386.1089 million, representing a decrease of 71.88% as compared to the end of the previous year.

**(X) Repossessed Assets**

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

**(XI) Risk Management on Credit Extension to Group Customers**

Our Bank has attached great importance to the risk management on credit extension to group customers, and has achieved online management of group customer relationships with ever-growing management capabilities. In the process of investigation, evaluation and review of credit extension to group customers, we have strengthened the identification and prevention of overall risk to group customers, and avoided the uncertainties caused by complex equity structure and diversified expansion operations. We have focused on the review of the authenticity of the background of the credit extension plan and the reliability of the source of repayment, preventing enterprises from whitewashing the statements and transferring funds through improper related transactions. We have been aiming to strengthen the identification for group customers' overall development trend. In principle, we have been making sure the credit extension funds are invested in the core enterprises and core sectors, preventing misappropriation of funds, long-term use of short-term loans, and credit funds from entering the construction or operations of other sectors. We have been conducting in-depth analysis to group customers' scale, growth, risk tolerance and existing credit extensions of other banks and other factors. Combining with the Bank's capital scale and risk tolerance, we have reasonably determined the overall credit line for group customers, and prevented the risk of excessive concentration of credit extension. We have established an early warning mechanism to provide early warnings and take corresponding risk control measures in time by collecting and analyzing relevant information of group customers.

## (XII) Disposal of Non-Performing Assets

As of the end of the Reporting Period, the Bank had disposed of RMB18,152 million of non-performing assets through means such as cash collection, write-off of bad debts, and bankruptcy reorganization.

## (XIII) Allowance for Loan Impairment

### 1. Loans and advances to customers measured at amortised cost

(Unit: RMB'000)

	2021	2020
Opening balance	24,825,848	23,600,871
Charge	7,555,292	6,694,215
Transfer out	(3,471,058)	(2,623,253)
Write-off	(6,316,008)	(2,949,112)
Recoveries	161,633	114,136
Exchange rate changes and others	(10,996)	(11,009)
<b>Closing balance</b>	<b>22,744,711</b>	<b>24,825,848</b>

### 2. Loans and advances to customers measured at fair value through other comprehensive income

(Unit: RMB'000)

	2021	2020
Opening balance	127,184	37,215
(Reversal)/charge	(39,747)	89,969
Transfer out	—	—
Write-off	—	—
Recoveries	—	—
Exchange rate changes and others	—	—
<b>Closing balance</b>	<b>87,437</b>	<b>127,184</b>

## (XIV) Large Exposure

The Bank has strictly implemented the regulatory requirements of the Rules on Large Exposure of Commercial Banks (《商業銀行大額風險暴露管理辦法》) and effectively promoted the management of large exposures. The Bank had established a large exposure management system to continuously refine large exposure management, timely monitor changes in large exposures, and periodically submit statistical reports to regulatory authorities. Meanwhile, the large exposure management system has been constructed to explore real-time monitoring and early warning of large exposures. During the Reporting Period, all large exposures of the Bank at the end of each quarter met expected requirements.

## X. OTHER INFORMATION DISCLOSED PURSUANT TO REGULATORY REQUIREMENTS

According to the Guidelines for the Disclosure of the Indicators for Assessing Global Systemic Importance of Commercial Banks, the 2021 global systemic importance assessment indicators of the Bank are set out as follows:

(Unit: RMB'000)

No.	Indicators	Value
1	Adjusted on-balance and off-balance sheet assets	1,840,929,792
2	Intra-financial system assets	359,198,552
3	Intra-financial system liabilities	456,216,659
4	Securities and other financing instruments	440,944,084
5	Payments settled via payment systems or correspondent banks	22,132,194,558
6	Assets under custody	1,885,668,934
7	Underwritten transactions in debt and equity markets	108,038,099
8	Notional amount of over-the-counter derivatives	308,187,064
9	Trading and available for sale securities	70,714,276
10	Level 3 assets	7,250,378
11	Cross-jurisdictional claims	28,502,289
12	Cross-jurisdictional liabilities	32,012,540

## XI. MAIN BUSINESS OPERATION AND MANAGEMENT

### (I) Corporate Banking Business

During the Reporting Period, the corporate banking adhered to the business philosophy of "serving national strategic objectives, focusing on target customers, market demand, business characteristics, risk control and comprehensive income" (以服務國家戰略目標為根本宗旨，以目標客戶為中心、以市場需求為導向、以業務特色為主線、以風險控制為關鍵，以綜合收益為目標)，focused on key areas of the real economy and such weak links as private enterprises and micro and small finance, actively integrated into the coordinated development of the region, promoted customer expansion in an orderly manner, continuously optimized the credit structure, and constantly consolidated our ability in financial risk prevention and control, so as to maintain steady development of all businesses.

### ***Customer building***

During the Reporting Period, the corporate banking adhered to the customer-first concept, continuously expanded the Bank's basic customer base. We specifically conducted the professional marketing for targeted customers, carried out stratified management of different customer bases such as strategic customers, group customers, institutional customers and micro and small customers, and provided professional financial services. By continuously creating a diversified product and service system, the Bank provided customers with high-quality and efficient financial services in order to achieve win-win situation for both customers and the Bank.

### ***Liability business***

During the Reporting Period, the Bank firmly adhered to the operation direction of "building a bank founded on the deposits", and continued to strengthen the stabilization of deposits and increase of deposits. We continued to broaden deposit sources, improve product systems, optimize business functions, explored on the growth potential of customer deposits, vigorously expanded institutional deposits and green deposits, thereby achieving a steady growth of corporate deposits. As of the end of the Reporting Period, the gross corporate deposits amounted to RMB556.129 billion, representing an increase of RMB79.840 billion or 16.76% as compared to the end of the previous year.

### ***Asset business***

During the Reporting Period, the corporate banking was oriented to serve the real economy, optimized credit structure, actively supported manufacturing, private, green finance and agriculture-related fields, controlled loan placement in real estate, local government financing vehicles and other fields in strict accordance with regulatory guidance, improved the fit between business layout and real economy, and stimulated new momentum of transformation. As of the end of the Reporting Period, the gross corporate loans amounted to RMB537.239 billion, representing a decrease of RMB8.880 billion or 1.63% as compared to the end of the previous year.

### ***Investment banking business***

During the Reporting Period, the investment banking business continued to develop rapidly, driven by the bond underwriting business and non-debt investment banking business, completing the annual operation target. The bond underwriting business realized the implementation of innovative products such as energy conservation bonds, Panda + rural revitalization double label bonds, revolutionary old areas + rural revitalization double label bonds, carbon neutral bonds, entrepreneurship and innovation bonds and green bonds, with the product innovation capability continuously improved. While consolidating the advantages of debt underwriting business, the non-debt investment banking business such as asset flow, M&A finance, consulting, transaction aggregation and corporate wealth management also achieved steady development.

### ***Asset custodian business***

During the Reporting Period, the corporate banking explored the direction of custodian business transformation and development based on technology empowerment, continuously consolidated the business foundation, improved customer service capability and maintained the steady development of custodian business. First, we took multiple measures to increase the efforts for transformation and development of custodian business; second, we improved the system and process construction to enhance the intelligent operation capability; third, we strengthened the system and process revision to enhance the compliance operation capability. As of the end of the Reporting Period, the custodian and outsourcing business reached a scale of RMB1,885.669 billion and yielded a revenue of RMB501 million for the whole year. According to the latest statistics for 2021 from the China Banking Association, the Bank ranks 19th among all 27 qualified custodian banks in terms of total assets in custody, and 20th in terms of custodian fee income. Our custody services cover 21 products of 9 categories.

### ***Transaction banking business***

During the Reporting Period, transaction banking initially formed four major product and service systems, including "wealth management + e-banking + cross-boundary services + supply chain finance". We have strengthened our customer base by exploring scenario-based supply chain business and cash management business, and improved customer experience through the trial implementation of the new version of Internet banking. The transformation of transaction banking is underway through the enhancement of international business capabilities with products and services. As of the end of the Reporting Period, the Bank realized international settlement of USD87.551 billion, representing a year-on-year increase of 67.85%. The Bank's transaction banking intermediary business realized an income of RMB1.114 billion, representing a year-on-year increase of 16.04%; the year-end balance of three off-balance sheet businesses (bank acceptances, letters of credit, letters of guarantees) was RMB300.802 billion, representing a year-on-year increase of 7.91%.

### ***Inclusive finance business***

During the Reporting Period, the Bank conscientiously implemented the decision and deployment of the Communist Party of China and the State Council on inclusive finance, followed the general requirements of "Stability on Six Key Fronts (namely, employment, the finance sector, foreign trade, foreign investment, domestic investment, and expectations) (六稳)" and "Security in Six Key Areas (namely, job security, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments) (六保)", raised its political status, strengthened its responsibility and always taking the provision of service to the real economy as the starting point and the ultimate goal. The Bank had set inclusive finance as an important strategy for its transformation and development, and placed it in a more prominent position. In terms of business promotion, the Bank adhered to the development strategy of "getting bigger in short term and better in long term", focused on the business direction of "big data, strong guarantee and housing credit", constantly improved business guidelines, strengthened differentiated management and credit allocation to key regions and industries, sped up the integration of online and offline businesses, streamlined business processes, improved service efficiency and standards, and maintained the rapid development of inclusive finance business, and completed various business targets. As of the end of the Reporting Period, the Bank had an inclusive finance loan balance of RMB59.482 billion, representing an increase of RMB22.970 billion or 62.91% as compared to the end of the previous year. We secured 146,200 inclusive finance loan customers, representing an increase of 60,000 as compared to the previous year; and accumulatively issued inclusive small and micro enterprise loans at an interest rate of 5.98%. (Due to the adjustment of the statistical caliber by the CBIRC, the base of the inclusive finance loan balance at the beginning of the year was adjusted compared with the end of the previous year.)

## (II) Retail Banking Business

During the Reporting Period, retail banking closely implemented the Fourth “Five-Year Plan”, expanded “large customer base”, built “large platforms” and “large ecology”, continued to promote the “Light Boat Plan”, promoted the deep integration of digitalization and retail business, coordinated development of integrated risk management and product innovation, and built a solid foundation for retail business to become a “strategic breakthrough business”. Retail operating income continued to grow at a relatively fast pace, with an improved intermediary business revenue structure. During the Reporting Period, the retail line achieved operating income of RMB10.352 billion, representing a year-on-year increase of 20.13%; the growth of retail deposits maintained a leading position, and the deposit ratio increased effectively. The average daily balance of retail deposit was RMB121.833 billion, representing an increase of 51.1% from the last year; the total retail deposit was RMB134.932 billion, representing an increase of RMB32.989 billion or 32.36% from the end of previous year, ranking 1st among 12 joint-stock banks in terms of growth rate and 2nd among 12 joint-stock banks in terms of average deposit growth at banking outlets.

### *Customer development*

Since the planning of developing ecosystem, the Bank continued to explore a development pathway integrating self-development and jointly-developed ecosystems, and built up a chain cycling covering customer expansion, customer acquisition, customer activation, customer retainment and customer adherence. During the Reporting Period, the Bank accelerated the layout of offline outlets, created bulk customer acquisition channels, improved online remote service marketing channels, enhanced the quality of the customer manager team, and comprehensively improved the core competitiveness of the channels; carried out the construction of an integrated marketing system, created a digital marketing base for retail customers, and solidified the foundation of digital operations; refined customer subgroups, focused on the “pensioners”, and promoted the value of middle-aged and elderly customers; did a good job as a customer security guard, and comprehensively upgraded the protection of consumer rights and interests; did practical work for the public, and made business management closely match the demands of the public. As of the end of the Reporting Period, the total number of retail customers was 5,760,300, representing a net increase of 809,100 or 16.34% from the end of previous year; the number of active personal customers was 1,845,900, representing an annual increase of 361,400, which was 1.43 times of the same period of the last year. The growth rate of high-net-worth customers accelerated, with 5,327 retail private banking customers, representing a year-on-year extra increase of 1,684 or 76.68%.

### *Wealth management business*

The Bank continuously enriched and improved wealth management products, vigorously developed wealth management and agency businesses, scaled up total wealth assets and improved the comprehensive competitiveness of wealth management brand. Firstly, the Bank continued to innovate and optimize deposit products and launched various thematic and customized products. Secondly, the Bank sorted out and improved the wealth management product portfolio. Thirdly, the Bank built standardized trust product portfolio, realized the debut of standardized trust products, and added and reserved various strategically standardized trust products. Fourthly, the Bank launched fund products in bulk and promoted the marketing of key funds to meet the diversified investment needs of customers. In 2021, the Bank cooperated with two new fund companies, accumulatively selling 787 new funds annually on an agency basis, achieving annual sales of RMB4.377 billion, with a size of RMB4.18 billion, which is 6.26 times of that at the beginning of the year. The revenue from non-monetary fund was RMB28.4381 million, achieving a 16-fold increase as compared to the same period of the previous year; the Bank acted as an agent for insurance business and achieved an intermediary business income of RMB22.2041 million, representing an increase of 70.9% over the previous year. Fifthly, the Bank strengthened the supply of insurance products, the refined management and professional empowerment. Sixthly, the Bank made every effort to promote the construction of the agency system, actively developed the agency trust system, and realized the system connection of closed and term open products with five trust companies, i.e. CCB Trust Co., Ltd., China Foreign Economy And Trade Trust Co., Ltd., Minmetals International Trust Co., Ltd., SDIC Taikang Trust Co., Ltd. and Pingan Trust Co., Ltd.



### ***Asset business***

During the Reporting Period, the retail asset business aimed at improving customer experience, focusing on product innovation and research and development, relying on data-driven, focusing on scenarios and ecology, and accelerating business transformation and development. The first was to build the product system of "Bohai Bank E Loans" and launch the product of Bohai Bank E Loans Golden Lending Loan and promoted it online in the whole jurisdiction through the unification of product entrance, data model integration, scenarios and channels integration and business process reconstruction. The second was to enhance the reconstruction capability of internal and external data value, embed ecological scenarios, combine local government data of the branch, launch customized products such as owner's loan and government data loan, enrich the shelf of saleable products, further enhance the product customization capability and scenario imbedding capability, and help customer marketing. Thirdly, scenario ecological cooperation was used to enhance customer acquisition ability, ecological user conversion was realized by attracting flow to offline customers, enhancing comprehensive financial services to customers, and customer operation ability was further improved. The fourth was to promote the construction of integrated risk control, build a risk management system with whole life cycle, iterate with data-driven models, realize customized risk control for special scenarios, and boost the construction of the ecosystem. The fifth was to promote the effective integration of personal loan business across the Bank and form an integrated operation system for personal loan business with credit risk management system as the core. Sixthly, the stock of retail assets was effectively revitalized, credit lines were freed up and asset efficiency was improved through asset securitization and asset transfer. As of the end of the Reporting Period, the retail credit business balance of the whole bank was RMB341.417 billion, representing an increase of RMB31.045 billion over the end of the previous year. The balance of non-performing loans was RMB4.899 billion, with a non-performing ratio of 1.43%, and the asset quality remained stable and good.

### ***Credit card business***

During the Reporting Period, the credit card business, firstly, tapped the Bank's high-quality white-listed customers for accurate conversion by means of customer stratification. Secondly, we launched new products such as "Lightning Financing(閃電融)" credit payment, small credit loans, theme credit cards and co-branded cards. Thirdly, we strengthened technology enabling to consolidate the risk management and effectively reduce the level of overdue to non-performing rolling rate. As of the end of the Reporting Period, 865,800 credit cards had been issued, representing an increase of 69.47% compared with the same period of the previous year; the cumulative transaction volume of the year was RMB17.157 billion, representing a year-on-year growth of 45.42%.

### ***Customer experience***

During the Reporting Period, facing the pressure of COVID-19 pandemic prevention and control, the Bank actively committed to building an online, intelligent, contactless and warm service model. Firstly, make efforts to promote the construction of offline channels, enhance the competitiveness of offline channels and effectively play the role of "customer activation, customer retainment and customer adherence" of offline channels. Accelerate the "Light Boat Plan" comprehensive light outlet construction progress; secondly, strengthen the construction of bulk customer acquisition channels in offline outlets; thirdly, continue to improve the value creation capacity of remote banking services, and the integrated multi-channel marketing service transformation has achieved significant results; fourthly, accelerate the progress of intelligent construction of customer service centers, to create AI + artificial two-wheel driven multi-channel intelligent service platform. The construction of the central and major infrastructure projects such as intelligent outbound call system, new generation call center soft platform, intelligent quality control, artificial outbound call system and voice of customer analysis system was launched to provide effective support for the subsequent development of remote banking channels. As of the end of the Reporting Period, the cumulative diversion rate of customer calls received by the self-service voice and intelligent customer service channels in the customer service center reached 65.22%, the number of problem interactions for intelligent customer service reached 692,800, representing an increase of 12.05% as compared to the same period of the previous year, and the problem identification rate was 96.21%, representing an increase of 0.2 percentage point as compared to the same period of the previous year; fifthly, the professionalism of front-line customer managers was improved to create a high-quality customer manager team.

### (III) Financial Market Business

During the Reporting Period, the financial market business of the Bank adapted to the macroeconomic situation and regulatory guidance, and continued to promote business innovation, deepen compliance and transformation development, and strengthen the improvement of its own capabilities by leading the business breakthrough with innovation drive, establishing industry reputation with market orientation, working intensively to lay a solid foundation and ensuring liquidity safety with bottom line thinking under the premise of operating in accordance with laws and regulations and keeping the bottom line of risk.

#### *Financial management business*

During the Reporting Period, the Bank made every effort to promote the transformation of its wealth management business, reduced the pressure of stock business disposal. The wealth management products issued for the year amounted to RMB1,462.860 billion, representing an increase of RMB260.995 billion as compared to the previous year. As of the end of the Reporting Period, the balance of the Bank's wealth management products amounted to RMB196.067 billion, representing a decrease of RMB17.107 billion as compared to the end of the previous year. All of the Bank's wealth management products are non-principal guaranteed wealth management products.

#### *Interbank business*

During the Reporting Period, apart from prevention and control of financial risks, the Bank promoted the transformation of asset allocation to a light capital and transaction-based approach, focusing on promoting the placement of standardized and low-risk weighted assets, while promoting the flow of interbank assets. The Bank continued to enrich the varieties of interbank liabilities business, developed online and offline transaction channels, streamlined processes, improved efficiency, standardized interbank cooperation, returned to the origin of interbank business and supported the development of real economy.

During the Reporting Period, the Bank took the construction of an integrated operating system for interbank customers as its mainline and was guided by the promotion of the comprehensive value return of the interbank customer base to facilitate the transformation and development. During the Reporting Period, the Bank conducted classified and tiered evaluations of interbank customers for the first time, explored the establishment of strategic partnerships with peers, and studied the promotion of comprehensive cooperation with interbank customers at the customer level to solidify the customer base and enhance the comprehensive value contribution.

#### *Treasury business*

The Bank paid close attention to the market trends, actively carried out various transaction businesses by strengthening market research and judgment, and promptly captured market opportunities to increase transaction returns, expanded the scale and scope of transactions. The pledged repo trading volume of bonds reached RMB7.7 trillion for the year, representing a year-on-year growth of 73.61%. In the annual excellence selection activities of the interbank domestic currency market, the Bank won the "Annual Market Influence Award-Core Dealer (年度市場影響力獎—核心交易商)" award. At the same time, the innovative trading methods introduced by the China Foreign Exchange Trading System (e.g. X-repo anonymous click, RFQ request trading, etc.) was actively used and several awards for innovative repo business from China Foreign Exchange Trading System were won by the Bank, which greatly increased its market influence.

Facing the complex and volatile financial environment in both domestic and overseas markets, the Bank grasped the market opportunities, strengthened the study and judgment of exchange rate trends, flexibly adjusted trading strategies, actively carried out transactions in the interbank foreign exchange market, continuously improved its own trading capabilities, and enthusiastically participated in various standardized trading operations in the China Foreign Exchange Trading System. During the Reporting Period, the Bank's ranking in all terms of foreign exchange transactions improved to varying degrees compared to the same period of the previous year, in which, the Bank still ranked among the top 20 in terms of foreign currency market transactions.

### ***Bond Business***

In the face of the complex and volatile bond market, the Bank's bond business has strengthened its business development, actively adjusted its bond investment strategy, rationalized its assets allocation and enriched its investment varieties. As a general market maker in the inter-bank bond market, the Bank effectively fulfilled its obligations as a market maker and actively quoted to enhance its influence in the bond market, while through effectively grasping the rhythm of market fluctuations and comprehensively using trading strategies, the Bank earned solid returns. During the Reporting Period, the Bank maintained a steady growth in the volume of various financial market bond business and improved its market ranking. The Bank won the "Best Progress Award (最佳進步獎)" of China Development Bank Financial Bonds 2021, ranked among the top 20 underwriters of Agricultural Bank Financial Bonds 2021, and ranked 31st in the overall ranking of book-entry treasury bonds underwriting syndicates 2021.

### ***Agency business***

During the Reporting Period, the Bank seized favorable opportunities in the market, guided and encouraged branches to carry out agency business of treasury transactions in multiple dimensions; strengthened internal cooperation within the Bank, organized bank-enterprise exchange activities such as thematic forums and corporate meetings, jointly marketed corporate clients, assisted enterprises in exchange rate risk management and guided them to establish risk-neutral concepts. During the Reporting Period, the transaction volume of the Bank's spot foreign exchange business on agency basis increased 52.78% year-on-year, and the transaction volume of derivative product business on agency basis increased 662.71% year-on-year.

### ***Bill transactions business***

During the Reporting Period, the Bank accurately followed the trend of the bill market in 2021, timely seized the favorable trading opportunities, and actively conducted transactions on bill markets to enlarge transaction volume. Meanwhile, the Bank extensively contacted all kinds of transaction entities in the bill market, which expanded its market influence, and both obtained improvements in trading capabilities and profitability.

### ***Interbank credit and agent bank network***

During the Reporting Period, the Bank was granted sufficient credit limits by the domestic and foreign banks with a wide range of products to make the Bank to maintain a stable development of all businesses, a total of 1,247 banking institutions provided credit to the Bank, and the credit amount and institutions which granted credit experienced a leapfrog growth. During the Reporting Period, the Bank has established agent bank relationship with 513 head offices and branches in 68 countries and regions.

## (IV) Financial Technology Business

During the Reporting Period, the Bank continued to accelerate the transformation and development of the technology ecological banking, reinforce FinTech empowerment, fully promote the construction of the new version of mobile banking, and enhance the operation and service capacity of ecological banking, focusing on the following works:

### *Enhancing the operation and management capabilities of online channels, and comprehensively building a new version of mobile banking*

In the post-epidemic era, mobile banking has become the main channel for online operation. The Bank has continued to deepen its digital financial strategy, accelerate version iterations and updates, optimize service contents, and continuously deepen transaction penetration, as well as significantly enhance its digital operation capability. The new version of Mobile Banking, with the theme of "Better Finance for Better Life", entered the public testing phase during the Reporting Period and will be officially launched in 2022.

The Bank fully opened up the account and payment services, supported the full number of users to log in without threshold, supported the Bank's and other banks' cards to tie in card spending and mobile payment, and realized the query management for Bank's account and other banks' accounts, income and expenditure analysis, and asset and liability view. In addition, the Bank strengthened security authentication, upgraded security means, such as cloud certificates and biometrics, improved the accuracy of risk identification through knowledge graph, and built an anti-fraud platform for intelligent transaction to monitor online transaction risks in real time.

The Bank reconstructed the wealth segment, continuously enriched wealth management, funds, insurance, deposits, trusts, precious metals and other wealth product lines, built online wealth advisory services for wealthy customers, launched a new information channel, and equipped with intelligent product recommendations, forming a multi-service system of "Smart Wealth Management + Wealth Companion".

For actively responding to the national strategies of common prosperity, rural revitalization and elderly-oriented, the Bank has been continuously enhancing its promotion and service capacity in the small-town and rural markets and integrating services with regionalization and user differentiation. The Bank has launched the brand "Bo Lan Hui (渤攬惠)", and continues to introduce high-quality, brand-effect ecological partners in the fields of education, healthcare, elderly care, childcare and other government affairs and consumer life, forming "One Industry, One Scene, One City, One Characteristic" customer localized exclusive services. For elderly customers, we launched the "Elder Edition" with larger font size and convenient operation, integrating global voice navigation, one-key help and other customized functions.

The Bank built an intelligent, online and integrated marketing, risk control and data service system driven by user needs and supported by technology capabilities. Furthermore, the Bank expanded the application scenarios, based on the core technologies of robotic process automation (RPA) and machine learning, and launched the product recommendation for human-machine intelligent and business consulting service butler "Xiao Bo", which provides customers with a full lifecycle, full relationship graph, and tailor-made intimate butler service, and comprehensively realizes the value enhancement of mobile banking online channels.

### ***Enhancing the operation and service capacity of ecological banking and accelerating the construction of new online "cloud outlet" channels***

The Bank's construction of ecological banking has entered a new stage of development, with the aim of decoupling and integrating financial services and encapsulating modules for the whole user and across the whole time domain, and opening up products and services, transactions and processes, data and algorithms, and linking industry ecology through various ways such as API services, H5, applets and financial cloud services.

The Bank expanded the scale of capital settlement by the comprehensive solution of "Bohai Champion Commerce (渤商贏)", focused on retail inclusive merchants and other platform merchants, formed its own unique advantages and differentiated from the Internet financial model, while reducing costs and increasing efficiency for customers to create a "payments + scenarios" lightweight quick win products, and helped the Bank's wholesale and retail linkage business scale around the payment and settlement scene to create the "Bohai Bank E Pay(渤銀 E 付)" product series.

The Bank continued to improve the construction system of "going out, bringing in, coexistence and joint development". The Bank has also set up product shelves, packaged and exported the Bank's credit, wealth and distribution products in a web-friendly and standardized manner, and integrated financial services and products into scenarios. The Bank also integrates the account and transaction information, such as login authentication, order inquiry and processing, and the level of customer rights and interests, with the ecological scenarios to realize the interconnection and integration of the scenarios and the ecology.

The Bank innovatively created the online financial service business hall-cloud outlets through the multi-dimensional operation to achieve the goal of financial product sales and value creation. We provide financial services based on the needs of various types of customers within the ecological scenarios and create an online customer reservoir while acquiring customers. Through our insight into customers, we delve into the needs of customers in financial scenarios and use hook products to divert ecological customers to offline outlets, enhance customer activity and retention, form the coverage and operation of the whole ecosystem industry chains, industry and ecological customers, and build "cloud outlets" as a new business growth pole.

## **(V) The Construction of Branches**

During the Reporting Period, the Bank has newly established 62 outlets, including 2 tier-one branches (Guiyang and Kunming Branches), 1 tier-two branch (Taizhou Branch) and 59 sub-branches.

In accordance with the Fourth "Five-Year Plan" to transform the retail development strategy, the Bank has set branches construction targets during the Fourth "Five-Year Plan", comprehensively shifted its focus from regional strategic layout to urban outlets layout, rapidly promoted the construction of "integrated light sub-branches" in large key cities, transformed existing outlets to small and medium-sized light outlets, gradually eliminated low capacity outlets, and improved and optimized the distribution of physical outlets through the implementation of the "Light Boat Plan (輕舟計劃)" to provide effective support for the Bank's retail business development.

As of the end of the Reporting Period, the Bank has established outlets in 25 provinces, municipalities and autonomous regions, 5 sub-provincial cities (cities separately listed in the original plan) and the Hong Kong Special Administrative Region, covering 64 key cities nationwide, and has established 36 tier-one branches (including 3 tier-one branches in Suzhou, Qingdao and Ningbo under direct management of the head office and 1 overseas branch), 32 tier-two branches, 192 sub-branches, 29 small and micro community sub-branches. The total number of officially opened outlets reached 289.

## (VI) Assets and Liabilities and Financial Management

During the Reporting Period, the assets and liabilities management of the Bank were based on the strategic layout across the Bank, and we took into account the trend of macro-control, aimed at service business transformation development, complied with regulatory guidance, adhered to bottom line and red line thinking, and seized policy bonus to contribute to the smooth realization of the annual business objectives with various measures. Throughout the year, we took the party building as the leadership and insisted on grasping and promoting both party building and operation management. Meanwhile, we actively implemented macro-prudential management requirements, highlighted the dual unity of precision and compliance in resource allocation, and continuously optimized the asset and liability structure of the Bank. By strictly adhering to the bottom line of liquidity safety, strengthening the allocation of qualified high-quality liquid assets and expanding stable sources of liabilities through multiple channels, multiple measures were taken to ensure the stability and controllability of liquidity risk. We strengthened capital constraints, based on dynamic placement, improved medium and long-term capital planning, actively expanded market-based sustainable capital replenishment mechanism and continuously digging deeper into the connotation of light capital development, to promote the transformation of capital management intensification. We continuously improved the construction of market risk management system to provide strategic support for business development. We vigorously supported product innovation, optimized client comprehensive pricing and differentiation management strategy, developed internal pricing support scheme, and comprehensively improved internal and external pricing management. We took the lead position in promoting the transformation and development of the Bank's deposit and intermediary business, actively broadening revenue channels and seeking growth points for intermediary business income on the basis of strictly meeting compliance requirements, and continuously improving the level of refined management of intermediary business income and expenses. Focusing on data reporting and implementation of publicity, we strictly checked and comprehensively implemented deposit insurance management. We accelerated the construction of various systems, optimized and enhanced the level of systematic management, and realized the effective empowerment of technology for asset and liability management.

During the Reporting Period, the Bank focused on the Fourth "Five-Year Plan" to conduct its financial management, strengthen the guarantee of support to steadily advance all its work, escort for the operation and development of the Bank. Considering the economic situation at home and abroad and the changes of regulatory policies, as well as the positivity, orientation and feasibility of the budget, the Bank prepared and released the bank-wide budget objectives, took the lead in optimizing its business structure to accelerate ecological construction and customer expansion. The Bank strengthened the whole process management of budget preparation, release, implementation monitoring and assessment management, and deeply analyzed the differences in budget implementation as well as the changes on operation, to provide professional financial support for business decisions. The Bank further improved the cost resource allocation mechanism, while ensuring the fixed expenditure of the bank-wide operation, encouraged branches to optimize business structure and cultivate basic customers to improve per capita income-generation capacity. The Bank strengthened the construction of the management accounting system, advanced the multi-dimensional profit analysis and presentation of management accounting data, continued to optimize the cost sharing plan and improved the fine management. The Bank strengthened tax management and planning, executed strictly various tax laws and regulations, constantly improved the tax management compliance, prevented and controlled the financial risks. The Bank constantly promoted the construction of financial sharing center and financial system, to improve the standardization of financial accounting management and perfect the centralized financial management model. The Bank continued to strengthen the accounting management, took active participation in discussion and analysis on new businesses, provided supports to business transformation, innovation and development in effective manner. The Bank continued to improve the construction of post-listing accounting system, to improve the quality of accounting information and ensure that accounting information can reflect financial positions and operating results in true, complete and accurate manner.

## (VII) Information Technology Construction

2021 was the year for the Bank to establish and commence the Fourth “Five-Year Plan”. The Bank adhered to the development vision of a “modern wealth and treasury manager offering the best experience”, closely focused on the financial technology transformation work ideas of “middle-end platform architecture, data-driven, intelligent operation and maintenance, agile and proactive”, established an enterprise-level system architecture to create a new generation of core technical capabilities, utilized cloud computing, artificial intelligence, big data, cloud native, FIDO, distributed database and other technologies, and accelerated the transformation of the Bank into a “licensed financial technology company”.

During the Reporting Period, the Bank continued to increase the introduction of technology talents based on the introduction of high-level leading talents in cloud computing, big data, network security and other fields, with a large number of personnel from leading internet companies and advanced peers on board. As of the end of the Reporting Period, the number of registered personnel in the Information Technology Department of the head office totaled 709, representing a year-on-year growth of 75%. The percentage of the Bank’s technology personnel reached 7.32% as at the end of 2021. According to the Plan, the proportion of Bank’s technology talents will strive to reach the leading level in the industry during the Fourth “Five-Year Plan”.

During the Reporting Period, the Bank made every effort to promote high quality transformation and development, and continued to invest more resources, with an annual investment of RMB945 million in technology. The Bank completed the preparation of the Fourth “Five-Year Plan” for information technology development with high quality, and focused on the construction of the financial technology transformation and middle-end platform architecture design, the new version of mobile banking APP, “Bohai Bank Intelligence”, “Risk 30+”, Enterprise Federated Learning Platform, Big Data Academy and other major projects. We continued to promote the construction of the data governance system and accelerated the construction of important projects such as the unified staff intelligent office APP, the management accounting system, Big Data Platform Based on Data Lakehouse, the automatic approval model for corporate business, comprehensively promoted the Bank’s transformation into a digital bank.

During the Reporting Period, the Bank built security infrastructure based on enterprise-level “zero trust” network security architecture design, and established “Lego-style” component-based and service-oriented security capabilities. We strengthened the construction of security monitoring and response components, improved the security operation center, and further enhanced the security monitoring and response capability for 7\*24 hours uninterrupted operation; we carried out security development lifecycle management, controlled security risks from the source, and improved the capability of safe and stable operation of information systems; we established offensive and defensive technical teams, took the initiative to carry out internet exposure surface scanning, independent penetration testing, public testing and other works to promote defense with offense and improved network security prevention and protection. We paid high attention to data security, comprehensively strengthened terminal security management, mobile storage management, and network access management, and built data security sandboxes to create a border for safe data flow and usage.

During the Reporting Period, the Bank continued to improve its business continuity management system and support capabilities. The Bank conducted 10 information system crisis response exercises throughout the year, achieving an overall information system availability rate of 99.9% and critical system availability rate of more than 99.95%, without major interruptions. As one of the six pilot units, the Bank conducted a trial assessment of its business continuity management capability in accordance with the group standard of Business Continuity Management Capability Maturity Model and Assessment for Financial Institutions, and the results of the trial assessment showed that the Bank’s business continuity management capability maturity level was “Steady”.

## (VIII) Enterprise Culture and Brand Management

During the Reporting Period, the Bank insisted on the guidance of XI Jinping Thought on Socialism with Chinese Characteristics for a New Era, focused on the strategic direction of the Fourth “Five-Year Plan”, continued to strengthen the construction of corporate culture, and promoted the change of corporate culture in the new stage of high-quality transformation and development; based on the brand proposition of “once choose, lifelong companionship”, we focused on shaping the brand image of “agile and warm”. First, centering on the strategic objectives of the Fourth “Five-Year Plan”, we improved the corporate culture system and promoted profound cultural changes to meet the requirements of the development strategy. Second, we scientifically grasped the logical connotation of ideological and political work in the new development stage, seriously organized the study and education of the Party history, and strengthened the ideological and political education of employees. We built the “Staff Ideological and Political Culture Education Center” and held the “Special Exhibition to Celebrate the 100th Anniversary of the Founding of the Communist Party of China”; we carried out a series of activities to celebrate the 100th anniversary of the founding of the Party, such as the “Light of Data to Brighten the Party Flag – Staff Show for Celebrating the 100th Anniversary of the Founding of the Communist Party of China”, “Red Light and Shadow to Learn the History of the Communist Party of China, a New Journey for a Hundred Years – Activities of Watching Movies and Dramas”. Third, the internal communication platform “Dolphin Voice” was launched and operated to further create a good corporate atmosphere of free speech and suggestions and inject new impetus and vitality into the business transformation and development and corporate culture change. Fourth, we closely followed the needs of high-quality transformation and development, innovated forms and enriched contents, and carried out corporate culture activities to promote a wide range of employees to firmly establish socialist core values and actively and consciously practice corporate culture. Fifth, combined with the news publicity focus and hotspots, we highlighted the highlights and characteristics of the operation and management, further enriched the mainstream media voice channels, made full use of the video accounts, Tik Tok accounts, UGC platform and other self-media, and actively expanded the impact of news publicity around such themes as the centennial of the founding of the Party, inclusive finance, green finance, age-friendly services, and consumer rights protection. Sixth, along with the further improvement of financial innovation ability, we made great efforts to strengthen the construction of product branding. For corporate customers and individual customers, we have launched “Short E Loan (短e貸)”, “Yin Zu Tong (銀租通)”, “Sheng Xi Bao (省息寶)”, “Bohai Farmer Loans (渤海農貸)”, “Bo Tai Series (渤海泰系列)”, “Bohai Bank E Loans (渤海銀E貸)”, “Jinxiang Certificate of Deposit (津享存單)”, “Family Theme Credit Card (家庭主題信用卡)” and other various products and service brands.

## (IX) Business Profiles of Hong Kong Branch

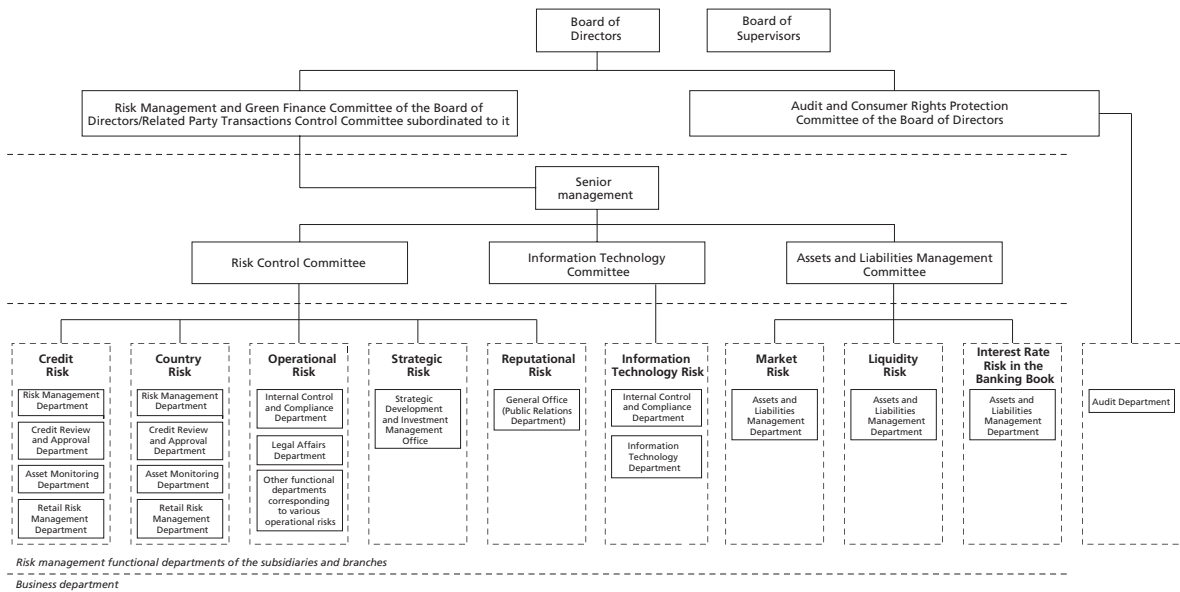
The Hong Kong branch of the Bank was established in 2020 and is the first overseas branch officially established by the Bank. The Hong Kong branch, as a licensed bank, can operate a full range of commercial banking services. At present, it mainly focuses on wholesale banking. The Hong Kong branch’s business, based on cross-border linkage business, focuses on opportunities such as the “Belt and Road”, RMB internationalization, and the construction of the Guangdong-Hong Kong-Macao Greater Bay Area to help enhance the Bank’s international business and provide one-stop services for domestic and foreign customers, including a wide range of wholesale banking services and products, such as comprehensive bank accounts, cross-border renminbi, deposits, settlement, trade financing, bilateral loans, syndicated loans, import and export agency payments, forfaiting, letter of credit discounts, onshore guarantees for offshore loans, offshore debt under onshore guarantee, mortgage financing etc. At the same time, it can participate in interbank funds, bonds and foreign exchange market transactions. As of the end of the Reporting Period, the total assets of the Hong Kong branch of the Bank amounted to HK\$7,679 million.



## XII. COMPREHENSIVE RISK MANAGEMENT

Strictly maintaining the bottom line of risk management, upholding the risk management culture and philosophy featuring “comprehensive, proactive, agile and effective (全面、主动、敏捷、到位)”, and adhering to the “prudent” risk appetite, the Bank continuously improves its ability to prevent and mitigate financial risks, strengthens the characteristics of technology-driven, customer-driven, innovation-driven and data-driven, and further improves the level of refinement, standardization, digitalization and process of risk management, thereby promoting business transformation and upgrading with smart and agile risk control capabilities, and effectively guaranteeing the stable, balanced and sustainable development of the Bank’s various businesses.

### (I) Risk Management Structure



The Board of Directors of the Bank is responsible for the ultimate responsibility for comprehensive risk management. The Risk Management and Green Finance Committee of the Bank is set up under the Board of Directors, which is responsible to the Board of Directors. The Board of Supervisors of the Bank is responsible for the supervision of comprehensive risk management and is responsible for supervising the performance of the Board of Directors and senior management in risk management and the rectification. The senior management shall assume the responsibilities for implementing comprehensive risk management and implement the resolutions of the Board of Directors.

The Bank has senior management personnel (the chief risk officer) in charge of risk management line, who shall be responsible for leading the relevant departments of the risk management line to carry out work under the risk management framework of the Bank. The chief risk officer maintains independence and can directly report the overall risk management to the Board of Directors.

The Bank has established a risk prevention system consisting of three lines of defense against each main risk to which it is exposed. The first line of defense of risk management is formed by various business departments, divisions, branches and sub-branches, which are directly responsible for carrying out their risk management functions. The second line of defense is departments of risk management line, Assets and Liabilities Management Department, Internal Control and Compliance Department, the General Office (Public Relations Department) and Strategic Development and Investment Management Office, which assume responsibilities for formulating policies and procedures, supervising and managing risk. The third line of defense of risk management is the Audit Department, which assumes audit responsibilities for the performance of the first and second lines of defense.

## (II) Credit Risk

During the Reporting Period, the Bank practiced the risk management culture and philosophy featuring “comprehensive, proactive, agile and effective (全面、主動、敏捷、到位)”, and comprehensively improved its risk management capabilities, thereby achieving healthy and stable asset quality, as well as steady and controllable credit risks.

Firstly, consolidating asset quality. The Bank firmly tightened the chord of risk prevention and control and guarded the bottom line of avoiding major risks. We continued to do a good job in the collection and resolution of key monitored assets and set up a special team for risk resolution of large key monitored customers. We adopted a three-tier linkage management model of head office, branches and sub-branches, with head office level leaders taking the lead in organizing risk prevention and resolution, using one policy for one customer in collecting and resolving. We closely monitored the risks of large group customers, conducted real-time monitoring of sudden public opinion and abnormal business trends of large enterprise group customers, and widely collected and deeply analyzed customer risk information. We demanded benefits from non-performing assets, improved the performance evaluation plan related to asset quality, added indicators related to collection and disposal of troubled assets to the appraisal of branches, highlighted the appraisal for scale reduction of troubled assets and cash collection, effectively enhanced the enthusiasm and initiative of collection and resolution work, and improved the quality and efficiency of collection and disposal. As of the end of the Reporting Period, the Bank had a NPL ratio of 1.76%, representing a decrease of 0.01 percentage point as compared to the end of the previous year, and the ratio of loans overdue for more than 90 days to NPLs was 86.40%, representing a decrease of 2.97 percentage points as compared to the end of the previous year; the allowance coverage ratio was 135.63% and the allowance to gross loan ratio was 2.39%, achieving the dual objectives of stabilizing asset quality and resisting expected credit risks.

Secondly, strengthening basic management. The Bank implemented unified comprehensive credit granting, upgraded and renovated eight important functions such as credit risk management and customer relations, and introduced more than 20 supporting regulations and systems to realize quantitative management and control of risk limits throughout the entire process from customer application, approval, credit use to post-loan links. We adjusted the approval organizational structure to form an approval system featuring with one department and three centers (一部三中心). We improved the corporate credit approval system, implemented the lead approvers meeting decision system, and adopted the “Four unifications” operation model of unified acceptance, unified distribution, unified approval and unified management, strictly preventing risks such as multiple credit grants and excessive credit grants. We set up a bank-wide asset security management structure, gradually implemented professional overall management and disposal, and promoted the establishment of asset security departments in eligible branches. We improved the due diligence work specifications for credit positions and promoted the improvement of the level of due diligence of all positions throughout the entire credit process. We developed an intelligent approval model for the corporate credit by establishing an expert approval decision tree with industry and product as dimensions and real estate development loans as the entry point. We promoted the automated approval of first-hand and second-hand housing “Cloud Mortgage” (雲按揭), Housing Flash Loans (房閃貸), Housing Mortgage Fast Loan (房抵快貸), Golden Lending Loan (金領貸) and Bohai Bank E loans (渤銀E貸) focusing on the three types of businesses of “housing mortgage, strong guarantee and big data (住房抵、強擔保、大數據)”.

Thirdly, optimizing the credit structure. The Bank vigorously developed inclusive financial services, served private enterprises, accelerated the cultivation of new advantages in green finance, supported the high-quality development of the manufacturing industry, and served the rural areas, agriculture and farmers as well as rural revitalization. We established a risk management and control mechanism for large credit extension, completed the construction of a large risk exposures management system, realized intelligent identification and summary of risk exposures in full-caliber asset business, and improved the automatic data extraction rate. We strengthened the concentration management of real estate loans and focused on key support areas and key restricted areas, formulated tiered credit policies of “encourage, maintain, control and compress”, improved credit guidelines for 35 industries, researched and designed quantitative analysis models, set quantitative range targets for industry investments, guided and promoted asset structure adjustment. We formulated credit risk limit plans to specify the “ceiling” of the total credit risk control of key industries, regions and businesses, and firmly abided by the risk boundary.

Fourthly, improving the system model. The Bank upgraded the real estate credit business decision support model and the government debt solvency evaluation model, promoted the extensive application of such models in credit business marketing, approval decision-making, post-loan monitoring and other scenarios, thereby providing grounds for quantitative decision-making. We improved the two-dimensional rating system consisting of customer ratings and debt ratings, developed 19 rating models for advanced equipment manufacturing, bio-medicine, e-commerce, software services, consumer finance companies, etc., and formed a rating model system consisting of 44 scorecards for enterprises, public institutions and financial institutions to provide quantitative reference for management decisions in pre-loan marketing, access, pricing, mid-loan approval and post-loan management, performance appraisal, provision management. We promoted the construction of the collateral management system, planned and implemented the online dynamic management and monitoring of the entire process of collateral access, evaluation, monitoring and disposal. We continued to optimize and improve the functions of the credit risk management system and restructured the corporate credit approval process. We focused on improving intelligent identification and analysis of financial report risks, automatic identification of counterfeit central enterprises, collateral circle identification, customer risk profile, and other intelligent risk identification capabilities. We built a digital risk control engine visualization platform "Retail Risk Management Cockpit (零售風險管理駕駛艙)" and promoted the development of an auxiliary marketing decision model to help the construction of ecological bank, further supporting system functions of intelligent risk management. We introduced external public opinion information, dovetailed with the risk early warning system to automatically trigger early warning tasks, and launched the "Early Warning Headlines (預警頭條)" of Bohai Bank Intelligence to continuously improve early warning capabilities.

### (III) Liquidity Risk

The Bank adopts a centralized approach with respect to its liquidity risk management and has established a sound governance structure, with clear duties for the Board of Directors, senior management, special committees and other relevant management departments. The Board of Directors assumes the ultimate responsibility for liquidity risk management, reviews the Bank's acceptable liquidity risk appetites, management strategies, policies, and procedures, and supervises the effective management and control of liquidity risk, and approves information disclosure contents, etc. The senior management authorizes its Assets and Liabilities Management Committee to implement specific management work under the liquidity management system and methods approved by the Board of Directors, timely understands and evaluates the liquidity risk level and management status of the Bank, as well as reports to the Board of Directors, etc. The Assets and Liabilities Management Department at the head office is responsible for leading the organization of liquidity risk management for the Bank, formulating liquidity risk management strategies, policies and procedures, and conducting qualitative and quantitative analysis of liquidity risk and other specific management tasks. The Corporate Banking Department, Retail Banking Department and Financial Market Department, among others at the head office, and the subsidiaries engage in their business activities in compliance with the liquidity risk management policies, appetite, processes, limits and other requirements as set down by the Board of Directors and senior management.

The Bank adheres to prudent liquidity risk management strategies, and clarifies the overall objective, management mode, and main policies and procedures of liquidity risk management. The overall objective of the Bank's liquidity risk management is to reasonably arrange the asset and liability structure and future cash flows, to fulfill the fund payment needs of each business and to ensure compliance with liquidity regulatory indicators, and to reduce extra costs arising from liquidity as much as possible, including the opportunity cost of reserve funds, market financing premium, and loss on realization of assets. Under the guidance of the liquidity risk management policies determined by the Board of Directors, the head office manages the overall liquidity risk across the Bank in a unified manner, and the Bank has established a three-tier liquidity reserve including cash, reserve and high-grade bonds. In accordance with internal and external requirements and actual business development, through following liquidity risk management policies and procedures, such as cash flow estimate and calculation and analysis, liquidity risk limit management, financing management, daytime liquidity risk management, qualified high-quality liquid asset management, liquidity early warning management, stress tests, and emergency plans, and under the premise of ensuring liquidity safety, the Bank effectively balances the relationship among liquidity, safety and efficiency, so as to promote sustainable and healthy development of business.

Under the guidance of the liquidity risk management policies determined by the Board of Directors, the Bank implements effective identification, measurement, monitoring and control of liquidity risk of the whole bank. Based on cash flow gap analysis, the Bank realizes the liquidity risk management and control under normal circumstances with the help of intraday position management, maturity mismatch management, liquid asset portfolio management and financing strategy management. In addition, the Bank strengthens market trend research and judgment, and maintains sufficient high-quality liquid assets with the help of management tools such as stress tests and emergency plans, in order to improve the ability of the Bank to withstand liquidity risk under stress scenarios. As for managing intraday positions, the Bank reasonably manages cash flows to balance liquidity and profitability, which is based on the principle of ensuring safety payment of the whole bank and on the integration management of local and foreign currency. As for liquidity mismatch management, the Bank adopts active management methods, such as continuous optimization of internal limit management, early warning indicators monitoring, and dynamic simulation of regulatory indicators, which not only achieves accurate measurement of static liquidity mismatch, but effectively manages and controls the future liquidity mismatch of the Bank. As for liquid asset portfolio management and financing strategy management, the Bank timely monitors and optimizes its asset-liability structure, strengthens active liability management, enhances inter-bank customer relationship management, expands active liability channels, and promotes the steady growth of core liabilities. As for emergency management for liquidity risk, the Bank regularly conducts liquidity risk stress tests, carefully evaluates future liquidity needs, maintains sufficient high-quality liquid assets and continuously improves liquidity risk resistance capacity. At the same time, it organizes liquidity crisis response exercises on a regular basis, continuously optimizes the liquidity emergency management system, evaluates the effectiveness of various emergency measures, and ensures the liquidity safety of the whole bank in an emergency environment. During the Reporting Period, the Bank formulated the Liability Quality Management Measures of CHINA BOHAI BANK CO., LTD., which was reviewed and approved by the Board of Directors, established a comprehensive and systematic liability business management and risk control system, continued to promote the improvement of liability business management, and enhanced the efficiency and level of financial services to the real economy.

The Bank's liquidity risk is affected by both internal and external latent factors. External factors mainly include macroeconomic trends, changes in monetary policy, fluctuation in capital market, downgrade of external rating and negative public opinion, etc. Internal factors mainly include increase in asset-liability mismatch, deterioration of asset quality, concentrated withdrawal of customers, and decline in profitability. The Bank identifies and analyzes the main factors affecting liquidity risk, establishes daily risk monitoring and early-warning reporting mechanisms, and implements forward-looking management and active control of potential liquidity risk that may be caused by the aforementioned risk factors through stress tests and emergency plans.

In order to cope with the influence of changes of macro-economic environment, and fluctuations of capital market and other types of risks, the Bank sets mild, moderate, and severe liquidity risk stress scenarios for main on-balance and off-balance sheet businesses after fully considering various factors that may affect liquidity risk, such as decline in the price of marketable securities, outflow of deposits, and increase in unscheduled repayment of assets. Moreover, the Bank conducts stress tests on a quarterly basis to test the Bank's resistance to potential liquidity risks and achieve forward-looking management of liquidity risks. The Bank's liquidity stress tests take the mature cash flow gap as the key pressure-bearing object and the liquidity ratio as the auxiliary pressure-bearing object. The stress test of mature cash flow gap covers the window periods of 7 days, 30 days and 90 days. During the Reporting Period, the Bank was able to meet the minimum lifetime requirement of not less than 30 days under various stress scenarios, and with the availability of sufficient quality liquid assets which are readily realizable at any time, the Bank could meet the potential liquidity needs under stress conditions.

During the Reporting Period, the Bank's liquidity remained reasonably adequate with stable and controllable liquidity risk level, all liquidity regulatory indicators were met or beyond regulatory requirements, and major monitoring indicators operated smoothly. As of the end of the Reporting Period, the Bank's liquidity ratio reached 59.28%, representing an increase of 5.88 percentage points as compared to the end of the previous year; the liquidity coverage ratio was 155.13%, representing a significant increase of 45.45 percentage points as compared to the end of the previous year; the net stable funding ratio was 104.94%, representing an increase of 1.61 percentage points as compared to the end of the previous year; the liquidity matching ratio was 117%, representing an increase of 8.16 percentage points as compared to the end of the previous year.

According to the requirements of the Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks (《商業銀行淨穩定資金比例信息披露辦法》), the following table sets out the Bank's net stable funding ratio indicator, available stable funding for the numerator item, and required stable funding for the denominator item at the end of December and September 2021:

(Unit: RMB'000)

	December 31, 2021	September 30, 2021
Net stable funding ratio (%)	104.94	102.17
Available stable funding (in RMB)	918,302,816.96	921,547,654.55
Required stable funding (in RMB)	875,039,638.94	901,977,824.08

The following table shows the Bank's liquidity coverage ratio indicator:

(Unit: RMB'000)

	December 31, 2021	September 30, 2021
Liquidity coverage ratio (%)	155.13	127.98
Qualified high-quality liquid assets (in RMB)	138,130,060.00	127,115,424.60
Net cash outflow in the next 30 days (in RMB)	89,039,915.50	99,322,182.80

The following table shows the Bank's undiscounted cash flows receivable and payable for the non-derivative financial assets and financial liabilities by remaining contractual maturities after the balance sheet date:

(Unit: RMB'000)

	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Indefinite	Total
Financial assets	110,584,262	97,403,255	137,793,665	420,645,163	447,730,865	221,675,025	146,199,209	1,582,031,444
Financial liabilities	220,217,873	203,121,689	178,390,425	505,901,994	351,715,713	2,005,410	13,764,575	1,475,117,679
<b>Net liquidity</b>	<b>(109,633,611)</b>	<b>(105,718,434)</b>	<b>(40,596,760)</b>	<b>(85,256,831)</b>	<b>96,015,152</b>	<b>219,669,615</b>	<b>132,434,634</b>	<b>106,913,765</b>

#### (IV) Market Risk (Including the Interest Rate Risk in the Banking Book)

The Bank, in strict compliance with relevant requirements such as the Guidance on Market Risk Management of Commercial Bank (《商業銀行市場風險管理指引》) and the Guidelines for the Management of Interest Rate Risk in the Banking Book of Commercial Banks (Revised) (《商業銀行銀行賬簿利率風險管理指引(修訂)》), implements an independent and comprehensive market risk (including interest rate risk in the banking book, similarly hereinafter) management mode. The Board of Directors of the Bank is responsible for reviewing and approving the market risk management strategies, policies and procedures, so as to define the acceptable market risk level. The Assets and Liabilities Management Committee under the senior management is responsible for developing, regularly reviewing and overseeing the policies, procedures and workflows relating to market risk, and delineates market risk limits based on the risk appetite outlined by the Board of Directors. The Assets and Liabilities Management Department at the head office is responsible for establishing the market risk identification, measurement, monitoring, reporting and control mechanisms to ensure that the market risk borne by the Bank is controlled within the risk appetite set by the Board of Directors of the Bank.

The Bank's market risk management is governed by a comprehensive, sound and prudent principle, and its overall goal is to control the market risk level within its tolerance, by organically combining the identification, measurement, monitoring and control of market risks with the Bank's major operational and management activities including strategic planning, business decision-making and financial budgeting.

The Bank has formulated the Market Risk Management Policy and Administrative Measures for the Classification of Bank Accounts and Transaction Accounts (Revised) on this basis, actively implemented relevant market risk (including interest rate risk in the banking book) regulatory requirements, and established a market risk management system covering all aspects of market risk identification, measurement, monitoring and control. The Bank uses gap analysis, duration analysis, foreign exchange exposure analysis, and scenario analysis to identify and measure market risk, conducts regular stress tests, and monitors and controls risk through limit management.

In respect of the interest rate risk in the banking book, the Bank primarily applies measurement tools such as gap management, sensitivity analysis and duration analysis to manage it. The Bank constantly optimizes a net interest margin analysis system that combines dynamic and static conditions. On the basis of quantitative models and qualitative analysis, the Bank continuously reinforces the research and judgment of interest rate trends, so as to provide decision-making basis for tasks such as allocation of asset-liability structure. As for trading books, the Bank mainly measures, manages and controls through basis point value, value at risk (VAR), position limit, duration and stop-loss limits to ensure that the anticipated income of the trading books matches the trading exposure. In response to exchange rate risk, the Bank sets market risk limits, and effectively manages on-balance sheet and off-balance sheet foreign exchange risk exposure through derivative financial instruments, such as exchange rate swaps and exchange rate forwards, so as to keep the Bank's total foreign currency exposures to a low level. During the Reporting Period, in accordance with regulatory standards, the Bank's interest rate risk measurement indicator, namely the maximum economic value change under the framework of standardized measurement, accounted for 4.64% of tier 1 capital, and the cumulative foreign exchange exposure ratio was 2.29%. Both the interest rate risk and the exchange rate risk were kept within the internal limits and controllable on the whole.

The Bank's market risk-weighted assets measurement uses the standardized approach, and the market risk capital provision covers interest rate risk and specific risks in the trading books, as well as all exchange rate risks and commodity risks. As the Bank's trading position is relatively small, the market risk capital occupation is low.

### *The Bank's interest rate sensitivity gap*

The Bank's on-balance sheet interest rate sensitivity gap is classified according to assets and liabilities on the statement of financial position at carrying amounts, by the earlier of the contractual re-pricing date or the maturity date as follows:

(Unit: RMB'000)

	Less than three months	Between three months and one year	Between one year and five years	More than five years	Non-interest bearing	Total
Total assets	746,399,526	429,119,726	289,720,254	58,206,498	59,261,594	1,582,707,598
Total liabilities	595,916,643	501,493,599	342,068,328	1,974,459	34,690,492	1,476,143,521
<b>Total interest rate sensitivity gap</b>	<b>150,482,883</b>	<b>(72,373,873)</b>	<b>(52,348,074)</b>	<b>56,232,039</b>	<b>24,571,102</b>	<b>106,564,077</b>

***The Bank's interest rate sensitivity***

The following table sets forth the results of the Bank's interest rate sensitivity analysis on profit before taxation and equity (without tax effect) with an assumption that all other variables held constant:

(Unit: RMB'000)

	<b>Increase/(Decrease) on December 31, 2021</b>
Change in profit before taxation	
Up 100 bps parallel shift in yield curves	106,688
Down 100 bps parallel shift in yield curves	(106,688)
Change in equity (without tax effect)	
Up 100 bps parallel shift in yield curves	962,025
Down 100 bps parallel shift in yield curves	(962,025)

The sensitivity analysis above is based on a static interest rate risk profile of the Bank's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized the Bank's profit before taxation and shareholder's equity (without tax effect) would have been affected by repricing of the Bank's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- interest rate movements as at December 31, 2021 apply to all the non-derivative financial instruments of the Bank;
- as at December 31, 2021, an end-of-period interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next full year from the end of the period;
- there is a parallel shift in the yield curve with the changes in interest rates;
- there are no other changes to the assets and liabilities portfolio;
- other variables (including exchange rates) remain unchanged; and
- the analysis does not take into account risk management measures taken by the management nor tax effect as a result of such changes.

Due to the adoption of the aforementioned assumptions, the actual changes in the Bank's profit before taxation and shareholder's equity (without tax effect) caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

### *The Bank's exchange rate risk exposure*

The following table sets forth the distribution of the Bank's foreign exchange rate risk exposure as at December 31, 2021:

(Unit: RMB'000)

	RMB	USD equivalent to RMB	Other currency equivalent to RMB	Aggregate RMB
Total assets	1,453,801,729	122,989,127	5,916,742	1,582,707,598
Total liabilities	1,285,887,850	181,560,782	8,694,889	1,476,143,521
<b>Net exposure amount of balance sheet</b>	<b>167,913,879</b>	<b>(58,571,655)</b>	<b>(2,778,147)</b>	<b>106,564,077</b>

## (V) Operational Risk

Operational risk is the risk of losses due to inadequate or flawed internal processes, staff and IT systems, and external events. It includes legal risk but excludes strategic risk and reputational risk.

During the Reporting Period, the Bank comprehensively sorted out the operational risk management tools and updated and improved the indicators. It launched the "Internal Control and Compliance Management Construction Year" activity, and actively promoted supervision, inspection and rectification to continuously improve the long-term management mechanism. It also carried out special management actions for compliance risks, and focused on rectifying the problems of "repeated investigations and repeated offenders" and "investigation on the wrong offenders", promoted the risk investigation for the whole bank to make up for the shortcomings of internal management, continued to improve the operational risk case database and carried out a series of training to actively create a sound operational risk management culture.

## (VI) Capital Management

### *1. Capital management system structure, management objectives and management measures*

The Bank has established a sound capital management system. The Board of Directors assumes the ultimate responsibility for capital management, determines the capital risk appetite, reviews and approves the capital management policies, and authorizes the Senior Management to exercise capital management functions. Senior Management authorizes the Assets and Liabilities Management Committee to specifically exercise the capital management functions and implement the capital planning and capital adequacy ratio objective management. The Assets and Liabilities Management Department is responsible for daily capital management, building the capital management system and process system, and taking the lead in implementing the requirements and objectives of the Board of Directors and the Senior Management on capital management, in order to ensure that the Bank's capital management meets the risk appetite requirements.



The Bank implemented a comprehensive capital management, including capital planning, capital allocation and evaluation, capital monitoring and early warning, internal capital adequacy assessment, capital replenishment and emergency measures, capital measurement and reporting, information disclosure, etc. The capital management objectives of the Bank are to stabilize the capital base, enhance capital strength, promote bank value creation with economic capital as the core, achieve a beneficial balance among capital constraints, risk management, and shareholders' returns, and maintain a satisfactory level of capital adequacy, so as to effectively deal with the major risks and unexpected losses faced by the Bank and ensure the steady operation and sustainable and healthy development of the Bank. The Bank calculated, managed and disclosed capital adequacy ratio based on the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and other relevant regulatory rules. During the Reporting Period, the Bank's capital adequacy ratio at all levels met regulatory requirements.

In order to achieve the above capital management objectives, the Bank adopted the following management measures during the Reporting Period: reasonably assessing the capital supply and demand and the capital gap and formulating medium-term and long-term capital planning and annual capital planning based on the principle of giving priority to capital constraint in accordance with the strategic orientation and risk appetite after taking into full consideration the changes in the external operating environment; strengthening the core concept of capital value creation, improving the capital allocation and assessment system with capital efficiency indicator as the core, strengthening the guidance and support to key businesses by resource allocation, promoting the in-depth application of economic capital in resource allocation, differentiated pricing and performance assessment, and conveying the concept of paid use of capital to the whole bank from multiple perspectives; continuously promoting the implementation process of the new capital regulations, organizing and completing several rounds of quantitative calculations, dynamically assessing the impact of the implementation of the new regulations on the capital indicators and business development of the Bank, and formulating targeted implementation plans for the transition period, and organizing and sorting out the implementation plans and system construction requirements following the regulatory requirements and internal management needs; building a management framework for the Bank's recovery and resolution plans under crisis scenarios, clarifying the governance structure and working mechanism, and forming differentiated recovery and resolution strategies by combining multi-perspective stress tests and triggering mechanism settings to ensure the sustainability and stability of core business functions under extreme scenarios; carrying out annual internal capital assessment process, covering major risk categories in an all-round manner, systematically assessing capital supply and demand under capital additions and stress scenarios, and formulating emergency plans to deal with stress situations, while optimizing the Pillar 2 capital surcharge mechanism in line with the latest regulatory requirements to improve the comprehensive risk management framework of the Bank; continuously optimizing the capital replenishment mechanism of "endogenous capital replenishment as the main body and exogenous capital supplementation as the support," promoting the formation of a scientific and reasonable capital structure, and achieving a prudent balance between different components of capital portfolios. In the past three years, the Bank realized effective replenishment of multilevel capital through the public offering, issuance of undated capital bonds, tier 2 capital bonds, etc. and the capital structure tended to be balanced.

## **2 Method and procedure for internal capital adequacy assessment**

The Bank's internal capital adequacy assessment procedure includes key sectors such as governance structure, risk appetites, risk identification and assessment, capital adequacy ratio stress test, capital assessment, capital planning and emergency management. Based on comprehensive consideration and assessment of the main risks faced by the Bank, we measured the matching level of capital and risk and established a management system that integrated risk and capital to ensure that we maintain a level of capital that is appropriate to our risk profile in different market environments.

In accordance with the relevant requirements of the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), the Bank conducts internal capital adequacy assessment on an annual basis and has continuously promoted the optimization of the methodology. At present, the Bank has formed a relatively standardized governance structure, a supporting policy management system, a complete assessment process, a regular monitoring and reporting mechanism, and an internal audit system, which have met the external regulatory requirements and internal management needs. At present, the Bank's internal capital adequacy assessment procedure has a sound governance structure and clear responsibilities to control various risks effectively. The capital level is commensurate with the risk appetites and risk management level and the capital planning is compatible with the Bank's operating conditions, risk change trends, and long-term development strategies.

### **3. The management plan for capital planning and capital adequacy ratio**

During the Reporting Period, the Bank has formulated the Capital Management Plan of CHINA BOHAI BANK CO., LTD. for 2021-2023 (《渤海銀行股份有限公司 2021-2023 年資本管理規劃》) as required by the relevant regulatory requirements and submitted it to the Board of Directors for consideration and approval. The capital planning of the Bank comprehensively took into account such factors as macroeconomic situation, regulatory policy requirements and the Bank's strategic transformation planning, risk appetites and risk assessment results, and financing capabilities to reasonably determine the management objective of internal capital adequacy ratio and prudently estimate the future capital supply and demand. While focusing on the endogenous accumulation of capital and consolidation of profitability, the Bank actively expanded the channels of exogenous capital replenishment to enhance our capital strength continuously and fully supported the sustainable development of various businesses.

The Bank determined the annual capital adequacy ratio management target within the framework of medium and long-term capital planning, formulated the annual management plan and incorporated it into the bank-wide operation plan to ensure that the annual capital management plan is compatible with various business plans, and ensured that the capital adequacy ratios of the Bank at all levels continuously meet the regulatory requirements and internal management targets through the dynamic monitoring, analysis and reporting of the capital adequacy ratio level, adjusting and optimizing the asset structure, improving the refined management level, issuing capital instruments in a timely manner and other measures.

## **(VII) Information Technology Risk**

During the Reporting Period, in accordance with regulatory requirements such as comprehensive risk management and internal control, as well as internal requirements such as risk appetite and information technology risk management policies, the Bank implemented the financial technology transformation and development strategy, effectively performed its duties on the three lines of defense of information technology risk management, continuously improved information technology risk management methods and management mechanism, and continued to promote the rectification of information technology risk issues. There were no major information system emergencies (level III) or above during the whole year. The information technology risk was controllable as a whole, and the information technology risk preference had not been broken, providing a guarantee for the realization of the financial technology strategic goals.

## (VIII) Compliance Risk

Compliance risk refers to the risk of being subject to legal sanctions, regulatory penalties, significant financial loss and reputational loss as a result of failure to comply with laws, rules and norms.

### *Compliance risk status*

The Bank's compliance risk management is composed of the Board of Directors, Board of Supervisors, senior management, Risk Control Committee, Internal Control and Compliance Department, Audit Department, and various business lines and branches and sub-branches. Our Board of Directors is responsible for reviewing and approving our compliance risk management policies and assumes ultimate responsibility for the compliance of the operational and management activities with relevant applicable laws and regulations. Our senior management is responsible for formulating and implementing compliance risk management policies and organizing the implementation of compliance risk management, whereas the Internal Control and Compliance Department assists our senior management in leading and promoting the daily management of the compliance risk across the Bank. Each of the business lines is principally responsible for its compliance with the applicable laws and regulations and compliance risk management.

During the Reporting Period, the Bank deepened the compliance review with system review as the main body, proactively identified, assessed and mitigated the compliance risks of new products, new businesses and major projects, strictly controlled the advance pass of compliance risks, and kept the bottom line of compliance; the Bank internalized the external regulations in a timely manner, made express and summary of regulations, and continuously paid attention to and tracked the introduction and changes of regulations; the Bank carried out rules and regulations sorting, comprehensively evaluated the integrity, applicability and compliance of existing systems, and continuously improved the systems to ensure that all systems are comprehensive, systematic, standardized and applicable; the Bank deepened the study of the systems and process, organized and carried out the activity of "study on publicity and implementation of the systems by all staff" ("全員制度宣貫學習"), sorted out the scope of the systems that should be learned for each post, organized the staff across the bank to master the business system and operation process of their respective posts and consciously correct violations, and established a long-term mechanism for system learning.

### *Anti-money laundering management status*

During the Reporting Period, the Bank worked hard to achieve perfection, improved the concept of money laundering risk management across the Bank, and formed an anti-money laundering work pattern in which business lines and compliance lines cooperated with each other. The Bank comprehensively promoted the building of anti-money laundering governance capacity, formed a preliminary plan for the construction of an anti-money laundering center at the head office, and promoted the transformation process of the Bank's anti-money laundering work from decentralized to centralized, multi-level to one-stop, and part-time to fulltime. The Bank improved the establishment of the anti-money laundering system, and issued the Management Measures for Self-Assessment of Money Laundering and Terrorist Financing Risks of Bohai Bank (Trial) (《渤海銀行洗錢和恐怖融資風險自評估管理辦法(試行)》) and Guidelines for Anti-Money Laundering and Counter Terrorism Financing of Cross-border Business of Bohai Bank (Trial) (《渤海銀行跨境業務反洗錢和反恐怖融資工作指引(試行)》) and other systems to consolidate the foundation for anti-money laundering work. The Bank adhered to the evaluation principles of comprehensiveness, objectivity, matching and flexibility, and launched a new round of money laundering risk self-assessment. The Bank organized multi-level and multichannel anti-money laundering training and strived to integrate the concept of anti-money laundering into all departments, institutions and relevant positions of the Bank. The Bank carried out publicity activities such as anti-money laundering and prevention of illegal fund-raising, and formed a characteristic publicity model and work pattern of point to area and area to whole, built a firewall against external risks, and fulfilled its obligations to maintain financial and social stability. The Bank orderly promoted the intelligent construction of anti-money laundering work to build an intelligent, open, shared and integrated anti-money laundering ecosystem.

## (IX) Strategic Risk

Strategic risk refers to the risk of affecting the Bank's current or future profitability, reputation and market position due to inappropriate strategic positioning, improper implementation of strategies, or failure to make timely and necessary adjustments to strategies in line with changes in internal and external competitive environment in the process of formulating and implementing development strategies or making major business decisions closely related to strategies.

During the Reporting Period, the Bank deeply studied the important spirit and instructions of the party, the state and Tianjin Municipal Party Committee and Government, effectively unified thoughts and actions with the central and Tianjin Municipal Party Committee's main goals and tasks for economic and financial work in a period in the future, accurately studied and judged the macroeconomic situation at home and abroad, linked up and down, implemented policies accurately, actively responded to the challenges of the epidemic and seized opportunities of on-line and digital development, so as to effectively carry out strategic risk management and promote high-quality development of Bohai Bank.

During the Reporting Period, the Bank tracked major national strategic deployments and specific requirements in a timely manner, and scientifically prepared the Fourth "Five-Year Plan" to ensure that the positioning and development direction of the Fourth "Five-Year Plan" were consistent with relevant national requirements. At the same time, the Bank adhered to the new development concept, grasped the new development stage, integrated into the new development pattern, and in combination with the actual situation, promoted the implementation of the Fourth "Five-Year Plan" with a new starting point and high standards, and promoted the transformation of the integration of strategy and technology. Meanwhile, the Bank dynamically reviewed and revised it on a rolling basis in combination with the implementation progress, changes in the external environment and the competition among peers, so as to continuously improve the ability to serve the national strategy, the real economy and people's better life.

## (X) Reputational Risk

Reputational risk refers to the risk of negative evaluation of the Bank by stakeholders due to the Bank's operation, management and other behaviors or external events. The reputational impact on the Bank is generally caused by poor management of various risks such as credit risk, market risk, liquidity risk, operational risk, technology risk, strategic risk, or caused by uncontrollable external emergencies, such as social, ethnic and environmental risks.

The Bank adhered to incorporating reputational risk into its corporate governance and comprehensive risk management system, and closely followed the working concept of "enhancing awareness, focusing on prevention, closely monitoring, properly handling, positively guiding and expanding publicity" to continuously refine the reputational risk management mechanism and system construction, continuously reinforce the awareness of reputational risk prevention among all employees and continuously manage the whole process of public sentiment monitoring, investigation, judgment, early warning, disposal, post-assessment and reputational repair properly. From the aspects of party building publicity, leader reputation, high-quality development and social responsibility, the Bank carried out positive publicity in a multi-angle, omni-channel and high-volume manner, and continued to consolidate the corporate image and market positioning of the Bank as "a modern wealth and treasury manager offering the best experience" to the public. During the Reporting Period, the Bank won several awards such as "Low-Carbon Bank of the Year" Award ("年度低碳銀行"獎), "Annual Financial Technology Progress" Award ("年度金融科技進步"獎), and "Outstanding Bank with Competitive Customer Experience" ("卓越競爭力客戶體驗銀行"), ranking 111th in the 2021 "Top 1000 World Banks" list issued by The Banker, a British magazine, moving up 22 places compared with the previous year.

The Bank will further strengthen the construction and detailed implementation of systems related to reputational risk management across the bank; educate all employees of the Bank to cherish reputation through various forms of trainings and drills such as system publicity, public opinion drills, and skill improvements, and strive to cultivate and continuously improve the awareness and culture of reputational risk prevention across the bank.

## (XI) Country Risk

The Bank incorporated country risk management into its comprehensive risk management system. The Board of Directors is responsible for the ultimate responsibility for the effectiveness of monitoring country risks. The senior management is responsible for implementing the country risk management policies approved by the Board of Directors.

The Bank continued to strengthen management on country risks. Pursuant to the Country Risk Management Measures of CHINA BOHAI BANK CO., LTD. which specified the objects, responsibilities and procedures, rating methods and risk limit management methods of country risk management, we established a country risk reporting, supervision and inspection mechanism. During the Reporting Period, the Bank mainly focused on RMB business, the proportion of cross-border foreign-related business increased year by year, and the Bank's cross-border counterparties were mainly concentrated in developed countries. The Bank's assets involving country risk exposure are small in size, so the country risk is controllable and the overall level is low.

## XIII. ANALYSIS OF CORE COMPETITIVENESS

The Bank is committed to becoming "a modern wealth and treasury manager offering the best experience" and providing customers with all-around stewardship-style financial wealth and treasury management solutions. During the Reporting Period, the Bank comprehensively promoted the preparation and implementation of the Fourth "Five-Year Plan", continuously optimized the customer structure, implemented the national industrial policy, actively advanced business transformation and development; closely followed the general trend of residents' consumption upgrade, started with mobile, Internet and technology, and promoted financial innovation with customers as the center, providing customers with more intelligent, convenient and personalized comprehensive financial services. In addition, the Bank actively supported major national strategic projects, actively served the "Belt and Road" initiative, Beijing-Tianjin-Hebei coordinated development, the development of Yangtze River Economic Zone, Guangdong-Hong Kong-Macao Greater Bay Area and the construction of free trade zones. The Bank's core advantages are mainly reflected in the following five aspects:

Firstly, the Bank is the youngest nationwide joint-stock bank in the PRC exhibiting strong competitiveness since establishment. First, as a newly established bank benefiting from holding a national banking license, the Bank is the only nationwide joint-stock commercial bank newly established in China after the amendment to the Commercial Banking Law (《商業銀行法》) in 2003, and also the only nationwide joint-stock commercial bank that has a foreign bank as its promoter and founder. The Bank is the youngest one among all twelve nationwide joint-stock commercial banks and enjoy significant late-mover advantages. Secondly, our high-quality and diversified shareholders provided consistent and stable support. The Bank has strong Chinese and foreign shareholders, who provide long-term stable support to the Bank's business development and strategy implementation. Our shareholding structure, which features a well-designed, diversified and balanced shareholder base and a checks-and-balances mechanism, lays a solid foundation for us to effectively leverage our shareholders' strengths in governance. Finally, we established a high-standard system to recruit talents. With assistance from our promoter, Standard Chartered Bank (Hong Kong) Limited, the Bank refers to the experience of leading overseas banks to develop a modern system with world-class standards. Under the framework of well-established and standardized system, the Bank has a team with strong fighting ability and sense of belonging, which provides key talent support to the sustainable and steady development.

Secondly, the Bank has precise customer targeting and outstanding financial services. The Bank researched and analyzed customer groups in an all-round manner and from all aspects by closely following the trends of national strategies and industry development. The retail banking business focuses on the two core customer groups of the "pressurized generation (壓力一代)" and the "grey-haired group (養老一族)". Through professional and dedicated financial services, it helps residents to upgrade their consumption and realize wealth preservation and appreciation, meets the increasing pension financial needs, and promotes the "pressurized generation" to become the "happy pressurized generation (快樂的壓力一代)", and the "grey-haired group" to become the "worry-free grey-haired group (無憂的養老一族)". The corporate banking business introduces an ecological perspective in customer operation, and primarily focuses on customers who have strong track records and can bring good revenue. Our core customers comprise enterprises with robust operations, steady returns and leading industry positions which conform to trends of economic transformation and industry upgrade.

Thirdly, the combination of advanced risk management concept and sophisticated risk management system led to a continuous improvement on asset quality. The Bank has a good gene that SCB has passed along to us. After over one decade of evolution and upgrade, we gradually developed a risk management concept of “comprehensiveness, proactivity, agility and effectiveness (全面、主動、敏捷、到位)”, in accordance with international standards and fitting China’s national conditions. We established a risk management system featuring the principles of “consolidation, verticality, independence, balance and integration (集中、垂直、獨立、制衡、融入)”. We continuously improve our risk management capability by utilizing five key advanced technologies, namely big data, artificial intelligence, block-chain, cloud computing and 5G technology, through which we have enhanced the quantification, precision, agility, intelligence and promptness of our risk monitoring system, and implemented a comprehensive online alert mechanism for our risk assets. During this process, we adopted a process with reference to studies on specific industries and scenarios, so that we were able to organically integrate mature offline risk management logic and measures into our risk management system, thereby enhancing our overall risk control capacity. We uphold a sound risk appetite and prudent compliance awareness. Credit risks have been fully identified and asset quality has been steadily improving.

Fourthly, we are a progressive technological and ecological bank, which is full of the characteristics of the new generation. The Bank adheres to the guidance of FinTech-driven digitization, and strives to build an ecological banking model featuring “Bank the world (渤觀約取·海潤萬物)”. With the five strategic capabilities of “Ecosystem (聚焦生態)”, “Engaged (共生共贏)”, “Enable (專業賦能)”, “Everywhere (無處不在)” and “Engined (智慧引擎)”, we can realize the comprehensive upgrading of business model. That is, strengthening the focus on ecology and strengthening symbiosis and win-win to realize the transformation from bank customers to ecological users; strengthening professional empowerment to realize the transition from product sales to capability output; expanding the service model to realize the transformation from traditional channels to invisibility, insensitivity and ubiquity; and improving data application capabilities to realize the transformation from human judgment to intelligent decision-making.

Fifth, we have a distinguished management team supported by outstanding employees and a lean and agile management culture. The senior management team of the Bank has many years of professional management experience in banking industry. They have a deep understanding and strong capacity in financial policy, business operation, wealth and treasury management and FinTech. Many members used to serve key positions in financial regulatory institutions and large state-owned commercial banks and hold professional qualifications, such as senior economist and professor, which constitutes a strong support to the operation and development of the Bank. The Bank offers competitive compensation packages and continues to improve our market-oriented talent recruitment and evaluation system. We care the career development of our employees and offer them a flexible promotion mechanism. By virtue of this system, we managed to attract talents from different large financial institutions and forged a team of employees with rich experience, youth, strong academic background and cohesion. The Bank strives to build an agile and warm banking culture of “external differentiation, internal simplicity and expertise in collaboration (外部差異化、內部簡約化和精於協同)”, provides full-process and full-cycle online services, actively introduces lean six sigma (精益六西格瑪), and strives to build a bank with processes placing priority on the customers. We persistently carry out our obligations and responsibilities as a financial institution and vigorously develop green finance. We actively participate in social welfare events and have provided funds and material support to targeted poverty-stricken areas and institutions for many consecutive years. We strongly promote inclusive finance, providing financial services to micro and small enterprises, agriculture, rural areas and farmers, start-ups and innovators, through which we have contributed to sustainable development of the economy, the society and the environment.

In the future, the Bank will continue to promote the implementation of the Fourth “Five-Year Plan”, strive to promote high-quality development, create greater value and returns for shareholders, assume more responsibilities for the society, and fulfill our due responsibilities and obligations for the development of the economy and society in the new era.

## XIV. FUTURE DEVELOPMENT OUTLOOK

### (I) Economic, Financial and Banking Outlook

Looking forward to 2022, China's macroeconomic operation is still facing a complex and severe internal and external situation. In the short term, the COVID-19 epidemic will remain to be an important variable affecting the economic recovery of the world. The global pandemic may continue to be repeated with the spread of the Omicron variant. Under the influence of the pandemic, the smooth flow of global industrial chains and supply chains will still be affected, and the price situation in various countries will remain severe. If the pandemic is effectively controlled, the pace of normalization of global monetary policy may be significantly accelerated.

In 2022, China's economic operation will insist on giving priority to stability and pursuing progress while maintaining stable performance. The Central Economic Work Conference held in December 2021 requested that "all parties should actively promulgate policies that are conducive to economic stability, and these policies should be given appropriate priority", "active fiscal policy should enhance its efficiency", and "prudent monetary policy should be flexible and appropriate". In the context of the upcoming 20th National Congress of the Communist Party of China, the policy for stabilizing growth in 2022 may continue to be vigorous, and China's macro-economy will maintain steady operation, paying more attention to the impact of macro policies on economic operation under a cross-cycle framework. Macroeconomic growth may show a trend of slightly lower first and then slightly higher, the export growth may slow down marginally, the consumption side will continue to be repaired, the growth of infrastructure will rise steadily, and investment in the manufacturing industry will go upward. Under the guidance of development concepts such as common prosperity, dual circulation, peak carbon emissions and carbon neutrality, the macro economy will continue to be resilient.

The financial system will increase its support for the real economy. With the support of the "steady growth" policy, the growth rate of credit allocation is expected to remain stable, the credit structure will continue to be optimized, and the financial support for key areas and weak links will continue to be increased. Under the prudent monetary policy with flexibility and moderation, the liquidity of the financial market will continue to be reasonably abundant, and the cost pressure of commercial banks on the debt side may be further eased, with the comprehensive financing cost of enterprises showing a stable but decreasing trend. The reform of the capital market will be further advanced, the reform of registration system will be carried out solidly, and the registration system of Shanghai and Shenzhen main boards is expected to accelerate. The RMB exchange rate may show a trend of two-way fluctuations.

In 2022, under sound and effective macro policies, the banking industry will deeply take root in the real economy, accelerate innovation-driven and digital transformation, help build a new development pattern and achieve its own high-quality development. Under the guidance of the policies, the banking industry will strengthen its financial support for such areas as micro, small and medium-sized enterprises, inclusive finance, green and low carbon, rural revitalization, infrastructure, advanced manufacturing industries, technological innovation, and pension finance, with its asset structure being further optimized. Net interest margin may drop slightly in a stable manner, and asset quality is basically stable, but we still need to pay close attention to risks in certain key areas. We will accelerate the digital strategic transformation and enterprise-level architecture construction, continue to establish and improve the innovative financial product system, deepen the construction of the financial scenario ecosystem, strengthen data security and customer information protection, and continuously improve the quality and efficiency of financial services.

## (II) Guiding Ideology and Major Measures for the Bank's Business Development in 2022

In 2022, the Bank's business development guiding ideology is: sticking to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implementing the spirits of the 19th National Congress of the Communist Party of China and the plenary sessions of the 19th Central Committee of the Communist Party of China, earnestly implementing the deployments of the Central Economic Work Conference. Guided by party building and taking compliance as the cornerstone, the Bank will adjust the structure to promote strategic transformation, strengthen risk control to ensure operational safety, conduct reform and innovation to increase development momentum, enhance management to improve operational efficiency, continue to deepen the implementation of every work of "thriving bank by customers, developing bank by deposit, enriching bank by intermediate business income, strengthening bank by technology, leading bank by innovation and protecting bank by risk control", further promote the "Seven Projects of New Infrastructure Construction" of Bohai Bank, strive to create a new situation of high-quality development of Bohai Bank, and welcome the successful convening of the 20th National Congress of the Communist Party of China with great achievements.

Major work measures: Firstly, strengthening the leadership of party building, emphasizing the idea of "One Position, Two Responsibilities", insisting on planning, deploying, implementing and inspecting party building work and business work together to ensure that the central decision-making and deployment are fully implemented in Bohai Bank. Secondly, consolidating the customer base, firmly refining and actualizing customer development, enlarging the customer network, strengthening the customer group and making a thorough customer chain. At the same time, the Bank will further enhance the awareness of "developing bank by deposit" and promote the stable growth of deposits. Thirdly, effectively changing the development mode, accelerating the pace of transformation of corporate business, speeding up the development of retail business, increasing the contribution of financial market business, and actively cultivating and deeply exploring new growth points of intermediate business. Fourthly, paying close attention to internal control and compliance, bearing in mind the principle of "compliance first", and further establishing and improving a scientific and effective internal control and compliance management system and responsibility system with checks and balances, covering all governance bodies and the first, second and third lines of defense. Fifthly, strengthening risk management capabilities, deepening the governance of the source of operational risk, strengthening the penetration of the whole process of risk management, accelerating the application of intelligent risk control tools, and fully implementing credit risk monitoring to ensure stable asset quality. Sixthly, grasping technology to promote innovation, vigorously developing financial technology, and continuously enhancing the leading role of science and technology to provide a strong innovation engine and technological support for business transformation and development. Seventhly, further promoting the refinement of management, comprehensively improving the basic management level, and constantly consolidating the foundation of development management, and seeking for quality, efficiency and development of management. Eighthly, strengthening the construction of talent team, implementing the mechanisms of "attracting and gathering talents", "educating and cultivating talents" and "retaining and utilizing talents", so as to create a new engine of development and activate new momentum of development with the convergence of talents.



# Changes in Share Capital and Information on Shareholders

## I. CHANGES IN ORDINARY SHARES

There was no change in the Bank's ordinary shares during the Reporting Period. The Bank's ordinary shares are as follows:

	December 31, 2020		Changes during the Reporting Period (shares)	December 31, 2021	
	Number (share)	Percentage (%)		Number (share)	Percentage (%)
Domestic Shares	11,561,445,000	65.09	-	11,561,445,000	65.09
H Shares	6,200,555,000	34.91	-	6,200,555,000	34.91
<b>Total ordinary shares</b>	<b>17,762,000,000</b>	<b>100.00</b>	<b>-</b>	<b>17,762,000,000</b>	<b>100.00</b>

Note: As of the end of the Reporting Period, the Bank had 79 shareholders, including 11 holders of Domestic Shares and 68 holders of H Shares.

## II. SHAREHOLDING OF TOP 10 SHAREHOLDERS OF ORDINARY SHARES

As of the end of the Reporting Period, shareholding of top 10 Shareholders of ordinary shares of the Bank was as follows:

Name of Shareholder	Nature of Shareholder	Changes during the Reporting Period (shares)	Number of shares held at the end of the Reporting Period (shares)	Shareholding Percentage (%)	Class of Shares
TEDA Investment Holding Co., Ltd. <sup>(1)</sup>	State-owned legal person	-	3,612,500,000	20.34	Domestic Shares
HKSCC Nominees Limited <sup>(2)</sup>	Overseas legal person	20,500	3,311,781,990	18.65	H Shares
Standard Chartered Bank (Hong Kong) Limited	Overseas legal person	-	2,888,555,000	16.26	H Shares
China Shipping Investment Co., Ltd.	State-owned legal person	-	1,975,315,000	11.12	Domestic Shares
State Development & Investment Corp., Ltd.	State-owned legal person	-	1,686,315,000	9.49	Domestic Shares
China Baowu Steel Group Corporation Limited	State-owned legal person	-	1,686,315,000	9.49	Domestic Shares
Oceanwide Industry Co., Ltd.	Domestic non-state-owned legal person	-	1,370,706,739	7.72	Domestic Shares
Tianjin Shanghui Investment Holding Company Limited	Domestic non-state-owned legal person	-	1,156,000,000	6.51	Domestic Shares
Shine Enterprise (Tianjin) Co., Ltd.	Domestic non-state-owned legal person	-	29,424,331	0.17	Domestic Shares
Tianjin Xianghe Enterprise Management Consulting Co., Ltd.	Domestic non-state-owned legal person	-	14,712,166	0.08	Domestic Shares
Tianjin Firstwood Co., Ltd.	Domestic non-state-owned legal person	-	14,712,166	0.08	Domestic Shares

Notes: (1) TEDA Investment Holding Co., Ltd. confirmed that, as of the end of the Reporting Period, in addition to the 3,612,500,000 Domestic Shares of the Bank directly held, Jinlian (Tianjin) Finance Lease Co., Ltd., one of its subsidiaries, also held 48,438,000 H Shares of the Bank through HKSCC Nominees Limited. As such, TEDA Investment Holding Co., Ltd. and its subsidiary held a total of 3,660,938,000 shares of the Bank, representing shareholding of 20.61%.

(2) The shares held by HKSCC Nominees Limited as agent are the total amount of shares in the Bank's H-share investors' accounts traded on the trading platform of HKSCC Nominees Limited.

### III. INFORMATION OF SUBSTANTIAL SHAREHOLDERS UNDER THE INTERIM MEASURES FOR THE EQUITY MANAGEMENT OF COMMERCIAL BANKS PROMULGATED BY THE CBRC

According to relevant requirements of the Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》) promulgated by the CBRC, as of the end of the Reporting Period, the relevant information of substantial shareholders of the Bank was as follows:

#### (I) TEDA Investment Holding Co., Ltd.

Founded in December 1984, TEDA Investment Holding Co., Ltd., is an authorized business unit of state-owned assets in Tianjin Economic-Technological Development Area and was transferred to Tianjin SASAC for supervision in 2012. Focusing on urban comprehensive development, finance and high-end manufacturing, the company is committed to building a first-class cross-border state-owned capital investment company that serves significant national strategies, contributes to the industrial development of Tianjin and promotes the in-depth integration of industry, finance and city. Registered capital: RMB11.07695 billion; legal representative: WANG Zhiyong; Add.: 1201, No. 9 Shengda Street, Tianjin Economic-Technological Development Area, China; controlling shareholder: Tianjin SASAC; actual controller: Tianjin SASAC. As of the end of the Reporting Period, TEDA Investment Holding Co., Ltd. pledged 1,802,437,100 shares of the Bank.

#### (II) Standard Chartered Bank (Hong Kong) Limited

Standard Chartered Bank (Hong Kong) Limited is a wholly-owned subsidiary of Standard Chartered PLC, incorporated under the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) on December 12, 2003. It is one of the three note-issuing banks in Hong Kong, and mainly engages in banking and related financial services. CEO: HUEN Wai Yi Mary; registered address: 32/F, 4-4A Des Voeux Road Central, Hong Kong, China; controlling shareholder: Standard Chartered PLC; actual controller: Standard Chartered PLC. As of the end of the Reporting Period, none of the shares of the Bank held by Standard Chartered Bank (Hong Kong) Limited had been pledged or frozen.

Standard Chartered PLC was established on November 18, 1969 in London, UK, mainly providing a full range of banking and financial services, and has been listed on London Stock Exchange and Hong Kong Stock Exchange. Chairman: José Viñals; CEO: Bill Winters; registered address: 1 Basinghall Avenue, London EC2V 5DD, United Kingdom.

#### (III) China Shipping Investment Co., Ltd.

China Shipping Investment Co., Ltd., established on June 26, 1998, is a wholly-owned subsidiary of COSCO SHIPPING Development Co., Ltd., and its business scope includes industrial investment and equity investment. Registered capital: RMB18.213 billion; legal representative: MING Dong; Add.: Room 100, 1/F, Block 6, No. 58 Rui Xing Road, Lin-Gang New Area, China (Shanghai) Pilot Free Trade Zone; controlling shareholder: COSCO SHIPPING Development Co., Ltd.; actual controller: SASAC. As of the end of the Reporting Period, none of the shares of the Bank held by China Shipping Investment Co., Ltd. had been pledged or frozen.

COSCO SHIPPING Development Co., Ltd. was founded on March 3, 2004, and its business scope covers shipment of domestic general cargo ships along the coast and in the middle and lower reaches of the Yangtze River and domestic coastal feeder liners for foreign trade containers, international shipping (including liner shipment of container), manufacturing, repair, leasing of containers, ship leasing, and trading of self-owned container and self-used ship. Marine management, technical management and ship repair, maintenance, trading, leasing, operation, asset management and other ship management services of domestic coastal general cargo ships (except bulk ships). For the projects that must be approved according to law, the business activities can be carried out only after the approval of relevant departments. Registered capital: RMB11.608125 billion; legal representative: WANG Daxiong; Add.: Room A-538, International Trade Building, China (Shanghai) Pilot Free Trade Zone.

#### (IV) State Development & Investment Corp., Ltd.

Founded in 1995, State Development & Investment Corp., Ltd. is an important state-owned backbone enterprise directly managed by the central government, the earliest comprehensive investment holding company in China and one of the first group of pilot reform units of state-owned capital investment companies. Since its establishment, the company has always adhered to the strategy of serving the nation, optimized the layout of state-owned capital, improved industrial competitiveness, and established three strategic business units in the domestic and overseas market covering basic industries, strategic emerging industries, financial and service industries. Registered capital: RMB33.8 billion; legal representative: BAI Tao; Add.: International Investment Building, No.6-6 Fuchengmen North Street, Xicheng District, Beijing, China; controlling shareholder: SASAC; actual controller: SASAC. As of the end of the Reporting Period, none of the shares of the Bank held by State Development & Investment Corp., Ltd. had been pledged or frozen.

#### (V) China Baowu Steel Group Corporation Limited

China Baowu Steel Group Corporation Limited, formerly known as “Shanghai Baosteel Group Corporation (上海寶鋼集團公司)” or “Baosteel Group Corporation (寶鋼集團有限公司)”, with its predecessor being Baoshan Iron and Steel (Group) Corporation (寶山鋼鐵(集團)公司) was founded on January 1, 1992, and is a legally established wholly state-owned corporation for which the SASAC performs the duties of investor on behalf of the State Council. The main business scope of the company includes the operation of state-owned assets within the scope authorized by the State Council, and the investment and operation of relevant state-owned capital. Registered capital: RMB52.791101 billion; legal representative: CHEN Derong; Add.: No.1859 Shibo Avenue, China (Shanghai) Pilot Free Trade Zone; controlling shareholder: SASAC; actual controller: SASAC. As of the end of the Reporting Period, none of the shares of the Bank held by China Baowu Steel Group Corporation Limited had been pledged or frozen.

#### (VI) Oceanwide Industry Co., Ltd.

Established in November 1992, Oceanwide Industry Co., Ltd. mainly engages in investment of its own funds. Registered capital: RMB24 billion; legal representative: LI Minghai; Add.: No. 6602 Dongfeng East Street (inside the Oceanwide City Garden (泛海城市花園)), Weifang Hi-Tech Industrial Development Zone, Shandong Province, China; controlling shareholder: China Oceanwide Holdings Group Co., Ltd.; actual controller: LU Zhiqiang. As of the end of the Reporting Period, none of the shares of the Bank held by Oceanwide Industry Co., Ltd. had been pledged or frozen.

China Oceanwide Holdings Group Co., Ltd., established in April 1988, mainly engages in investment in infrastructure projects and industries, capital operation & asset management, hotel & property management, among others. Registered capital: RMB20 billion; legal representative: LU Zhiqiang; Add.: 23/F, Building C, Minsheng Financial Center, No. 28 Jianguomennei Avenue, Dongcheng District, Beijing, China.

#### (VII) Tianjin Shanghui Investment Holding Company Limited

Established on April 5, 2004, Tianjin Shanghui Investment Holding Company Limited is an investment company with private capital and focuses on financial capital investment. Registered capital: RMB1.16 billion; legal representative: ZHANG Yunji; Add.: Room B318, Building 8, East Area, Airport Business Park, No. 80 Huanhe North Road, China Tianjin Pilot Free Trade Zone (Airport Economic Zone); the company has no controlling shareholder or actual controller. As of the end of the Reporting Period, none of the shares of the Bank held by Tianjin Shanghui Investment Holding Company Limited had been pledged or frozen.

Each substantial shareholder of the Bank did not authorize any other person to or accept any other person's authorization to hold shares of the Bank, and there were no other ultimate beneficiaries. As of the end of the Reporting Period, except that TEDA Investment Holding Co., Ltd. and its subsidiary, Jinlian (Tianjin) Finance Lease Co., Ltd., held in total 3,660,938,000 shares of the Bank, there is no person acting in concert among other substantial shareholders. All the seven substantial shareholders nominated directors to the Bank.

The Bank has treated its substantial shareholders and their controlling shareholders, actual controllers, related parties, persons acting in concert and ultimate beneficiaries, totaling 1,530 enterprises as related parties of the Bank in management. For details on related party transactions, please refer to “Audit Report and Financial Report – Notes to the Financial Statements: ‘Related parties’” in this annual report.

#### IV. CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER

During the Reporting Period, the Bank had no controlling shareholder or actual controller.

#### V. INTERESTS AND SHORT POSITIONS OWNED BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE BANK'S SHARES UNDER HONG KONG LAWS AND REGULATIONS

As of the end of the Reporting Period, to the knowledge of the Directors or chief executives of the Bank, as recorded in the register required to be kept under section 336 of the SFO, the following persons (other than the Directors, Supervisors and chief executives of the Bank) had or were deemed to have interests and short positions in the Shares or underlying Shares of the Bank which would be required to be disclosed to our Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of interest	Class of Shares	Long positions/ short positions	Number of Shares directly or indirectly held	% of interest in the Bank	% of the relevant class of Shares
TEDA Investment Holding Co., Ltd.	Beneficial owner	Domestic Shares	Long positions	3,612,500,000	20.34	31.25
	Interest in controlled corporation <sup>(1)</sup>	H Shares	Long positions	48,438,000	0.27	0.78
Standard Chartered PLC <sup>(2)</sup>	Interest in controlled corporation	H Shares	Long positions	2,888,555,000	16.26	46.59
Standard Chartered Bank (Hong Kong) Limited	Beneficial owner	H Shares	Long positions	2,888,555,000	16.26	46.59
China COSCO Shipping Corporation Limited <sup>(3)</sup>	Interest in controlled corporation	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
China Shipping Group Company Limited <sup>(3)</sup>	Interest in controlled corporation	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
COSCO SHIPPING Development Co., Ltd. <sup>(3)</sup>	Interest in controlled corporation	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
China Shipping Investment Co., Ltd.	Beneficial owner	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
State Development & Investment Corp., Ltd.	Beneficial owner	Domestic Shares	Long positions	1,686,315,000	9.49	14.59
China Baowu Steel Group Corporation Limited	Beneficial owner	Domestic Shares	Long positions	1,686,315,000	9.49	14.59
LU Zhiqiang <sup>(4)</sup>	Interest in controlled corporation	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
HUANG Qiongzi <sup>(4)</sup>	Interest of spouse	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Tohigh Holdings Co., Ltd. <sup>(4)</sup>	Interest in controlled corporation	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Oceanwide Group Co., Ltd. <sup>(4)</sup>	Interest in controlled corporation	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
China Oceanwide Holdings Group Co., Ltd. <sup>(4)</sup>	Interest in controlled corporation	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Oceanwide Industry Co., Ltd.	Beneficial owner	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Tianjin Shanghui Investment Holding Company Limited	Beneficial owner	Domestic Shares	Long positions	1,156,000,000	6.51	10.00
Yichang HEC Health Pharmaceutical Co., Ltd.	Beneficial owner	H Shares	Long positions	322,920,500	1.82	5.21

- Notes: (1) The interests are held by TEDA Investment Holding Co., Ltd. through its wholly-owned subsidiary Jinlian (Tianjin) Finance Lease Co., Ltd.
- (2) Standard Chartered Bank (Hong Kong) Limited is wholly owned by Standard Chartered PLC, and therefore Standard Chartered PLC is deemed to be interested in all the Shares held by Standard Chartered Bank (Hong Kong) Limited for the purpose of the SFO.
- (3) China Shipping Investment Co., Ltd. is wholly owned by COSCO SHIPPING Development Co., Ltd., and in turn owned by China Shipping Group Company Limited as to approximately 39.28%. China Shipping Group Company Limited is wholly owned by China COSCO Shipping Corporation Limited. As such, each of China COSCO Shipping Corporation Limited, China Shipping Group Company Limited and COSCO SHIPPING Development Co., Ltd. is deemed to be interested in all the Shares held by China Shipping Investment Co., Ltd. for the purpose of the SFO.
- (4) Oceanwide Industry Co., Ltd. is owned by China Oceanwide Holdings Group Co., Ltd. and Oceanwide Group Co., Ltd. as to 60% and 40%, respectively. China Oceanwide Holdings Group Co., Ltd. is owned by Oceanwide Group Co., Ltd. and Tohigh Holdings Co., Ltd. as to 98% and 2%, respectively. Oceanwide Group Co., Ltd. is wholly owned by Tohigh Holdings Co., Ltd. Tohigh Holdings Co., Ltd. is owned by Mr. LU Zhiqiang as to 77.14%. As such, each of Mr. LU Zhiqiang, Ms. HUANG Qiongzi (spouse of Mr. LU Zhiqiang), Tohigh Holdings Co., Ltd., Oceanwide Group Co., Ltd. and China Oceanwide Holdings Group Co., Ltd. is deemed to be interested in all the Shares held by Oceanwide Industry Co., Ltd. for the purpose of the SFO.

Save as disclosed above, the Bank is not aware of any other person (other than Directors, Supervisors and chief executives of the Bank) who has any interest or short position in its Shares at the end of the Reporting Period which will be required to be recorded in the register kept under section 336 of the SFO.

## VI. ISSUANCE AND LISTING OF EQUITY SECURITIES

During the Reporting Period, the Bank had not issued any new Shares.

## VII. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE BANK

During the Reporting Period, the Bank had no purchase, sale or redemption of the listed securities of the Bank.

## Directors, Supervisors, Members of Senior Management, Employees and Branches

### I. DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

#### (I) Basic Information and Remuneration of Directors, Supervisors and Members of Senior Management

Name	Position	Gender	Date of birth	Time of joining our Bank	Tenure	Total pre-tax remuneration from the Bank during the Reporting Period (RMB ten thousand) <sup>(4)</sup>	Remunerated by the Bank's shareholders or their related parties
LI Fuan	Chairman	Male	December 1962	June 2015	June 2015 – the date of re-election	52.09	No
FUNG Joi Lun Alan	Vice chairman	Male	April 1948	May 2010	August 2010 – the date of re-election	–	Yes
WANG Zhiyong	Non-executive director	Male	March 1972	May 2021	October 2021 – the date of re-election	–	Yes
YUAN Wei	Non-executive director	Female	February 1974	March 2019	December 2019 – the date of re-election	–	Yes
YE Baishou	Non-executive director	Male	June 1962	April 2014	June 2014 – the date of re-election	–	Yes
HU Aimin	Non-executive director	Male	December 1973	February 2018	September 2018 – the date of re-election	–	Yes
ZHANG Xifang	Non-executive director	Male	December 1972	November 2019	January 2020 – the date of re-election	–	Yes
ZHANG Yunji	Non-executive director	Male	August 1954	February 2009	February 2009 – the date of re-election	–	Yes
QU Hongzhi	Executive director	Male	August 1969	December 2019	January 2020 – the date of re-election	172.32	No
	President				January 2020 – May 2024		
DU Gang	Executive director	Male	November 1970	March 2019	January 2020 – the date of re-election	130.31	No
	Vice president				April 2019 – May 2024		
	Secretary to the Board				October 2020 – the date of re-election		
MAO Zhenhua	Independent non-executive director	Male	January 1964	April 2016	June 2016 – the date of re-election	53.49	No
CHI Guotai	Independent non-executive director	Male	July 1955	April 2016	June 2016 – the date of re-election	53.43	No
MU Binrui	Independent non-executive director	Male	September 1956	May 2018	September 2018 – the date of re-election	53.49	No
TSE Yat Hong	Independent non-executive director	Male	October 1969	December 2019	June 2020 – the date of re-election	53.54	No
WANG Ren	Independent non-executive director	Male	September 1972	December 2019	June 2020 – <sup>(6)</sup>	53.47	No
ZHU Ning	Independent non-executive director	Male	September 1973	December 2019	June 2020 – the date of re-election	53.43	No

Name	Position	Gender	Date of birth	Time of joining our Bank	Tenure	Total pre-tax remuneration from the Bank during the Reporting Period (RMB ten thousand) <sup>(4)</sup>	Remunerated by the Bank's shareholders or their related parties
WANG Chunfeng	Chairman of the Board of Supervisors Employees' representative supervisor	Male	February 1966	July 2019	November 2019 – the date of re-election July 2019 – the date of re-election	112.74	No
QI Ershi	External supervisor	Male	February 1953	April 2016	April 2016 – the date of re-election	53.49	No
DIAO Qinyi	External supervisor	Male	March 1955	April 2016	April 2016 – the date of re-election	53.49	No
HUI Yung Chris	External supervisor	Male	November 1968	December 2019	December 2019 – the date of re-election	53.47	No
MA Shuming	Employees' representative supervisor	Male	October 1966	February 2017	August 2021 – the date of re-election	78.33	No
ZHAO Zhihong	Vice president Chief risk officer	Male	January 1966	September 2015	November 2020 – May 2024 February 2020 – the date of re-election	380.14	No
XIE Kai	Vice president	Male	September 1972	June 2021	July 2021 – May 2024	67.46	No
JIN Chao	Vice president	Male	March 1979	June 2021	July 2021 – May 2024	66.01	No
ZHANG Bingjun	Non-executive director	Male	August 1963	February 2013	April 2013 – March 2021	–	Yes
CUI Xuesong	Non-executive director	Male	November 1978	December 2019	January 2020 – March 2022	–	Yes
LI Yi	Executive director Vice president	Male	December 1967	June 2009	June 2016 – March 2022 March 2010 – July 2021	127.16	No
FENG Jiankuan	Vice chairman of the Board of Supervisors Employees' representative supervisor	Male	October 1960	May 2015	December 2019 – March 2021 November 2019 – March 2021	10.52	No
FAN Zhigui	Employees' representative supervisor	Male	March 1961	July 2011	December 2019 – August 2021	142.15	No
WU Siqi	Vice president	Male	February 1965	June 2006	March 2016 – July 2021	36.51	No

- Notes: (1) For the changes in the Directors, Supervisors and members of senior management of the Bank as of the date of this annual report, please refer to "(V) Changes in Directors, Supervisors and Members of Senior Management" in this section.
- (2) Among the current Directors, Mr. LI Fuan and Mr. WANG Zhiyong were nominated by shareholder TEDA Investment Holding Co., Ltd.; Mr. FUNG Joi Lun Alan was nominated by shareholder Standard Chartered Bank (Hong Kong) Limited; Ms. YUAN Wei was nominated by shareholder China Shipping Investment Co., Ltd.; Mr. YE Baishou was nominated by shareholder State Development & Investment Corp., Ltd.; Mr. HU Aimin was nominated by shareholder China Baowu Steel Group Corporation Limited; Mr. ZHANG Xifang was nominated by shareholder Oceanwide Industry Co., Ltd. and Mr. ZHANG Yunji was nominated by shareholder Tianjin Shanghui Investment Holding Company Limited.
- (3) During the Reporting Period, the Directors, Supervisors, and members of senior management of the Bank did not hold Shares or stock options of the Bank.
- (4) The amounts disclosed above exclude the remuneration received from the former employer.
- (5) During the Reporting Period, the Bank paid a director/supervisor allowance to independent non-executive Directors and external Supervisors for the period from December 17, 2019 to June 30, 2021. During the Reporting Period, employees' representative Supervisors of the Bank did not receive supervisor allowances for serving as employees' representative Supervisors.
- (6) Due to personal work transfer, Mr. WANG Ren resigned as an independent non-executive Director of the Bank, a member of the Nomination and Remuneration Committee of the Board and Audit and Consumer Rights Protection Committee of the Board on October 29, 2021, his resignation will take effect from the date on which a successor independent non-executive Director is elected at the Shareholders' general meeting of the Bank and such successor independent non-executive Director obtains the qualification approval of CBIRC. During this period, Mr. WANG Ren will continue to perform his duties as an independent non-executive Director of the Bank and a member of the Nomination and Remuneration Committee of the Board and the Audit and Consumer Rights Protection Committee of the Board.

## (II) Remuneration Management

### 1. *Remuneration Management System*

The compensation and remuneration of our Directors, Shareholders' representative Supervisors and external Supervisors are determined by our Shareholders' general meeting and the compensation and remuneration of members of the senior management are determined by the Board of Directors. Our remuneration policies are formulated by the Nomination and Remuneration Committee of the Board and submitted to the Board of Directors for review. The remuneration package for the chairman of the Board of Directors, the chairman of the Board of Supervisors, the vice chairman of the Board of Supervisors and members of our senior management comprises annual basic salary, annual performance-based salary and incentive payments during the tenure, the remuneration package for other employees comprises basic salary, performance-based bonuses, annual progress bonus, business performance bonus, project bonus and welfare income. Our independent non-executive Directors and external Supervisors receive allowances from us. When reviewing and determining the Bank's remuneration packages, our Shareholders' general meetings and the Board of Directors take into consideration factors such as relevant work experience, level of education, competency and salaries paid by other comparable companies. The Bank also participates in various defined contribution plans organized by relevant government authorities and welfare schemes for our employees, including basic pension insurance, medical insurance, unemployment insurance, work-related accident insurance, maternity insurance and housing provident and enterprise annuity plan. For the defined contribution plans, the Bank will not use the forfeited contributions of the employees who leave the plan prior to vesting fully in such contributions. According to relevant compensation management measures, the Bank has implemented the deferred payment, stop payment and recovery of performance compensation.

During the Reporting Period, the aggregate amounts of remuneration paid by the Bank was RMB6,042.88 million.

### 2. *Compensation and Performance Measurement, Risk Adjustment Standards*

The basic salary is the basic security of the employee's life and is paid monthly. Performance-based bonuses are linked to performance appraisal results. The Bank conducts performance appraisal from four aspects, including finance, core liabilities, customers and risks, according to the annual operation and management objectives. The Bank's assessment indicators include return on net assets, return on total assets, cost-to-income ratio, operating income, pre-tax profit, net profit, non-performing loan ratio, capital adequacy ratio, allowance coverage ratio, leverage ratio, allowance to gross loan ratio and case risk ratio. The Bank will also evaluate legal compliance and operational risk, audit findings or business risk omissions as the risk cost control targets, to increase the risk deduction factors for performance appraisal, at the same time by deferred payment mechanism the Bank will make the compensation and performance better match, to prevent improper or excessive incentive motivation and the occurrence of imprudent behavior of employees resulting from insufficient risk linkages.

### 3. *The formulation of performance appraisal methods and the completion of appraisal indicators*

During the Reporting Period, the Bank formulated the Professional Manager Performance Assessment Management Measures of CHINA BOHAI BANK CO., LTD. and the Implementation Plan for Comprehensive Performance Assessment of Branches in 2021.

The Bank's return on net assets, return on total assets, cost-to-income ratio, pre-tax profit, net profit and other economic performance indicators have completed the 2021 annual performance appraisal target set by the Board of Directors; the Bank's capital adequacy ratio, allowance coverage ratio, leverage ratio, allowance to gross loan ratio and other indicators met the requirements of the assessment indicators; the Bank's regulatory evaluation, customer satisfaction and other social responsibility indicators met the requirements of the assessment indicators.



#### 4. *Exceptions to the Original Remuneration Package*

During the Reporting Period, there were no exceptions beyond the original remuneration package.

#### 5. *Salaries of employees who have a significant impact on risks*

There are 346 people in the Bank, including the assistant president of the head office, line presidents of the head office, middle managers of the head office, presidential-level management of branches and marketing directors of branches, who have a significant impact on risks, the total remuneration in 2021 amounted to RMB624.10 million, among which 40% of the performance remuneration will be deferred for three years, which meets regulatory requirements.

### (III) The Positions of Directors, Supervisors and Members of Senior Management at Shareholders

Name	Name of Shareholder	Position	Term of Service
WANG Zhiyong	TEDA Investment Holding Co., Ltd.	Secretary of the party committee, the chairman of the board of directors	August 2020 to present
FUNG Joi Lun Alan	Standard Chartered Bank (Hong Kong) Limited	Managing director	October 2020 to present
ZHANG Yunji	Tianjin Shanghui Investment Holding Company Limited	Chairman of the board of directors	September 2009 to present

### (IV) Major Work Experience, Positions and Part-time Jobs of Directors, Supervisors and Senior Management Members

#### *Directors*

##### **Mr. LI Fuan**

Representative of the 19th National Congress of the Communist Party of China, Representative of the 17th National People's Congress of Tianjin Municipality, senior economist, holder of doctoral degree, Director of Western Returned Scholars Association (Overseas-educated Scholars Association of China), and Director of the Finance Committee, Director and deputy Chairman of Tianjin Western Returned Scholars Association (Overseas-educated Scholars Association of Tianjin). He has been engaged in supervision in the systems of PBoC and CBRC for a long time, and once held the positions of deputy division director and division director of internal control and supervision bureau of PBoC, division director of foreign banks supervision division of the first division of banks supervision, division director of supervision and regulation division and assistant inspector of division of banks regulation; deputy director of the policy and legal department of CBRC, deputy director and director of banking innovation supervision department, secretary of the party committee and head of Henan Supervision Bureau of CBRC, and director of non-bank financial institutions supervision department of CBRC. He currently serves as the secretary of the party committee and chairman of the Bank.

##### **Mr. FUNG Joi Lun Alan**

Associate of the Chartered Institute of Bankers, England with a bachelor's degree. He previously served as regional head of operation of East Asia, chief operating officer of the China region and head of strategic development (Greater China) of Standard Chartered Bank (Hong Kong) Limited, responsible for leading and implementing strategic plans and cross-border projects. He currently serves as vice chairman of the Bank and managing director of Standard Chartered Bank (Hong Kong) Limited.

**Mr. WANG Zhiyong**

Economist and a doctorate candidate in finance. He served as the deputy secretary of the party committee, general manager, secretary of the party committee and chairman of Tianjin Tsinlien Investment Holding Co., Ltd. (天津津聯投資控股有限公司), the deputy secretary of the party committee, general manager, secretary of the party committee and chairman of Hong Kong Tsinlien Group Co., Ltd. (香港津聯集團有限公司), and the chairman of the board of directors of Tianjin Development Holdings Limited. He now serves as a non-executive Director of the Bank, secretary of the party committee and chairman of the board of directors of TEDA Investment Holding Co., Ltd. and chairman of the board of directors and executive director of Binhai Investment Company Limited.

**Ms. YUAN Wei**

Being a senior economist with a doctoral degree, she previously served as deputy general manager of financial business department of China Shipping Container Lines Co., Ltd. (中海集裝箱運輸股份有限公司), deputy general manager of financial business department of COSCO SHIPPING Development Co., Ltd. (中遠海運發展股份有限公司), and investment director of COSCO Shipping Captive Insurance Co., Ltd. (中遠海運財產保險自保有限公司). She currently serves as a non-executive Director of the Bank, chief investment officer and general manager of strategic investment department of COSCO SHIPPING Development Co., Ltd.

**Mr. YE Baishou**

Being a senior accountant with a bachelor's degree, he previously held the positions of division director of the finance division, vice director of finance and accounting department, and deputy director of finance planning department of State Development & Investment Corporation; chairman of the board of directors of Shenzhen Kangtai Biological Products Co., Ltd., director of finance and accounting department and deputy chief economist of State Development & Investment Corporation, vice chairman and chairman of SDIC Capital Holdings Co., Ltd. He currently serves as a non-executive Director of the Bank, chairman of SDIC Capital Co., Ltd., and chairman of the board of directors of SDIC Taikang Trust Co., Ltd.

**Mr. HU Aimin**

Mr. HU has a university education background. He previously served as a deputy general manager and the general manager of the capital operation department and the general manager of the investment management department, the general manager of industry and finance integrated development center and the secretary of the party working committee of industry and finance of China Baowu Steel Group Corporation Limited, the secretary of the party committee, a director and senior vice president of Shanghai Baosteel Packaging Co., Ltd., and the general manager of Hwabao Investment Co., Ltd. He currently serves as a non-executive Director of the Bank, the secretary of the party committee and chairman of the board of directors of Hwabao Investment Co., Ltd., a director of Hwa Bao Securities Co., Ltd., a director of Zhongjin Ruide (Shanghai) Shareholding Investment Management Co., Ltd., a director of New China Life Insurance Company Ltd., and a supervisor of Xinjiang Tianshan Steel United Co., Ltd.

**Mr. ZHANG Xifang**

Mr. ZHANG is a senior economist with a university education background and holds a master's degree in business management. He previously served as a director and the general manager of Yingda Taihe Property Insurance Co., Ltd., the chairman of the board of directors of Yingda Insurance Asset Management Co., Ltd., the chief executive officer, the chairman of the board of supervisors and the chairman of the board of directors of Oceanwide Equity Investment Management Co., Ltd., a vice executive officer, the president and the vice chairman of the board of directors of Oceanwide Holdings Co., Ltd., and the chairman of the board of directors of Oceanwide Investment Group Co., Ltd. and a vice chairman of the board of directors of China Minsheng Trust Co., Ltd., and an executive director, a vice executive officer of China Oceanwide Holdings Group Co., Ltd. He currently serves as a non-executive Director of the Bank, the chairman of China Minsheng Trust Co., Ltd., a director of Minsheng Securities Co., Ltd., and a director of Asia-Pacific Property and Casualty Insurance Co., Ltd.

**Mr. ZHANG Yunji**

Mr. ZHANG has a master's degree. He once worked in Tianjin Branch of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司天津市分行) for a long time, where he served as an assistant to the president and a vice president. In addition, he used to serve as the chairman of the board of directors and the general manager of Tianjin Rongsheng Xinye Investment and Development Co., Ltd. He currently serves as a non-executive Director of the Bank and the chairman of the board of directors of Tianjin Shanghai Investment Holding Company Limited and Rongxinhui (Tianjin) Finance Lease Co., Ltd.

**Mr. QU Hongzhi**

Mr. QU is a senior economist with a master's degree in finance and a doctor's degree in management. He once worked in China Construction Bank Corporation, where he served as the general manager of asset security department and general manager of legal affairs department of Tianjin branch, the president of Nankai sub-branch, the president of Heping sub-branch, an assistant to the president, a vice president and a member of the party committee of Tianjin branch, and the deputy secretary of the party committee and a vice president of Jiangsu branch. He currently serves as the deputy secretary of the party committee, an executive Director and the president of the Bank.

**Mr. DU Gang**

Mr. DU has a master's degree and used to be engaged in supervision at the PBoC and the CBRC for a long time. He was once the deputy inspector of the national joint stock commercial bank supervision department of China Banking and Insurance Regulatory Commission. He currently serves as a member of the party committee, an executive Director, a vice president and the secretary to the Board of Directors of the Bank.

**Mr. MAO Zhenhua**

Mr. MAO is a senior economist with a doctor's degree and has been working in China Chengxin Credit Management Co., Ltd. (formerly known as China Chengxin Securities Rating Co., Ltd.) for a long time. He once served as the chairman of the board of directors of China Chengxin Securities Rating Co., Ltd. and a director of China Chengxin International Credit Rating Co., Ltd. He is currently an independent non-executive Director of the Bank, the chairman of the board of directors of China Chengxin Credit Management Co., Ltd. and China Chengxin Investment Group Co., Ltd., a director of China Chengxin Securities Rating Co., Ltd., China Chengxin Credit Technology Co., Ltd., Shengang Securities Co., Ltd. and Airstar Bank Limited, a non-executive director of Meilleure Health International Industry Group Limited, an independent non-executive director of China Infrastructure & Logistics Group Ltd., the chief economist of China Chengxin International Credit Rating Co., Ltd., the joint head of Economic Research Institute of Renmin University of China, and the dean of Dong Fureng Economic and Social Development Research Institute of Wuhan University (Beijing).

#### **Mr. CHI Guotai**

Mr. CHI is a professor and doctoral supervisor with a doctor's degree. He once served as a lecturer and an associate professor in the banking management department of Heilongjiang College of Financial Staff and an associate professor in the School of Economics and Management of Dalian University of Technology. He is currently an independent non-executive Director of the Bank, a professor in the School of Economics and Management, and the director of the Research Center for Financial Risk and Systematic Evaluation Management (金融風險與系統評價管理研究中心) of Dalian University of Technology, and an expert in the Discipline Planning and Review Team (學科規劃評審組) of the National Social Science Fund of China.

#### **Mr. MU Binrui**

Mr. MU is a senior economist with a bachelor's degree and is granted the special government allowance by the State Council. He once served as a deputy general manager of foreign business department, a deputy general manager of marketing department, a deputy general manager and the general manager of credit management department, a deputy chief credit executive officer and the general manager of credit management department of Bank of Communications Co., Ltd. He is currently an independent non-executive Director of the Bank, an independent non-executive director of China Yongda Automobiles Services Holdings Limited, and an independent director of Shanghai Shengtong Information Technology Co., Ltd. (上海聲通信息科技股份有限公司).

#### **Mr. TSE Yat Hong**

Mr. TSE is a Fellow of the Hong Kong Institute of Certified Public Accountants, and a Fellow of Certified Public Accountants (FCPA) of CPA Australia with a bachelor's degree. He once served as the chief financial officer and company secretary of Shenzhen International Holdings Limited and as a joint company secretary and non-executive director of Shenzhen Expressway Company Limited. He is currently an independent non-executive Director of the Bank and an independent non-executive director of China Huirong Financial Holdings Limited, Sky Light Holdings Limited, Radiance Holdings (Group) Company Limited and E-Star Commercial Management Company Limited.

#### **Mr. WANG Ren**

Mr. WANG has a master's degree and once served as the associate in the investment banking department of Salomon Smith Barney Holdings Inc. of Citigroup, a managing director of investment banking department and joint head of the financial institutions group in Asia of UBS AG, a managing director, the president of Asia, and a joint head of Asia Investment Banking and Capital Markets at Jefferies Hong Kong Limited, and the chief financial officer and the president of investment bank of China Minsheng Financial Holding Corporation Limited, a vice president and the chief investment officer of Forchn Holdings Group, a vice chairman of the board of directors of Forchn International Pte. Ltd. He is currently an independent non-executive Director of the Bank, a vice chairman of BNP Paribas Asia Pacific global banking, and a member of the MIT Sloan Asian Executive Board.

#### **Mr. ZHU Ning**

Mr. ZHU is a professor and doctoral supervisor with a doctor's degree. He once taught at the University of California, Davis. He is currently an independent non-executive Director of the Bank, a vice dean and professor of Shanghai Advanced Institute of Finance, Shanghai Jiao Tong University, an independent non-executive director of China Huarong Asset Management Co., Ltd. and an independent director of Molecular Data Inc.

## Supervisors

### Mr. WANG Chunfeng

Mr. WANG is a professor (教授) and a doctoral supervisor (博士生導師) with a doctorate's degree. He served as the director (所長) at the Institute of Systems Engineering, School of Management (管理學院系統工程研究所), the director (主任) of the Financial Engineering Research Center (金融工程研究中心) in Tianjin University. He also served as the secretary general (秘書長) of Tianjin University Beiyang Education Foundation (天津大學北洋教育基金會), a vice president (副總裁) (temporary assignment) (掛職) at Bohai Securities Co., Ltd., a deputy director (副主任) at Tianjin Municipal Development Planning Commission (天津市發展計劃委員會), a deputy secretary of the party committee, the president (總裁), a secretary of the party committee, the chairman of the board of directors at Bohai Securities Co., Ltd. (渤海證券股份有限公司). He now serves as a deputy secretary of the party committee, the chairman of the Board of Supervisors (監事長), the union president (工會主席) at our Bank, the chairman of the board of supervisors of the Northern Finance Institute (北方新金融研究院).

### Mr. QI Ershi

Mr. QI is a professor and a doctoral supervisor with a master's degree. He served as the head (院長) at the College of Management in Tianjin University, an expert of the National High-Tech Research and Development Program (國家高技術研究發展計劃) ("863 Program"), the director (主任) of the Management Science and Engineering Specialty Teaching Guidance Committee of Higher Schools of the Ministry of Education (教育部高等學校管理科學與工程類專業教學指導委員會), a general expert of Informatization of the Ministry of Science and Technology (科技部). He now serves as an external Supervisor of our Bank, a professor (教授) at the College of Management and Economics (管理與經濟學部) in Tianjin University, an expert in management innovation methods of the Ministry of Science and Technology, an expert in the Academic Degrees Committee of the State Council (國務院學位委員會).

### Mr. DIAO Qinyi

Mr. DIAO is a senior economist with a bachelor's degree. He worked at Agricultural Bank of China, and served as a member of the party committee and a vice president at Shandong branch (山東省分行) of Agricultural Bank of China, a secretary of the party committee and the president at Shandong branch, the general manager of the credit management department (信貸管理部) and the credit review and approval center (信貸審查審批中心) (tier-two department) (二級部) (director level) (正局級), the chief operating officer (運營管理總監), the chief investment officer (投資總監), and the chief compliance officer (合規總監) at the head office, an external director (外部董事) at Angang Group Company Limited (鞍鋼集團有限公司), and a director at CITIC-Prudential Life Insurance Company Ltd. (中信保誠人壽保險有限公司). He now serves as an external Supervisor of our Bank and an independent director of Bank of Hebei Co., Ltd.

### Mr. HUI Yung Chris

Mr. HUI has a bachelor's degree. He served as a manager of the financial engineering department (金融工程部) at the Hong Kong branch of Citibank N.A. (花旗銀行), a vice president (副總裁) of the debt transaction group (債務交易組) at Merrill Lynch (Asia Pacific) Limited (美林(亞太)有限公司), a director in the global markets (全球市場), debt capital markets South Asia department (東南亞債務資本市場部) at the Hong Kong branch of Deutsche Bank AG (德意志銀行), a managing director (董事總經理) at Barclays Capital Asia Limited (巴克萊亞洲有限公司) (during which period he had also been the head (主管) of the investment banking department in China and Hong Kong (中國和香港投資銀行部)), a director at New China Trust Co., Ltd. (新華信託股份有限公司), a founding partner (創始合夥人) at J&Partners GP Limited, the secretary of the board of directors at Wanda Commercial Properties Company Limited (萬達商業地產股份有限公司), a non-executive director at Wanda Hotel Development Company Limited (萬達酒店發展有限公司). He now serves as an external Supervisor of our Bank, an executive director of Hong Kong Taigu (China) Group Co., Ltd (香港太谷(中國)集團有限公司) and director of its subsidiary, New Weigu (Fujian) Biological Engineering Co., Ltd. (新味谷(福建)生物工程股份有限公司) (Previous company name: Weigu (Guangdong) Biological Engineering Technology Co., Ltd. (味谷(廣東)生物工程科技有限公司)), an independent non-executive director of Clarity Medical Group Holding Limited (清晰醫療集團控股有限公司).

### **Mr. MA Shuming**

Mr. MA is an economist with a bachelor's degree. He served as a league secretary and the director of the union office of the Jilin Central sub-branch of the People's Bank of China; the acting head of the personnel division, director of the office (director of the party committee office), deputy researcher (副調研員), secretary to the discipline inspection commission and committee member of the party committee of the CBRC Jilin sub-office; the deputy director and director of the back office services center (後勤服務中心) of the CBRC Jilin office; the secretary to the party committee and director (局長) of the CBRC Siping office; a member of the preparation team (籌備組), member of the party committee and vice president of the Bank's Changchun branch, the secretary to the party committee and president of the Tianjin Binhai New District branch of the Bank. He now serves as an employees' representative Supervisor and the director of the office of the Board of Supervisors of the Bank.

### **Senior Management**

The detailed biographies of Mr. QU Hongzhi and Mr. DU Gang are set out in the section headed "Directors".

### **Mr. ZHAO Zhihong**

Mr. ZHAO is a senior economist with a doctor's degree. He once worked in China Construction Bank Corporation, where he served as a deputy division director of the general business division of the credit management department, a deputy division director of sub-branches supervision division III, the division director of the risk study division, and a manager of the general division at the credit risk management department, a manager and senior manager of authorization management division and a senior risk manager at the risk management department, a senior risk manager and deputy general manager of the quality and efficiency control department, a deputy general manager of the product and quality management department, and a deputy general manager of the product innovation and management department. He once served as the director of the strategic development and investment management office, strategic development president, an assistant to the president and the secretary to the Board of Directors of the Bank. He is currently a vice president and the chief risk officer of the Bank.

### **Mr. XIE Kai**

Mr. XIE is a senior engineer with a doctor's degree. He once served as a secretary at deputy-director level of the secretariat of the office, the deputy director and director of e-commerce department of electronic banking department, the director of innovation business department of electronic banking department, a member of the party committee and a vice president of Jiangsu Nantong branch, the director of mobile finance department of electronic banking department, the director of mobile finance department of internet finance department, the director of business cooperation department of e-financing department, the deputy general manager of technology and product management bureau, the deputy general manager of internet banking department, and the deputy general manager of the county area banking & inclusive finance internet finance management centre of Agricultural Bank of China. He is currently a vice president of the Bank.

### **Mr. JIN Chao**

Mr. JIN is a senior economist with a doctor's degree. He once served as the assistant to the president, a member of the party committee and the vice president of the Beijing Wangfujing sub-branch, the deputy general manager of international business department and the deputy general manager of investment banking department of Beijing branch of the Industrial and Commercial Bank of China; a member of the party committee, the vice president and the chief risk officer, the secretary of the party committee and the president of the Shanghai Free Trade Zone branch of Ping An Bank, the secretary of the party committee and the president of Fuzhou branch of Ping An Bank. He is currently a vice president of the Bank.

## (V) Changes in Directors, Supervisors and Members of Senior Management

### *Changes in Directors*

The 18th meeting of the fifth session of the Board of Directors of the Bank reviewed and approved that Mr. ZHANG Bingjun would no longer serve as the non-executive Director of the Bank due to the adjustment of work position, which came into effect from March 29, 2021. After the resignation took effect, Mr. ZHANG Bingjun also ceased to serve as a member of the Nomination and Remuneration Committee under the Board of the Bank.

On May 17, 2021, Mr. WANG Zhiyong was elected as a non-executive Director of the Bank at the 2020 annual general meeting of the Bank. On October 22, 2021, the CBIRC approved the qualification of Mr. WANG Zhiyong as a director. Mr. WANG Zhiyong has served as a non-executive Director of the Bank and a member of the Nomination and Remuneration Committee under the Board of the Bank since October 22, 2021.

The 30th meeting of the fifth session of the Board of Directors of the Bank reviewed and approved that Mr. CUI Xuesong would no longer serve as the non-executive Director of the Bank due to the adjustment of work position, which came into effect from March 29, 2022. After the resignation took effect, Mr. CUI Xuesong also ceased to serve as a member of the Audit and Consumer Rights Protection Committee and the Development Strategy and Inclusive Finance Committee of the Board of Directors of the Bank.

The 30th meeting of the fifth session of the Board of Directors of the Bank reviewed and approved that Mr. LI Yi would no longer serve as the executive Director of the Bank due to the adjustment of work position, which came into effect from March 29, 2022. After the resignation took effect, Mr. LI Yi also ceased to serve as a member of the Risk Management and Green Finance Committee and the Related Party Transactions Control Committee of the Board of Directors of the Bank.

### *Changes in Supervisors*

Mr. FENG Jiankuan resigned as deputy chairman of the Board of Supervisors, member of the Supervisory Committee of the Board of Supervisors and employees' representative Supervisor of the Bank due to reaching the retirement age with effect from March 31, 2021.

On August 18, 2021, Mr. FAN Zhigui resigned as an employees' representative Supervisor and a member of the Nomination Committee under the Board of Supervisors due to reaching the retirement age with immediate effect.

On August 18, 2021, the 18th meeting of the second staff congress of the Bank elected Mr. MA Shuming as an employees' representative Supervisor of the fifth session of the Board of Supervisors of the Bank until the expiration of the term of the fifth session of the Board of Supervisors.

### *Changes in Members of Senior Management*

To be in line with the Bank's market-oriented selection of professional managers for senior management and corresponding work reallocation, the 20th meeting of the fifth session of the Board of Directors of the Bank considered and approved the resignation of Mr. QU Hongzhi as the president of the Bank with effect from May 28, 2021; the resignation of Mr. DU Gang and Mr. ZHAO Zhihong as the vice presidents of the Bank with effect from May 28, 2021; and the resignation of Mr. LI Yi and Mr. WU Siqi as the vice presidents of the Bank with effect from July 30, 2021.

On May 28, 2021, at the 20th meeting of the fifth session of the Board of Directors of the Bank Mr. QU Hongzhi was appointed as a professional manager to serve as the president of the Bank, Mr. DU Gang, Mr. ZHAO Zhihong, Mr. ZHU Yingyu, Mr. XIE Kai and Mr. JIN Chao were appointed as the professional managers to serve as the vice presidents of the Bank. Their terms of office will be for a period of three years commencing from May 28, 2021, with Mr. ZHU Yingyu, Mr. XIE Kai and Mr. JIN Chao assuming their duties from the date of the approval of their qualifications by the CBIRC. On July 30, 2021, the CBIRC approved the qualifications of Mr. XIE Kai and Mr. JIN Chao as the vice presidents. The qualification of Mr. ZHU Yingyu as vice president is subject to the approval by the CBIRC.

## (VI) Changes in the Information of Directors and Supervisors

Mr. YE Baishou, a non-executive Director of the Bank, ceased to be the chairman of UBS SDIC Fund Management Co., Ltd. (國投瑞銀基金管理有限公司).

Mr. HU Aimin, a non-executive Director of the Bank, ceased to be the chairman of the board of directors of Hwa Bao Securities Co., Ltd., a director of Hwa Bao Trust Co., Ltd. and a director of Baowu Group Zhongnan Steel Co., Ltd. (寶武集團中南鋼鐵有限公司).

Mr. Zhang Xifang, a non-executive Director of the Bank, ceased to be the chairman of the board of supervisors of Wuhan Central Business Zone Operation and Development Co., Ltd., a director of China Tonghai International Financial Limited, China Oceanwide Holdings Limited and Wuhan Central Business Zone Stock Co., Ltd.

Mr. ZHU Ning, a non-executive Director of the Bank, ceased to be an independent director of Utour Group Co., Ltd.

Mr. QU Hongzhi, an executive Director of the Bank, ceased to be a member of the Risk Management and Green Finance Committee and the Related Party Transactions Control Committee of the Board of Directors of the Bank with effect from March 29, 2022.

Mr. TSE Yat Hong, an independent non-executive Director of the Bank, served as a member of the Risk Management and Green Finance Committee and the Related Party Transactions Control Committee of the Board of Directors of the Bank with effect from March 29, 2022.

Save as above information and the content disclosed in “(IV) Major Work Experience, Positions and Part-time Jobs of Directors, Supervisors and Senior Management Members” in this section, no information on Directors or Supervisors is subject to disclosure in accordance with Rule 13.51B(1) of the Listing Rules.

## (VII) Directors, Supervisors and Chief Executives’ Interests in the Bank

As of the end of the Reporting Period, none of our Directors, Supervisors and chief executive had any interests or short positions in the Shares, underlying Shares and debentures of our Bank or any associated corporations (as defined in Part XV of the SFO) which were required to be entered in the register kept by the Bank pursuant to section 352 of the SFO, or which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code.

## II. STAFF

### (I) The Number and Structure of Staff

As of the end of the Reporting Period, the Bank had 11,826 employees, including 5,674 male employees and 6,152 female employees. The age structure, educational background and professional post structure of the employees are as follows:

#### 1. Age structure of employees

Age	Number of employees	Structure (%)
Aged 30 or below	2,767	23.40
Aged 31-35	3,600	30.44
Aged 36-40	2,682	22.68
Aged 41-45	1,230	10.40
Aged 46-50	968	8.18
Aged over 50	579	4.90
<b>Total</b>	<b>11,826</b>	<b>100.00</b>

#### 2. Educational background of employees

Educational background/degree	Number of employees	Structure (%)
Postgraduate/Master’s degree and above	2,990	25.28
Undergraduate/Bachelor’s degree	8,565	72.43
College and lower	271	2.29
<b>Total</b>	<b>11,826</b>	<b>100.00</b>



### 3. Professional post structure of employees

Professional post	Number of employees	Structure (%)
Corporate banking	2,655	22.45
Retail banking	2,927	24.75
Financial markets	263	2.22
FinTech	133	1.13
Finance and assets & liabilities	298	2.52
Risk management	798	6.75
Audit, legal, internal control & compliance	367	3.10
Business operation	2,004	16.95
Information technology	866	7.32
Others	1,515	12.81
<b>Total</b>	<b>11,826</b>	<b>100.00</b>

In addition to the employees with whom the Bank has entered into labor contracts, as of the end of the Reporting Period, the Bank also engaged 239 dispatched workers through third-party human resources agencies and they generally hold non-essential positions at the Bank.

## (II) Human Resource Management

During the Reporting Period, the Bank closely focused on the overall strategic goal of transformation and development, strived to improve human resource management capabilities, continued to promote the reform of the "three systems", created a scientific compensation management system, improved the assessment and evaluation mechanism, and strengthened the construction of the "three enabling" mechanism, which enables managers to be promoted or demoted, employees to be hired or dismissed, and compensation to be increased or decreased, so as to fully stimulate the internal driving force and creative vitality of enterprise development. We vigorously promoted marketization mechanism for selecting and appointing employees, coordinated the selection, training, management and appointment of cadres, and built the high-quality cadre team; actively implemented the requirements of transformation and development, increased the reserve of professional talents, implemented the training projects of Management Trainee, optimized the organizational structure and human resource structure, realized the multi-channel and diversified development of talents, and provided effective organizational and personnel support for the operation and management of the whole bank.

## (III) Staff Training

During the Reporting Period, the Bank focused on "implement Party Committee decisions, serve the strategy transformation, serve the business innovation, serve the talent development". According to the construction requirements of training system, we refined training responsibilities, closely combined training work with talent management, professional advancement, job qualification etc., accurately stratified the training objects and courses, strengthened the overall management of internal and external teachers and courses, used artificial intelligence and big data technology to strengthen the construction of training platforms, and implanted training functions into the construction of information channels for the work deployment of the whole bank. We organized and carried out key training programs such as "Fourth Five-Year Strategic Planning", "Big Data Academy", "Blue Ocean Project" and "Product Manager Workshop", and trained 671 professionals in architecture planning, business modeling and data statistical analysis for the Bank; we introduced industrial digitalization, short video marketing, AI scenario fusion, supply chain creation and other related courses; and we carried out the project of "network capacity improvement", recorded and launched 180 professional customized courses and 80 public courses for 1,500 retail marketing and management personnel of the Bank. We offered several training courses for the cadres above the middle level, various professional and technical training courses, training courses for new employees and other training courses throughout the year, with a total of 3,310 offline trainees and 57,944 online trainees.

### III. BRANCHES

Head Office/Branch	Number of employees	Address	Tier-two branches and sub-branches under jurisdiction	Number of employees in the institutions under jurisdiction
Head Office	2,119	218 Haihe East Road, Hedong District, Tianjin	–	–
Tianjin Branch	375	8-15/F, Part 1/F, Part 2/F, China Bohai Bank Tower, 218 Haihe East Road, Hedong District, Tianjin	0/29	612
Tianjin Binhai New District Branch	158	North District, Financial Street, No. 9 Shengda Street, Tianjin Economic-Technological Development Area	0/08	135
Tianjin Pilot Free Trade Zone Branch	20	No. 3 Building, Financial Center, No. 158 West 3rd Road, Tianjin Pilot Free Trade Zone (Airport Economic Area)	0/01	21
Beijing Branch	355	1F-3F, East Tower C, Chemsunny World Trade Center, 28 Fuxingmennei Street, Xicheng District, Beijing	1/18	367
Hangzhou Branch	206	Bohai Bank Building, No. 117 Tiyuchang Road, Xiacheng District, Hangzhou City, Zhejiang Province	3/12	286
Taiyuan Branch	214	No. 308, Changzhi Road, Xiaodian District, Taiyuan City, Shanxi Province	1/07	150
Chengdu Branch	202	No. 87, Jinrongcheng South Road, High-Tech Zone, Chengdu City, Sichuan Province	1/08	189
Jinan Branch	203	Building 3, Lushang Olympic City, 9777 Jingshi East Road, Jinan City, Shandong Province	4/08	286
Shanghai Branch	173	No. 68 Yincheng Middle Road, Pudong New Area, Shanghai	0/13	189
Shanghai Pilot Free Trade Zone Branch	96	No. 1229 Century Avenue, Shanghai Pilot Free Trade Zone	–	–
Shenzhen Branch	181	No. 4009 Shennan Avenue, Futian District, Shenzhen, Guangdong Province	0/11	161
Shenzhen Qianhai Branch	121	Block B, CNOOC Building (Shenzhen), No. 3168 Houhaibin Road, Nanshan District, Shenzhen, Guangdong Province	0/01	6
Nanjing Branch	216	No. 213 Jiangdong Middle Road, Jianye District, Nanjing City, Jiangsu Province	6/10	437
Suzhou Branch	181	Jianwu Financial Center Building, No. 710 Zhongyuan Road, Suzhou Industrial Park, Jiangsu Province	0/04	79
Dalian Branch	180	Yifang Building, No. 9 Yan'an Road, Zhongshan District, Dalian City, Liaoning Province	1/07	183
Guangzhou Branch	200	Nanya Zhonghe Plaza, 57 Linjiang Avenue, Tianhe District, Guangzhou City, Guangdong Province	4/11	308
Changsha Branch	196	Jiasheng Business Plaza, No. 289 Laodong West Road, Changsha City, Hunan Province	3/04	140
Shijiazhuang Branch	187	18 Zhonghua South Street, Shijiazhuang City, Hebei Province	3/09	240
Wuhan Branch	214	No. 29 Xinhua Road, Jiangnan District, Wuhan City, Hubei Province	2/07	165
Hohhot Branch	116	No. 85 Xinhua East Street, Xincheng District, Hohhot, Inner Mongolia Autonomous Region	1/02	72

Head Office/Branch	Number of employees	Address	Tier-two branches and sub-branches under jurisdiction	Number of employees in the institutions under jurisdiction
Fuzhou Branch	125	Huaban Building, No. 363 Jiangbin Middle Avenue, Taijiang District, Fuzhou City, Fujian Province	1/01	57
Hefei Branch	100	No. 269 Suixi Road, North First Ring, Hefei City, Anhui Province	0/02	31
Zhengzhou Branch	180	No. 88 Jinshui East Road, Zhengdong New District, Zhengzhou City, Henan Province	0/05	86
Xi'an Branch	172	No. 36 Jinye Road, High-Tech Zone, Xi'an City, Shaanxi Province	0/03	35
Changchun Branch	106	No. 2699 Xi'an Road, Lvyuan District, Changchun City, Jilin Province	0/01	10
Chongqing Branch	101	Building 2, Lifan Center, No. 6, Juxiyan Square, Jiangbei District, Chongqing	0/03	39
Shenyang Branch	95	No. 32 Yingbin Street, Shenhe District, Shenyang City, Liaoning Province	1/02	49
Xiamen Pilot Free Trade Zone Branch	77	Building A, Cross-strait Trade Center, No. 1-9 Yunan 4th Road, Xiamen Area of China (Fujian) Pilot Free Trade Zone (Bonded Area), Xiamen City, Fujian Province	0/01	8
Haikou Branch	79	S5 Podium Building, Guorui City, No. 11 Guoxing Avenue, Meilan District, Haikou City, Hainan Province	-	-
Qingdao Branch	97	Office Building T8, Shangshi Center, 195 East Hong Kong Road, Laoshan District, Qingdao City, Shandong Province	0/01	9
Ningbo Branch	67	1F-3F, Emeke Building, No. 188 Dazha Road, Jiangbei District, Ningbo City, Zhejiang Province	-	-
Nanning Branch	77	1F-5F, Podium Building, King's International Merchant Center, 59 Jinhua Road, Qingxiu District, Nanning City, Guangxi Zhuang Autonomous Region	0/01	8
Nanchang Branch	104	Cuilin Building, 1266 Fenghe Middle Avenue, Honggutan New District, Nanchang City, Jiangxi Province	0/02	19
Guiyang Branch	50	No. 1, 1F and No. 1, half B1, Building 9, Business District, One Guiyang International Finance Center, Lincheng Road, Guanshanhu District, Guiyang City, Guizhou Province	-	-
Kunming Branch	44	No. 393, Rixin Middle Road, Xishan District, Kunming City, Yunnan Province	-	-
Hong Kong Branch	62	Suites 1201-1209 and 1215-1216, 12/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong	-	-

# Corporate Governance

## I. OVERVIEW OF CORPORATE GOVERNANCE

The Bank has established a corporate governance structure consisting of the Shareholders' general meeting, the Board of Directors, the Board of Supervisors and senior management. The Shareholders' general meeting is the supreme authority of the Bank. The Board of Directors undertakes final responsibility of operation and management of the Bank, and is accountable to the Shareholders' general meeting. The Board of Supervisors is the internal supervision body of the Bank, accountable to the Shareholders' general meeting. The senior management is responsible for the operation and management of the Bank, accountable to the Board of Directors. For the corporate governance structure of the Bank, please refer to "Organizational Structure Chart" described in this annual report.

During the Reporting Period, the Bank strictly complied with the laws and regulations, such as the Company Law, the Listing Rules, the Articles of Association of the Bank and other corporate governance regulations, proactively implemented financial regulatory policies, continuously strengthened the leadership of Party Building, and strived to practice good corporate governance standards, thus maintaining the sustained and steady development of the Bank in the complex and severe development environment.

During the Reporting Period, all corporate governance entities of the Bank performed their respective duties and responsibilities, and worked in a coordinated and balanced manner, which further improved the level and efficiency of corporate governance.

The Board of Directors consistently improved the Bank's corporate governance systems, formulated and revised equity management measures, the information reporting system, investor relations management measures and other systems to comprehensively and systematically regulate the related management work of the Bank after listing of the H shares. Gave full play to the guiding role of strategies, the Board scientifically composed and started the implementation of the Fourth "Five-Year Plan" to create a new landscape for promoting high-quality transformation and development. As a proactive response to national development strategy, it strengthened guidance and supervision on the green finance business development, incorporated green finance strategic management function of the Bank into the Risk Management Committee of the Board of Directors and renamed it the Risk Management and Green Finance Committee of the Board of Directors. To further deepen the mixed ownership reform, the Board carried out market-oriented open selection of professional managers for senior management, which enhanced the vitality of market competition. The Board also persisted in management of sources of business risks, strengthened the management of related party (connected) transactions, enhanced the internal control and audit supervision. It focused on expanding channels for capital replenishment, improved capital plan and management capabilities. It attached great importance to protection of customers' interest, actively performed the social responsibilities of financial enterprise while continuously creating value for investors and customers. The Board strengthened the self-building and consciously accepted the supervision and guidance from investors, the Board of Supervisors, and the regulatory authorities.

The Board of Supervisors strengthened supervision over risk management and carried out checks on the main risks faced with by the Bank as well as carried out in-depth research in branches; strengthened supervision over performing the duties and urged the Bank's Board and senior management and its members to perform their duties; strengthened supervision over finance and paid continuous attention to important financial decisions and implementation of the Bank; strengthened supervision over internal control, and promoted the improvement of internal control mechanism; further improved the system and made adaptive amendments on the relevant system of the Board of Supervisors in accordance with the listing requirements; enhanced learning and communicating and constantly improved its own construction level.

## II. SHAREHOLDERS' GENERAL MEETING

The shareholders' general meeting is the supreme authority of the Bank. Its principal responsibilities include: determining the operation strategies and investment plans; approving the annual financial budget plans, final accounting plans, profit distribution plans and loss recovery plans; electing and replacing Directors, Shareholders' representative Supervisors and external Supervisors; approving the reports of the Board of Directors and Board of Supervisors and amending the Articles of Association, etc.

For detailed information on the duties of the Shareholders' general meeting of the Bank, please see the Articles of Association published on the websites of the HKEX and the Bank.

### (I) Shareholders' Rights

#### 1. *Convening an extraordinary general meeting*

An extraordinary general meeting shall be convened within two months upon the request in writing of Shareholder(s) individually or jointly holding 10% or more of the total voting shares issued by the Bank (hereinafter referred to as "proposing shareholders"). The proposing shareholders may sign one or several written requests with the same format and contents to propose to the Board to convene an extraordinary general meeting and specify the meeting topics. The Board shall, pursuant to laws, regulations and the Articles of Association of the Bank, give a written reply on whether to convene the extraordinary general meeting within 10 days after receipt of the request.

#### 2. *Proposing a proposal to the Shareholders' general meeting*

Where the Bank convenes a Shareholders' general meeting, Shareholder(s) individually or jointly holding 3% or more of the total voting shares issued by the Bank may put forward an interim proposal and submit it to the Board in writing within 10 days before the Shareholders' general meeting is convened; the Board shall, within two days after receipt of the interim proposal, issue a supplementary notice of the Shareholders' general meeting and submit the interim proposal to the Shareholder's general meeting for consideration. The contents of the interim proposal shall be within the terms of reference of the Shareholders' general meeting and have definite topics for discussion and specific issues for resolution.

#### 3. *Convening an interim Board meeting*

When the Shareholder(s) individually or jointly holding 10% or more of the total voting shares of the Bank propose to convene an interim Board meeting, the chairman of the Board shall convene the meeting within five working days.

#### 4. *Inquiring with the Board of Directors*

Shareholders who provide the Bank with a written document certifying the class and number of shares they hold in the Bank, and upon authentication of the identity of the Shareholder by the Bank, shall have the right to obtain relevant information of the Bank in accordance with laws and regulations and the Articles of Association of the Bank, including the Articles of Association of the Bank, share register, minutes of the Shareholders' general meetings, resolutions of Board meetings and meetings of the Board of Supervisors, the latest audited financial and accounting report and the auditor's report, etc. For contact details of Shareholders' inquiries to the Bank, please see "Corporate Profile" in this annual report.

For detailed information on the Shareholders' rights of the Bank, please see the Articles of Association published on the websites of the HKEX and the Bank.

## (II) Introduction to the General Meeting

During the Reporting Period, the Bank convened 1 general meeting as specified in below:

The Bank held its 2020 annual general meeting in Tianjin on May 17, 2021. Shareholders or their proxies attending the general meeting represented a total of 14,762,926,136 ordinary shares with voting rights of the Bank, with 11 Directors, 4 Supervisors and the senior management members of the Bank attending the meeting. 12 resolutions were considered and approved at the meeting and the matters considered included: the Report of the Board of Directors for 2020, the Report of the Board of Supervisors for 2020, the Report of Final Financial Accounts for 2020, the Profit Distribution Plan for 2020, re-appointment of external auditors for 2020, re-appointment of external auditors for 2021, the Financial Budget Report for 2021, the Measures for Equity Management, the Adjustment Plan for the Allowances of Directors and Supervisors, election of Mr. WANG Zhiyong as a non-executive director of the Bank, the Special Authorization Plan for Financial Bonds and Tier 2 Capital Bonds, and the General Mandate Granted to the Board of Directors to Issue New H Shares.

The meeting also listened to 5 written reports, including the Report on the Resignation of Mr. ZHANG Bingjun as the Non-executive Director of the Bank, the Bank's 2020 Report on Related Party Transactions and Management of Related Party Transactions (2020 年度關聯交易及關聯交易管理情況報告), the Board of Supervisors' 2020 Assessment Report on the Performance of Duties of the Board of Directors, Senior Management and their Members (監事會對董事會、高級管理層及其成員 2020 年度履職評價報告), the Board of Supervisors' 2020 Report on Self-Evaluation and Assessment of the Performance of Duties of Supervisors (2020 年度監事會自我評價和監事履職評價報告), and the Board of Supervisors' 2020 Report on Independent Opinions on Related Matters (監事會關於 2020 年度有關事項獨立意見的報告).

The PRC legal advisor of the Bank witnessed the convening of the above meeting and other related matters in accordance with the law, and believed that the meeting was in compliance with relevant laws and regulations, regulatory documents and the Articles of Association. For details of the meeting, please refer to the 2020 annual general meeting circular, notice and announcement of poll results published on the websites of the HKEX and the Bank.

## III. BOARD OF DIRECTORS

### (I) Members of the Board of Directors

As of the end of the Reporting Period, the Board of Directors of the Bank consisted of eighteen Directors, including four executive Directors: Mr. LI Fuan (chairman), Mr. QU Hongzhi, Mr. LI Yi and Mr. DU Gang, eight non-executive Directors: Mr. FUNG Joi Lun Alan (vice chairman), Mr. WANG Zhiyong, Mr. CUI Xuesong, Ms. YUAN Wei, Mr. YE Baishou, Mr. HU Aimin, Mr. ZHANG Xifang, and Mr. ZHANG Yunji and six independent non-executive Directors: Mr. MAO Zhenhua, Mr. CHI Guotai, Mr. MU Binrui, Mr. TSE Yat Hong, Mr. WANG Ren and Mr. ZHU Ning.

Recognizing the importance of board diversity in enhancing corporate governance and operational efficiency, the Bank has formulated the Board Diversity Policy, which sets out the objectives, vision, overall policy, measurable objectives, review and monitoring of the Board Diversity Policy. In designing the composition of the Board of Directors, the Bank takes into consideration many aspects, including but not limited to gender, age, educational background, industry experience, professional skills, length of service, among others. The Nomination and Remuneration Committee of the Board of Directors is responsible for reviewing the Board Diversity Policy and monitoring its implementation. It reviews the structure, size and composition of the Board (including in terms of skills, knowledge and experience) at least once annually, and fully considers the requirements of the Board Diversity Policy when nominating a Director candidate. As of the end of the Reporting Period, the 18 Directors of the Bank include both male and female representatives and have a relatively wide range of age, ranging from 43 to 73 years old. The Directors have a balanced mix of experience in banking, corporate management, economics and finance. The relatively diverse composition of the Board of Directors ensures that the Board of Directors of the Bank can absorb various opinions, accumulate various advantages, and make scientific and efficient decisions. The Directors express their opinions and suggestions based on their respective expertise and advantages, and contribute their wisdom and strength to the effective operation of the Board of Directors and the stable development of the Bank's business. For basic information and biographical details about the members of the Board of Directors, please see "Directors, Supervisors, Members of Senior Management, Employees and Branches: Directors, Supervisors and Members of Senior Management" in this annual report.

## (II) The Responsibility of the Board of Directors

The Board of Directors is accountable to the Shareholders' general meeting and responsible for operation and management of the Bank. Its principal responsibilities include convening Shareholders' general meeting and executing resolutions of general meeting, formulating development strategy and medium and long term development plans and monitoring the implementation of strategies, determining operational plans and investment programs, examining and approving capital management plans, formulating annual financial budget plans, final accounting plans, risk capital allocation plans, profit distribution plans and loss recovery plans, etc.

For detailed information on the responsibility of the Board of Directors of the Bank, please see the Articles of Association published on the websites of the HKEX and the Bank.

## (III) Board Meetings

During the Reporting Period, the Board of Directors of the Bank convened 14 meetings, at which 84 proposals were considered, and 15 reports were reviewed and listened to. The relevant information is as follows:

The Board of Directors considered the annual final accounts report, annual budget report, profit distribution plan, annual performance evaluation indicators, appraisal results of Directors and mutual evaluation of independent Directors, assessment and evaluation of senior management members, branch and sub-branch construction plan, establishment of the capital operation center, carrying out the credit asset transfer business, major related party transactions, disposal of assets, pledge of shareholders' equity, authorization of financing and bond issuance, the Fourth "Five-Year Plan", capital management plan 2021-2023, information technology plan (2021-2025), work plan for financial consumer rights protection (2021-2025), change of the name of a special committee of the Board and amendments to its terms of reference, change of directors, adjustment of the members of a special committee under the Board of Directors, market-oriented selection of professional managers for senior management, performance evaluation and management plan on remuneration of professional managers, reappointment of external auditors, regular reports, work report of senior management, report on comprehensive risk management, assessment report on the quality and qualification of substantial shareholders, assessment report on internal capital adequacy, self-assessment report on data management. The Board of Directors also formulated and revised such rules as the authorization management system of the Board of Directors to senior management, measures for liability quality management, management methods of large exposure, administrative measures for reputational risks, internal audit charter and other basic systems to further improve the Bank's institutional management system.

The Board of Directors also debriefed 15 reports including the report on related party transactions and management of related party transactions, the internal control evaluation report and auditor's statement, the report on audit work of the Audit and Consumer Rights Protection Committee of the Board of Directors and internal audit work report, the working plans of the Board of Directors and its special committees, development plan for inclusive finance business, report on the Bank's regulatory situations of the National Joint-Stock Commercial Bank Supervision Department of CBIRC and the Bank's rectification report, the report on regulatory assessment of consumer rights protection and the report on consumer complaints.

#### (IV) Particulars of Directors' Attendances at Meetings

During the Reporting Period, the particulars of Directors of the Bank attending meetings of the Board of Directors and general meetings are as follows:

Name	Board of Directors <sup>(1)</sup>				General meetings <sup>(2)</sup>
	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences	
LI Fuan	14	11	3	–	1/1
FUNG Joi Lun Alan	14	14	–	–	1/1
WANG Zhiyong <sup>(3)</sup>	3	2	1	–	–
CUI Xuesong	14	11	3	–	0/1
YUAN Wei	14	14	–	–	0/1
YE Baishou	14	12	2	–	0/1
HU Aimin	14	13	1	–	1/1
ZHANG Xifang	14	14	–	–	1/1
ZHANG Yunji	14	12	2	–	0/1
QU Hongzhi	14	11	3	–	1/1
LI Yi	14	6	8	–	0/1
DU Gang	14	14	–	–	1/1
MAO Zhenhua	14	13	1	–	1/1
CHI Guotai	14	14	–	–	1/1
MU Binrui	14	14	–	–	1/1
TSE Yat Hong	14	13	1	–	1/1
WANG Ren	14	14	–	–	1/1
ZHU Ning	14	12	2	–	0/1
ZHANG Bingjun <sup>(3)</sup>	4	4	–	–	–

Notes: (1) During the Reporting Period, the Board of Directors of the Bank convened 14 meetings in total, including 12 on-site meetings and 2 off-site meetings.

(2) Represented as "Number of attendances at/number of the general meetings during the tenure".

(3) During the Reporting Period, for the details of the changes in Directors of the Bank, please refer to "Directors, Supervisors, Members of Senior Management, Employees and Branches: Changes in Directors, Supervisors and Members of Senior Management" in this annual report.



## (V) Work of Independent Non-executive Directors

As of the end of the Reporting Period, there were a total of six independent non-executive Directors in the Board of Directors of the Bank, the number of which was not less than one third of the total members of the Board. At least one of them met the provisions of Rule 3.10(2) of the Listing Rules, and the qualifications of independent non-executive Directors met the regulatory requirements. None of the independent non-executive Directors of the Bank was involved in a situation where the independence described in Rule 3.13 of the Listing Rules might be challenged. The Bank has received annual confirmations signed by each of the independent non-executive Directors in respect of their independence, confirming that each independent non-executive Director complied with the independence requirements of the Listing Rules.

During the Reporting Period, all independent non-executive Directors kept in mind their responsibilities under the laws and regulations and the Articles of Association of the Bank, fulfilled their due duty of integrity and diligence for the Bank and all its shareholders, with an objective and prudent attitude, a clear and keen perspective and a long-term view of the overall situation, and performed their duties independently under the principle of fairness, impartiality and openness. Independent non-executive Directors actively attended the Board meetings and special committee meetings and independent non-executive Directors who serve as the chairman of the special committees under the Board of Directors presided over special committee meetings and led the special committee in conducting in-depth studies and provide professional advice on matters of concern to the Board of Directors, effectively playing the role of auxiliary decision-making and providing a strong guarantee for the efficient operation and scientific decision-making of the Board of Directors. Independent non-executive Directors are independent, thoughtful, objective and impartial in expressing their independent opinions on the profit distribution, the renewal of external auditors, the major related party transactions, the disposal of assets, the appointment and remuneration of senior management members and other matters of the Bank.

In accordance with the Working Rules for Independent Directors on the Annual Report of the Bank, the independent non-executive Directors reviewed the audit plans of the annual financial report of the Bank and listened to the external auditor's report on audit work of the annual report of the Bank, carefully reviewed the annual financial statements and notes to be submitted to the Board of Directors and other meetings for deliberation, fully communicated with the external auditors and reviewed the procedures for convening annual board meetings, the decision-making procedures for matters to be reviewed, and the adequacy of information to support sound and accurate judgments, and expressed their opinions on the annual report independently and objectively at meetings of the Board of Directors, playing the supervisory role of independent non-executive Directors in the preparation, review and disclosure of the annual report.

Please refer to Item (IV) of this section for the attendance of independent non-executive Directors at meetings of the Board of Directors and Shareholders' general meetings during the Reporting Period.

## (VI) Appointment, Re-election and Removal of Directors

According to the Articles of Association of the Bank, Directors shall be elected or replaced by the Shareholders' general meeting. The term of office shall be three years, counting from the date when the resolution of the Shareholders' general meeting is passed. Their qualifications for holding office shall be approved by regulatory bodies, and they shall not perform their duties before obtaining the qualifications. Directors may be re-elected upon expiration of their term of office. The cumulative tenure of an independent Director in the Bank shall not exceed six years.

Subject to the provisions of the relevant laws and regulations, the Shareholders' general meeting may remove any Director whose term of office has not expired by ordinary resolution (without prejudice to any claims which may be made by such Director under any contract).

## (VII) Directors' Responsibility for the Preparation of Financial Statements

The Directors of the Bank acknowledge their responsibility to prepare the financial statements of the Bank for the year ended December 31, 2021. To the knowledge of the Directors, there is no major unclear event or circumstance which would significantly affect the continuous operating ability of the Bank.

## (VIII) Special Committees under the Board of Directors

The Bank's Board of Directors has set up the Risk Management and Green Finance Committee (and the Related Party Transactions Control Committee subordinated to it), the Audit and Consumer Rights Protection Committee, the Nomination and Remuneration Committee and the Development Strategy and Inclusive Finance Committee. Each special committee provides professional advices to the Board of Directors and makes decisions on special matters according to the authorization of the Board of Directors. During the Reporting Period, special committees under the Board of Directors convened 30 meetings in total, at which 73 resolutions were considered and 8 reports were heard, details of which are as follows:

### 1. *Risk Management and Green Finance Committee of the Board of Directors*

#### (1) Personnel composition

As of the end of the Reporting Period, the Risk Management and Green Finance Committee of the fifth session of the Board of Directors of the Bank consisted of seven members, being independent non-executive Directors Mr. MU Binrui and Mr. CHI Guotai; non-executive Directors Mr. FUNG Joi Lun Alan, Mr. ZHANG Xifang and Mr. ZHANG Yunji; executive Directors Mr. QU Hongzhi and Mr. LI Yi, respectively, and was chaired by Mr. MU Binrui.

#### (2) Main responsibilities

The main responsibilities of the Risk Management and Green Finance Committee of the Board of Directors of the Bank include: setting the basis and method for the level of risk that the Bank can undertake; reviewing risk appetite and risk management policies, systems and basic principles; reviewing the disposal of assets and provision of external guarantees that are not within the scope of business operations; supervising the senior management's control over risks, regularly debriefing the senior management's report on risks and risk management status, timely putting forward opinions on risk management and internal control, reporting to the Board of Directors when necessary, and informing the senior management and the Board of Supervisors; where necessary, debriefing senior management's reports on compliance with relevant laws and regulations, regulatory requirements, policies of the Bank, rules and regulations, anti-money laundering arrangements and self-inspection results; researching and formulating green finance strategy; debriefing the senior management's report on implementation of the green finance strategy, supervising and evaluating the implementation of the green finance strategy; reporting to the Board of Directors on the implementation of the green finance strategy and submitting comments and recommendations; authorizing the affiliated Related Party Transactions Control Committee to exercise relevant functions and powers over related party transactions control and performing other duties as assigned by the Board of Directors.

### (3) Meetings and work

During the Reporting Period, the Risk Management and Green Finance Committee of the fifth session of the Board of Directors of the Bank held seven meetings in total and reviewed 16 proposals. The Risk Management and Green Finance Committee of the Board of Directors reviewed the report on comprehensive risk management of the Bank, summary of prevention and control work on non-compliance cases, risk assessment report of derivatives trading business, assessment report on internal capital adequacy, statement on risk appetite, country risk rating and quota management scheme, measures for liability quality management, management methods of large exposure, and administrative measures for reputational risk. It also acquired the risk management status throughout the Bank in a timely manner, and required the senior management to dedicate to prevent and mitigate financial risks, improve risk management in terms of the level of refinement, standardization, digitalization and routinization, and accelerate to build the framework of risk management system and technical capabilities to drive the establishment of comprehensive and intelligent risk control system actively.

During the Reporting Period, the attendance of the members of the Risk Management and Green Finance Committee of the Board of Directors of the Bank are as follows:

Name	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences
MU Binrui	7	7	–	–
FUNG Joi Lun Alan	7	7	–	–
ZHANG Xifang	7	7	–	–
ZHANG Yunji	7	6	1	–
QU Hongzhi	7	7	–	–
LI Yi	7	5	2	–
CHI Guotai	7	7	–	–

Note: During the Reporting Period, the Risk Management and Green Finance Committee of the fifth session of the Board of Directors of the Bank convened four off-site meetings.

## 2. Related Party Transactions Control Committee of the Board of Directors

### (1) Personnel composition

As of the end of the Reporting Period, the Related Party Transactions Control Committee of the fifth session of the Board of Directors of the Bank consisted of seven members, being independent non-executive Directors Mr. MU Binrui and Mr. CHI Guotai; non-executive Directors Mr. FUNG Joi Lun Alan, Mr. ZHANG Xifang and Mr. ZHANG Yunji; executive Directors Mr. QU Hongzhi and Mr. LI Yi, respectively, and was chaired by Mr. MU Binrui.

### (2) Main responsibilities

The main responsibilities of the Related Party Transactions Control Committee of the Board of Directors of the Bank include: reviewing the administrative measures on related party (connected) transactions, and preparing annual special reports on the implementation of such administrative systems and submitting them to the Board of Directors; reviewing and approving the list of related parties (connected persons), and reporting to the Board of Directors and the Board of Supervisors; examining related party (connected) transactions in accordance with laws and regulations, the provisions of the exchanges on which the Bank's securities are listed and the commercial principles of fairness and impartiality; reviewing the information disclosure matters of related party (connected) transactions and supervising the authenticity, accuracy and integrity of such disclosure; and performing other duties as assigned by the Board of Directors or the Risk Management and Green Finance Committee of the Board of Directors.

**(3) Meetings and work**

During the Reporting Period, the Related Party Transactions Control Committee of the fifth session of the Board of Directors of the Bank held five meetings and reviewed 10 proposals and debriefed one report. The Related Party Transactions Control Committee of the Board of Directors attached great importance to the management of related party (connected) transactions, strictly examined material related party transactions, and provided clear opinions for the Board of Directors to make scientific decisions. It also reviewed the report on related party transactions and the management of related party transactions, reviewed and approved the list of related parties, and expressed opinions on the authenticity, accuracy and integrity of information disclosure of related party (connected) transactions.

During the Reporting Period, the attendance of the members of the Related Party Transactions Control Committee of the Board of Directors of the Bank are as follows:

Name	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences
MU Binrui	5	5	–	–
FUNG Joi Lun Alan	5	5	–	–
ZHANG Xifang	5	5	–	–
ZHANG Yunji	5	4	1	–
QU Hongzhi	5	5	–	–
LI Yi	5	4	1	–
CHI Guotai	5	5	–	–

Note: During the Reporting Period, the Related Party Transactions Control Committee of the fifth session of the Board of Directors of the Bank convened two off-site meetings.

**3. Audit and Consumer Rights Protection Committee of the Board of Directors****(1) Personnel composition**

As of the end of the Reporting Period, the Audit and Consumer Rights Protection Committee of the fifth session of the Board of Directors of the Bank consisted of seven members, being independent non-executive Directors Mr. TSE Yat Hong, Mr. MU Binrui, Mr. WANG Ren and Mr. ZHU Ning; non-executive Directors Mr. CUI Xuesong, Mr. FUNG Joi Lun Alan and Ms. YUAN Wei, respectively, and was chaired by Mr. TSE Yat Hong. All members of the Audit and Consumer Rights Protection Committee of the Board of Directors are non-executive Directors, and the majority is the independent non-executive Directors, which complies with the Listing Rules and the Articles of Association of the Bank.

## (2) Main responsibilities

The main responsibilities of the Audit and Consumer Rights Protection Committee of the Board of Directors of the Bank include: reviewing internal audit charter and medium- and long-term audit plans, organizing and leading the internal audit work as authorized by the Board of Directors; enabling communication between internal audit and external audit; reviewing and approving the appointment and removal of the head of audit department, and evaluating and supervising the performance of the head of audit department and the audit department; hearing audit department's reports on major audit findings from internal audit, external audit and regulatory audit, and urging senior management to make corrective actions accordingly; examining the financial position, accounting policies and procedures, and financial reporting procedures of the Bank, designating working bodies to conduct independent supervision and inspection on the implementation, and submitting review opinions to the Board of Directors when necessary, and notifying the senior management and the Board of Supervisors at the same time; organizing the annual audit work, designating working bodies to conduct independent review on the financial reports and making judgmental reports on the authenticity, integrity and accuracy of the audited financial reports; designating working bodies to conduct independent assessment on the internal control and risk management system, and supervising the implementation and effectiveness of the system; organizing discussions on the internal control system and reporting to the Board of Directors on relevant issues; and making recommendations to the Board of Directors on matters relating to the recruitment, renewal or dismissal of external auditors; formulating strategies, policies and objectives for the protection of consumers' rights and interests, and urging the senior management to effectively carry out relevant work; regularly debriefing special reports on the protection of consumers' rights and interests, supervising and evaluating the comprehensiveness, timeliness and effectiveness of the protection of consumer rights and interests, as well as the performance of senior management; reviewing and making recommendations to the Board on proposals for protection of consumers' rights and interests to be submitted to the Board of Directors for deliberation; and performing other duties as assigned by the Board of Directors and required by laws and regulations.

## (3) Meetings and work

During the Reporting Period, the Audit and Consumer Rights Protection Committee of the fifth session of the Board of Directors of the Bank held 7 meetings, reviewed 17 proposals and debriefed 7 reports. The Audit and Consumer Rights Protection Committee of the Board of Directors regularly listened to internal audit work reports, continuously strengthened supervision and guidance over the audit work throughout the bank. It gave full play to its supervisory role in the annual audit process, reviewed the 2020 annual financial report and 2021 interim financial report in strict accordance with the relevant rules and regulations of the Bank, and designated working bodies to carry out the annual internal control evaluation, reviewed the evaluation report and the auditor's statement. It amended the rules for management of external accounting firm and provided specific opinions in respect of the re-appointment of external auditors. It reviewed the work plan for financial consumers' rights and interests protection, heard the report in relation to consumers' rights and interests protection and provided suggestions on further improving consumers' rights and interests protection.

During the Reporting Period, the attendance of the members of the Audit and Consumer Rights Protection Committee of the Board of Directors of the Bank are as follows:

Name	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences
TSE Yat Hong	7	7	–	–
CUI Xuesong	7	5	2	–
FUNG Joi Lun Alan	7	7	–	–
YUAN Wei <sup>(2)</sup>	1	1	–	–
MU Binrui	7	7	–	–
WANG Ren	7	7	–	–
ZHU Ning	7	7	–	–
YE Baishou <sup>(2)</sup>	6	6	–	–

Notes: (1) During the Reporting Period, the Audit and Consumer Rights Protection Committee of the fifth session of the Board of Directors of the Bank convened four off-site meetings.

(2) Mr. YE Baishou has resigned as a member of the Audit and Consumer Rights Protection Committee of the Board of Directors of the Bank due to other work engagement and as approved by the Board of Directors, Ms. YUAN Wei has been appointed as a member of the Audit and Consumer Rights Protection Committee of the Board of Directors, with effect from August 27, 2021.

(4) **Audit and Consumer Rights Protection Committee of the Board reviewed the annual financial report for 2021**

The Audit and Consumer Rights Protection Committee of the Board of the Bank performed the following duties during the review of the 2021 Annual Report in accordance with the relevant policies of the Bank: at the on-site auditing stage of the accountants for annual audit, the 13th meeting of the Audit and Consumer Rights Protection Committee of the fifth session of the Board was held on January 7, 2022, at which, the committee listened to the work report of the external auditor for annual audit on the annual financial report for 2021, in particular, the scope of audit, time and personnel arrangement, communication mechanism, the overall audit strategy, the audit focus, pre-audit work situation and COVID-19 influence on the financial report and the auditing, and put forward advices and requests. In the process of auditing, the committee strengthened the communication with the accountants for annual audit. After the preliminary audit opinions were issued by the accountants for annual audit, the 14th meeting of the Audit and Consumer Rights Protection Committee of the fifth session of the Board was held on March 22, 2022, at which, the committee reviewed the Bank's financial statements and the audit report for 2021, listened to the external auditor's report on the Bank's annual audit work for 2021, and put forward advices. Before holding the annual meeting of the Board, the 15th meeting of the Audit and Consumer Rights Protection Committee of the fifth session of the Board was held on March 22, 2022, at which, the committee considered and approved the Bank's annual financial report for 2021, and agreed to submit it to the Board of the Bank for consideration.

#### 4. *Nomination and Remuneration Committee of the Board of Directors*

##### (1) *Personnel composition*

As of the end of the Reporting Period, the Nomination and Remuneration Committee of the fifth session of the Board of Directors of the Bank was composed of seven members: independent non-executive Directors: Mr. MAO Zhenhua, Mr. CHI Guotai, Mr. WANG Ren, Mr. ZHU Ning; executive Director: Mr. LI Fuan; non-executive Directors: Mr. WANG Zhiyong and Mr. HU Aimin. The Committee was chaired by Mr. MAO Zhenhua. The Nomination and Remuneration Committee of Board of Directors was composed of independent non-executive Directors in majority, which complied with the Listing Rules and the Articles of Association of the Bank.

##### (2) *Main responsibilities*

The main responsibilities of the Nomination and Remuneration Committee of the Board of Directors of the Bank include: reviewing procedures and standards for the election and appointment of Directors and senior management members, and submitting comments and recommendations to the Board for its consideration; nominating members of the Board of Directors and senior management, preliminarily examining the qualifications and conditions of Directors and senior management members, and making recommendations to the Board of Directors; reviewing the evaluation criteria and evaluation reports of Directors and senior management members, as well as the mutual evaluation reports of independent Directors; examining remuneration packages for Directors, senior management members and other personnel in key positions, making suggestions and recommendations on the establishment of a formal and transparent procedure for developing remuneration policies, and submitting them to the Board for consideration; reviewing employee remuneration management policies and retirement policies; reviewing business performance assessment indicators and performance assessment policies; and performing other duties as authorized by the Board of Directors and required by laws and regulations.

In nominating Directors to the Board of Directors, the Nomination and Remuneration Committee of the Board of Directors of the Bank will take into consideration, including but not limited to, the following:

- relevant provisions of the Company Law, Commercial Banking Law, the Code of Corporate Governance of Banking and Insurance Institutions (《銀行保險機構公司治理準則》), Measures for the Administration of the Office-holding Qualifications of the Directors (Council Members) and Senior Managers of Banking Financial Institutions, Implementation Measures on Administrative Licensing Items on Chinese-Funded Commercial Banks, Listing Rules and other laws and regulations;
- relevant provisions of the Articles of Association of the Bank and the Terms of Reference of the Nomination and Remuneration Committee of the Board of Directors and other internal governance documents;
- the actual work of the Bank;
- the Board Diversity Policy of the Bank, including but not limited to, gender, age, cultural and educational background, race, industry and professional experience, technical and professional skills and/or qualifications, knowledge, length of service and time required to be a Director;
- the factors set out in Rule 3.13 of the Listing Rules that may affect the independence of an independent non-executive Director candidate; and
- any other factors which the Nomination and Remuneration Committee of the Board of Directors may deem relevant and applicable from time to time.

The Nomination and Remuneration Committee of the Board of Directors of the Bank shall nominate and review the qualifications and conditions for the appointment of Directors in accordance with the Articles of Association and the procedures and standards for the appointment of Directors and make recommendations to the Board of Directors on the nomination of such persons after identifying the suitably qualified person to serve as Director.

### (3) Meetings and work

During the Reporting Period, the Nomination and Remuneration Committee of the fifth session of the Board of Directors of the Bank held a total of six meetings and deliberated 18 proposals. The Nomination and Remuneration Committee of the Board of Directors organized and carried out annual Director evaluation, mutual evaluation of independent Directors and senior management evaluation. It deliberated the annual group performance assessment indicators, performance assessment contract of the chairman of the Board, and rules and scheme related to the performance assessment and remuneration management of professional managers. It also reviewed the qualifications and conditions of the Directors and senior management members to be appointed and provided clear advice to the Board.

During the Reporting Period, the attendance of the members of the Nomination and Remuneration Committee of the Board of Directors of the Bank are as follows:

Name	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences
MAO Zhenhua	6	6	–	–
LI Fuan	6	6	–	–
WANG Zhiyong <sup>(2)</sup>	1	1	–	–
HU Aimin	6	6	–	–
CHI Guotai	6	6	–	–
WANG Ren	6	6	–	–
ZHU Ning	6	6	–	–
ZHANG Bingjun <sup>(2)</sup>	2	2	–	–

Notes: (1) During the Reporting Period, the Nomination and Remuneration Committee of the fifth session of the Board of Directors of the Bank held 6 off-site meetings.

(2) Please refer to “Directors, Supervisors, Members of Senior Management, Employees and Branches: Changes in Directors, Supervisors and Members of Senior Management” in this annual report for the changes in the Directors of the Bank during the Reporting Period.

## 5. Development Strategy and Inclusive Finance Committee of the Board of Directors

### (1) Personnel composition

As of the end of the Reporting Period, the Development Strategy and Inclusive Finance Committee of the fifth session of the Board of Directors of the Bank was composed of seven members: executive Directors Mr. LI Fuan, Mr. QU Hongzhi, Mr. DU Gang; non-executive Directors: Mr. CUI Xuesong, Mr. FUNG Joi Lun Alan, Ms. YUAN Wei, Mr. YE Baishou; and chairperson Mr. LI Fuan.



## (2) Main responsibilities

The main responsibilities of the Development Strategy and Inclusive Finance Committee of the Board of Directors of the Bank include: reviewing business development strategies and medium and long-term development plans; assessing development strategies on a regular basis; reviewing proposals for material changes in shareholding, financial reorganization, merger, division and dissolution; reviewing proposals for capital management planning, listing or other fund raising arrangements, use of proceeds, increase or reduction of registered capital and share repurchase; reviewing plans for annual financial budget, final accounts, risk capital allocation, profit distribution and recovery of losses and other financial plans that materially affect our business operations and development, as well as giving opinions or making recommendations as to whether these plans are in line with our development strategies; reviewing annual operational and investment plans as well as giving opinions or making recommendations as to whether these plans are in line with our development strategies; reviewing risk management policies, capital management policies and other management policies that have a significant impact on the business operations and development of the Bank, as well as giving opinions or making recommendations as to whether they are in line with our development strategies; researching our proposals for external investments that are outside the ordinary course of business and other issues that may materially affect our development, as well as making relevant recommendations; formulating plans for the development of inclusive finance business, designing basic management policy and supervising its implementation; and performing other responsibilities as authorized by the Board of Directors.

## (3) Meetings and work

During the Reporting Period, the Development Strategy and Inclusive Finance Committee of the fifth session of the Board of Directors of the Bank convened a total of five meetings, at which 12 proposals were considered. The Development Strategy and Inclusive Finance Committee of the Board of Directors reviewed and studied the plans for annual financial budgets, final accounts, profit distribution proposals and construction plan of branches and sub-branches; the plan for development strategy, capital management planning, information technology planning and offered professional opinions on relevant matters for the reference in decision-making of Board of Directors; formulated the annual development plan and set annual development goals for inclusive finance business.

During the Reporting Period, the attendances of the members of the Development Strategy and Inclusive Finance Committee of the Board of Directors of the Bank are as follows:

Name	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences
LI Fuan	5	5	–	–
CUI Xuesong	5	3	2	–
FUNG Joi Lun Alan	5	5	–	–
YUAN Wei	5	5	–	–
YE Baishou	5	5	–	–
QU Hongzhi	5	5	–	–
DU Gang	5	5	–	–

Notes: During the Reporting Period, the Development Strategy and Inclusive Finance Committee of the fifth session of the Board of Directors of the Bank held 3 meetings by way of off-site meetings.

## **(IX) Corporate Governance Functions**

The Board of Directors of the Bank is responsible for performing its corporate governance functions set out in Appendix 14 of the Listing Rules, including: developing and reviewing the corporate governance policies and practices; reviewing and monitoring the training and continuous professional development of directors and senior management members; reviewing and monitoring the Bank's policies and practices in compliance with legal and regulatory requirements; developing, reviewing and monitoring codes of conduct and compliance manuals for employees and directors; and reviewing the Bank's compliance with the Corporate Governance Code and the disclosure of corporate governance information in the annual report.

## **IV. BOARD OF SUPERVISORS**

### **(I) Members of the Board of Supervisors**

As of the end of the Reporting Period, the fifth session of the Board of Supervisors of the Bank consisted of five Supervisors, including three external Supervisors: Mr. QI Ershi, Mr. DIAO Qinyi and Mr. HUI Yung Chris, and two employees' representative Supervisors: Mr. WANG Chunfeng and Mr. MA Shuming.

### **(II) The Responsibility of the Board of Supervisors**

The Board of Supervisors is the Bank's internal supervisory organization. It is accountable to the Shareholders' general meeting and targets on protecting the legal rights of the Bank, the Shareholders, employees, creditors and other stakeholders. Its major functions and powers include supervising the Board of Directors to establish sound business philosophy, value standards and formulate development strategies in line with the Bank's actual situation; regularly evaluating the scientificity, rationality and effectiveness of the development strategies formulated by the Board of Directors, to generate an evaluation report; inspecting and supervising the Bank's financial activities, operating decisions, internal control and risk management and pushing forward relevant rectifications; supervising the election and appointment process of Directors; supervising the violation of laws and regulations or the Articles of Association of the Bank by the Directors and senior management members when performing their duties, and comprehensively evaluating the performance of the Directors, Supervisors and senior management members, etc.

### **(III) Work of External Supervisors**

As of the end of the Reporting Period, there are three external Supervisors in the Board of Supervisors of the Bank, the number of which is not less than one-third of the total number of members of the Board of Supervisors. The chairmen of the Nomination Committee and the Supervision Committee under the Board of Supervisors are all external Supervisors. During the Reporting Period, the external Supervisors of the Bank strictly complied with the laws and regulations, regulatory requirements and the provisions of the Bank's Articles of Association, performed their duties conscientiously and diligently, served the best interests of the Bank and its shareholders, and actively protected the legitimate interests of stakeholders. They attended all the meetings of the Board of Supervisors that they should attend during the Reporting Period, complying with regulatory requirements in terms of in-person attendance rate, actively spoke at the meetings and provided professional advice and suggestions to the Board of Directors and senior management on issues such as improvement of related party transactions, reputational risk and case prevention and control management; presided over and convened 2 meetings of the Nomination Committee of the Board of Supervisors and 2 meetings of the Supervisory Committee of the Board of Supervisors to reach consensus for submission to the Board of Supervisors; attended one Shareholders' general meeting, all on-site meetings of the Board of Directors and various special committees during the Reporting Period to conduct on-site supervision on the effective operation of the Board of Directors and various special committees and the speeches of Directors at the meetings, and reviewed documents of off-site meetings; During the adjournment period, they paid close attention to the Bank's business development, and reviewed 103 information reports including the Bank's monthly financial statements, related party transaction reports, on-site inspection opinions from the CBIRC, minutes of the president's office meetings, minutes of special meetings conducted by the president, and internal control and compliance risk alerts; attended one special meeting and provided advice and suggestions on strengthening internal control and risk prevention, responding to public opinion and emergency response measures; all external Supervisors actively participated in training and conducted research in branches and sub-branches.

## V. TRAINING AND INVESTIGATIONS OF DIRECTORS AND SUPERVISORS

The Bank attaches great importance to the Directors' own continuous professional development and building their ability to perform their duties. During the Reporting Period, we organized Directors to participate in online training courses on regulatory policy interpretation hosted by China Banking Association and other institutions; held special lectures and invited external experts to give lectures to the Directors on topics such as macroeconomic situations and strategic management. The members of the Board of Directors, including Mr. LI Fuan, Mr. FUNG Joi Lun Alan, Mr. WANG Zhiyong, Mr. CUI Xuesong, Ms. YUAN Wei, Mr. YE Baishou, Mr. HU Aimin, Mr. ZHANG Xifang, Mr. ZHANG Yunji, Mr. QU Hongzhi, Mr. LI Yi, Mr. DU Gang, Mr. MAO Zhenhua, Mr. CHI Guotai, Mr. MU Binrui, Mr. TSE Yat Hong, Mr. WANG Ren, Mr. ZHU Ning have taken an active part in various training of the Bank and external organizations, carefully studied all kinds of information and materials related to regulatory policies, industry development, corporate governance and operation management of the Bank, timely grasped the latest regulatory trends and the development status of the Bank, and kept the theoretical level and practical ability current.

The Board of Supervisors of the Bank attaches great importance to the training work of Supervisors. During the Reporting Period, the Bank subscribed to information on corporate governance for Supervisors and organized all Supervisors to attend the online training on policy interpretation of the Code of Corporate Governance of Banking and Insurance Institutions held by the China Banking Association and the analysis lecture of external economists on the current macroeconomic situation, and all Supervisors learned the Listing Rules on their own to further strengthen their compliance awareness and improve their ability to perform their duties. During the Reporting Period, the Supervisors of the Bank overcame the impact of the epidemic and conducted research at the grassroots level many times. The employees' representative Supervisors went to Chengdu, Xi'an, Suzhou, Nanjing, Wuxi, Jinan and Dezhou and other branches to guide the work, and organized all external Supervisors to go to Tianjin Pilot Free Trade Zone Branch for field research, inspected the sub-branches to learn more about risk prevention, the investigation of employee abnormal behaviour, cases prevention and control and the rectification of existing problems in internal and external inspections, and also gave their opinions and suggestions.

## VI. SENIOR MANAGEMENT

Senior management is responsible for conducting operational and management activities in accordance with the Articles of Association of the Bank and the authority of the Board of Directors to ensure that the Bank's operations are consistent with the development strategies, risk appetite and other policies approved by the Board of Directors. Senior management is accountable to the Board of Directors and accepts the supervision from the Board of Supervisors. Senior management shall not be interfered with in the operation management activities within the scope of its functions and powers in accordance with the law.

The president shall exercise his/her functions and powers in accordance with the relevant laws and regulations and the Articles of Association of the Bank. The vice presidents and other senior management members shall assist the president in his/her work and perform their duties in accordance with the relevant authorizations.

For details of the responsibilities of the senior management of the Bank, please refer to the Articles of Association published on the website of the HKEX and the Bank's website.

## (I) Composition and Basic Information of Senior Management

As of the end of the Reporting Period, the senior management of the Bank consisted of five members, including: the president: Mr. QU Hongzhi, the vice presidents: Mr. DU Gang (secretary to the Board of Directors), Mr. ZHAO Zhihong (chief risk officer), Mr. XIE Kai and Mr. JIN Chao. During the Reporting Period, among these five members of senior management, four persons received less than RMB2 million and one person received more than RMB2 million for the total amount of pre-tax remuneration from the Bank. For detailed information about the remuneration and other basic information of members of senior management, please refer to "Directors, Supervisors, Members of Senior Management, Employees and Branches: Directors, Supervisors and Members of Senior Management" of this annual report.

During the Reporting Period, the senior management of the Bank, under the leadership of the party committee of the Head Office and Board of Directors, united and led the whole bank to actively respond to the increasingly demanding business situation and risk challenges, earnestly implemented various decisions and deployments of the party committee of the Head Office and Board of Directors, and adhered to high-quality development of transformation, where business transformation has achieved initial results. At the same time, the senior management resolutely returned to our main businesses, strictly complied to the bottom line of compliance, and consolidated management quality and efficiency. Our operating results registered a stable performance with good momentum for growth. Our profitability maintained a stable growth, the ability to serve the real economy continued to improve, and the ability to resist risks continued to increase.

During the Reporting Period, the senior management of the Bank, in accordance with relevant laws, regulations, the Articles of Association and the Work Rules for Senior Management (《高級管理層工作規則》) of the Bank, conscientiously performed their duties, and worked hard to improve the level of operation and management. A total of 6 bank-wide comprehensive meetings, 2 business analysis meetings, 32 office meetings of the president, 30 special meetings of the president, 9 meetings of the Assets and Liabilities Management Committee, 12 meetings of the Risk Control Committee, 36 meetings of the Finance Review and Approval Committee, 9 meetings of the Innovation Committee, 6 meetings of the Information Technology Committee, 7 meetings of the Data Management Committee, and 13 meetings of the Channel Establishment Management Committee were held during the whole year. At each meeting, senior management members actively expressed professional opinions, fully communicated and solved problems conscientiously, and ensured the efficiently and orderly operation and management.

## (II) Performance Assessment and Incentive and Restraint Mechanism of Senior Management Members

During the Reporting Period, the Board of Directors of the Bank has conscientiously implemented the resolutions of the Shareholders' general meeting and conducted assessment on senior management members in accordance with the Performance Evaluation Methods for Senior Management Personnel (《高級管理人員績效考核辦法》) and the Performance Evaluation Methods for Professional Manager (《職業經理人業績考核管理辦法》). The Board of Directors reviewed and approved the Group's performance assessment criteria of the Bank for 2021, which closely combined the performance assessment of senior management members with the Group's performance criteria, as well as the work duty distributed, and further strengthened the incentives and constraints on senior management members.

## VII. CHAIRMAN OF THE BOARD OF DIRECTORS AND THE PRESIDENT

The Articles of Association of the Bank stipulates that the positions of the chairman and the president of the Bank shall be separated. As of the end of the Reporting Period, Mr. LI Fuan serves as the chairman of the Board of Directors of the Bank and is mainly responsible for the overall work of the party committee and the Board of Directors of the Bank. Mr. QU Hongzhi serves as the president of the Bank and is mainly responsible for the operation and management of the Bank. The duties of the chairman and the president are clearly defined and comply with the requirements of the Listing Rules.

## VIII. COMPANY SECRETARY

As of the end of the Reporting Period, Mr. DU Gang and Ms. SO Shuk Yi Betty of SWCS Corporate Services Group (Hong Kong) Limited serve as joint company secretaries of the Bank. Mr. DU Gang is the main contact person of Ms. SO Shuk Yi Betty in the Bank.

During the Reporting Period, both Mr. DU Gang and Ms. SO Shuk Yi Betty have complied with the relevant requirements of Rule 3.29 of the Listing Rules and have attended the relevant professional training for no less than 15 hours.

## IX. RELATIONSHIP AMONG DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

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

## X. SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS

The Bank has adopted the Model Code as the code of conduct for the supervision of securities transactions by the Directors and Supervisors of the Bank. Upon specific enquiries with all Directors and Supervisors of the Bank, the Directors and Supervisors of the Bank confirmed that they have complied with the Model Code during the Reporting Period.

## XI. CONTRACTED INTERESTS AND SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

To the knowledge of the Bank, the Directors and Supervisors of the Bank have no material interest, directly or indirectly, in any material transactions, arrangements or contracts entered into by the Bank during the Reporting Period. The Directors and Supervisors of the Bank did not enter into any service contract with the Bank which is liable to indemnity (other than statutory indemnity) in the event of termination of the contract by the Bank within one year.

## XII. INFORMATION DISCLOSURE

The Bank attaches great importance to information disclosure, strictly implements the information disclosure regulations and the requirements of the Listing Rules, adheres to the principles of truthfulness, accuracy, completeness, timeliness and fairness, fulfills the obligation of information disclosure, and protects investors' right to know. During the Reporting Period, the Bank completed the preparation and disclosure of 2020 Annual Report and 2021 Interim Report within the specified time limit, and timely disclosed the temporary announcements in accordance with regulatory provisions. It continued to strengthen the initiative and pertinence of information disclosure with a focus on the concerns of investors, so as to provide reference for investors to timely understand the operation and development of the Bank. In 2021, more than 50 information disclosure documents, including periodic reports and temporary announcements, were published on the websites of the HKEX and the Bank.

The Bank carried out inside information management in strict accordance with the regulatory requirements of the place where the securities were listed. Through establishing and optimizing the internal information reporting mechanism, the Bank defined the information reporting route, and ensured the timely, compliant and effective transmission of material information among corporate governance entities. In case of "inside information" as referred to in the SFO, the Bank can timely deal with and release inside information in accordance with the Guidelines on Disclosure of Inside Information issued by the SFC and other relevant regulatory requirements, and strictly keep confidential relevant information before disclosure. During the Reporting Period, the Bank strengthened compliance publicity and education and enhanced the compliance awareness of insiders by organizing relevant trainings, timely forwarding the latest regulatory requirements, and timely releasing the confidentiality notice and the notice on prohibiting securities trading, effectively preventing insider dealing risk.

## XIII. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, the Bank did not make amendments to the Articles of Association.

## XIV. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Bank has adopted the principles and applicable code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules. The Bank has complied with the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules during the Reporting Period. The Bank has also complied with certain recommended best practices set out in the aforesaid code.

## XV. APPOINTMENT OF AUDITORS

The Bank has engaged KPMG and KPMG Huazhen LLP as auditors for the Bank's 2021 annual financial report prepared in accordance with the IFRS and the China Accounting Standards for Business Enterprises.

During the Reporting Period, the audit service fees paid by the Bank to above auditors was RMB5.25 million, and the non-audit service fees was RMB560,000.

We have not changed auditors for the past three years.

## XVI. INTERNAL CONTROL

The Board of Directors of the Bank is responsible for ensuring the establishment and implementation of an adequate and effective risk management system, and ensuring the Bank's prudent operation under the framework of laws and policies. The Board of Supervisors is responsible for supervising the Board of Directors and the senior management in improving the risk management and internal control system and supervising the performance of risk management responsibilities by the Board of Directors, the senior management and their members. The senior management is responsible for implementing the resolutions of the Board and ensuring effective performance of risk management responsibilities.

The Board of Directors is responsible for risk management and internal control system, and is responsible for reviewing the effectiveness of relevant systems. The risk management and internal control system are designed to manage rather than eliminate the risk of failure to achieve business objectives, so the Board of Directors can only provide reasonable but not absolute guarantees to avoid material misrepresentation or loss. During the Reporting Period, the Board of Directors of the Bank conducted an annual review on the Bank's risk management and internal control system for the year ended December 31, 2021, and no material defects have been found. Individual implementation at the grassroots level needs to be strengthened. The Board of Directors considered that the Bank's risk management and internal control system was generally adequate and effective.

The Bank has established a risk management and internal control system consisting of three lines of defense. The first line of defense of risk management and internal control is formed by various business departments, divisions, branches and sub-branches, which assume direct responsibilities for the risk management and internal control; the second line of defense is departments of risk management line, Assets and Liabilities Management Department, Internal Control and Compliance Department, General Office (Public Relations Department) and Office of Strategic Development and Investment Management, which take the lead in formulating policies and procedures, monitoring and managing risks; the third line of defense of risk management and internal control is the Audit Department, which assumes audit responsibilities for the performance of our business departments and risk management and internal control departments.

The Bank closely monitors various risks through risk appetite, risk limits, risk management information systems and a series of risk management policies and measures to respond in a timely manner, especially major risks related to daily operation, including credit risk, market risk, liquidity risk, operational risk, country risk, interest rate risk in the banking book, reputational risk, strategic risk and information technology risk. The Bank focuses on the formulation of rules, policies and implementation of measures related to major risks to optimize the effectiveness and efficiency of risk identification, analysis, assessment and mitigation. For various risks and risk events, the Bank has formulated clear communication and reporting procedures to ensure orderly and efficient risk management. The Board of Directors of the Bank regularly evaluates the effectiveness of the Bank's risk management system. During the Reporting Period, the Bank's risk management system was sound and effective. Please refer to "Management Discussion and Analysis: Comprehensive Risk Management" in this annual report for the details of the Bank's risk management system.

The Bank has established a "four-in-one" internal control organization system consisting of process execution, functional management, second-line supervision and internal audit. The Bank adheres to the principle of "comprehensive, whole-process, and whole-workforce" in internal control management, compliance support, operational risk prevention, case prevention and control, anti-money laundering management, business continuity management, auditing and inspection and other aspects, to promote compliant and orderly management and steady development of all operations.

During the Reporting Period, the Bank carried out the construction of the “digital Big Compliance” system, optimized the internal control and management mechanism; convened the compliance warning education conference bank-wide, compiled and issued the Internal Control Compliance Risk Alerts (《內控合規風險提示》), carried out various forms of internal control compliance training, continuously improved employees’ compliance awareness and cultivated a compliance culture. The Bank carried out off-site monitoring and improved the digitalization and intelligence level of internal control and compliance management. The Bank promoted the bank-wide risk investigation and made up for the weakness of internal management. The Bank carried out special governance actions for compliance risks, and gradually solved the problems of repeated non-compliance events and investigations. The Bank organized the “Year of Internal Control and Compliance Management” campaign, and continuously improved the long-term mechanism of internal control and compliance from the root systems such as institution, process and system.

During the Reporting Period, the Bank continued to improve various internal audit policies and procedures, constantly enhanced internal audit capability and technological level, and adopted risk-oriented audit strategies and methods. The Bank carried out various audit works, performed audit supervision duties, and promoted the continuous improvement of the Bank’s internal control and risk management.

## XVII. INTERNAL AUDIT

The Bank has established an independent and vertical internal audit system of “Audit Department + Audit Centers”, which performs the audit function independently as the working body subordinated to the Audit and Consumer Rights Protection Committee of the Board of Directors and the Board of Supervisors.

The Bank adopts a risk-oriented audit model in internal audit. Based on the division of audit units and regular risk assessment of audit units, the Bank determines audit items according to regulatory requirements, risk level and the principle of materiality, formulates annual plan for internal audit work, ensures that all audit units are audited once every three years, and actively performs the duties of audit supervision on key businesses and major risk areas within its scope of responsibility.

During the Reporting Period, the audit department of the Bank actively expanded the breadth and depth of audit supervision, increased audit efforts on high-risk businesses and institutions, and focused on the quality of the Bank’s assets and the whole process of operation and management of credit extension, and concentrated on the key tasks and business areas in operation and management. Focusing on the Bank’s central tasks, it carried out 31 special audits and 10 regular audits on branches in accordance with the plan for internal audit work approved by the Audit and Consumer Rights Protection Committee under the Board of Directors, the work arrangements of the Board of Supervisors and regulatory requirements, and completed exit audits in a timely manner according to the Bank’s actual situation, revealed the control deficiencies in various risk management of the Bank, including credit risk, compliance risk, market risk, operational risk and technology risk, continuously promoted the rectification of the problems identified in the audits, fully performed the audit duties and constantly promoted the continuous improvement of the internal control and risk management system of the whole bank.



# Report of the Board of Directors

## I. PRINCIPAL BUSINESS

The Bank is mainly engaged in banking and related financial services. Please refer to the section headed "Management Discussion and Analysis: Scope of Businesses" in this annual report for the Bank's main business scope.

## II. BUSINESS REVIEW

Please refer to the section headed "Management Discussion and Analysis" in this annual report for the financial performance, major risks, uncertainties and business outlook of the Bank during the Reporting Period; please refer to "Important Events" in this annual report for details of important events after the Reporting Period; please refer to "Compliance with Laws and Regulations" in this chapter for compliance with laws and regulations; please refer to "Performance of Social Responsibilities" in this chapter for environmental policies and performance, and relations with employees, customers, suppliers and other stakeholders.

## III. IMPLEMENTATION OF THE RESOLUTIONS OF SHAREHOLDERS' GENERAL MEETING BY THE BOARD OF DIRECTORS

During the Reporting Period, our Board of Directors fully implemented the resolutions of the Shareholders' general meeting, earnestly implemented the Profit Distribution Plan for 2020, Budget Report for 2021, Special Authorization Plan for Financial Bonds and Tier 2 Capital Bonds, reviewed and approved by the Shareholders' general meeting.

## IV. PROFIT DISTRIBUTION

### (I) Profit Distribution Policy

The Bank's Dividend Policy is as follows:

Profit after income tax paid by the Bank was distributed in the following order:

- Making up for losses of previous years;
- Setting aside 10% for statutory reserve fund;
- Setting aside for general (risk) reserve;
- Setting aside for discretionary reserve fund;
- Paying dividends to Shareholders.

No profit shall be distributed to the Bank's shares held by the Bank. The Bank may distribute dividends in cash or by shares. After the Shareholders' general meeting of the Bank made a resolution on the profit distribution plan, the Board of Directors of the Bank shall complete the distribution of dividends (or shares) within two months upon the Shareholders' general meeting. Any shares paid before the call is entitled to interest, but the holders of the shares have no right to participate in the dividends subsequently declared for the prepaid shares. Subject to the provisions of laws and regulations, the Bank may exercise the power of forfeiture with respect to unclaimed dividends, provided that such power may only be exercised after the expiration of the corresponding limitation period applicable to the declaration of dividends.

The Bank shall have the right to cease delivering dividend warrant to the holders of H shares by mail, but such right can only be exercised after the dividend warrant has not been drawn twice consecutively. If a dividend warrant fails to reach the recipient in the initial mail delivery and is returned, the Bank may exercise such right promptly. Subject to the provisions of the laws and regulations, the Bank shall have the right to sell the shares of the unreachable holders of H Shares through the methods the Board deems appropriate and subject to the following conditions:

- the Bank has distributed dividends on such shares at least three times in a period of 12 years and the dividends are not claimed by anyone during this period;
- after the expiration of the twelve-year period, the Bank makes a public announcement in one or more newspapers in the place where the Bank's shares are listed, stating its intention to sell such shares and notifies the securities regulatory authority of the place where the Bank's shares are listed of such intention.

Our Bank shall appoint for Shareholders holding overseas listed foreign shares a recipient agent. The recipient agent shall collect on behalf of the relevant Shareholders concerned the dividends distributed and other payables by the Bank in respect of the overseas listed foreign shares. The recipient agent appointed by the Bank shall comply with the laws of the locality in which the Bank's shares are listed or the relevant requirements of the stock exchange. The recipient agent appointed by the Bank for Shareholders of H Shares shall be a company which is registered as a trust company under the Trustee Ordinance of Hong Kong.

## (II) Profit Distribution Proposal for 2021

The Bank proposes to distribute profits for 2021 in below order:

1. The Bank will appropriate statutory surplus reserve base on 10% of the net profit under China Accounting Standards for Business Enterprises amounting to RMB862.972 million;
2. The Bank will appropriate general (risk) reserve amounting to RMB1,831.976 million;
3. The Bank will not appropriate discretionary surplus reserve during this year;
4. The Bank will distribute cash dividends for 2021 of RMB0.87 (tax inclusive) per 10 shares to all shareholders whose names appear on the register of members on May 25, 2022. Dividends and other amounts paid by the Bank to the holders of Domestic Shares shall be denominated, declared and paid in RMB; dividends and other amounts paid by the Bank to holders of H Shares shall be denominated and declared in RMB and paid in Hong Kong dollars. The cash dividends for 2021 of H Shares holders will be translated into Hong Kong dollars with the central parity of the Renminbi against the Hong Kong dollars announced by the People's Bank of China on the date of 2021 annual general meeting of the Bank. As of the end of 2021, the total distribution of ordinary shares based on 17.762 billion ordinary shares is RMB1,545.294 million (tax inclusive), representing 20.12% of the net profit attributable to holders of ordinary shares;
5. In 2021, the Bank will not transfer any reserve funds to increase its share capital.

The aforementioned profit distribution proposal is subject to the review and approval at the 2021 annual general meeting of the Bank.

Further announcements will be made in due course regarding the last share registration date, the closure of register of members, the payment date and other relevant information in relation to the aforesaid 2021 Final Dividend.

### (III) Cash Dividends in the Past Three Years

	2021 <sup>Note</sup>	2020	2019
Dividend payable per 10 shares (tax inclusive, RMB)	0.87	0.85	–
Cash dividends (tax inclusive, RMB'000)	1,545,294	1,509,770	–
Percentage of cash dividends (tax inclusive) in the net profit attributable to ordinary Shareholders of the Bank (%)	20.12	20.14	–

Note: Profit distribution proposal for 2021 is subject to the review and approval on the 2021 annual general meeting.

### (IV) Tax on Dividends

Pursuant to the applicable provisions and the Implementing Regulations of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), the Bank shall withhold and pay enterprise income tax at the rate of 10% for non-resident enterprise holders of H Shares (including H Shares registered in the name of HKSCC Nominees Limited).

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

For individual holders of H Shares who are Hong Kong or Macao residents and those whose country of domicile is a country or region which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Bank shall withhold and pay individual income tax at the rate of 10% for those shareholders.

For individual holders of H Shares whose country of domicile is the country or region which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Bank shall withhold and pay individual income tax at the rate of 10% for individual holders of H Shares. If those shareholders require a refund of the excessive amount of individual income tax payable under the tax treaty, the Bank will handle applications on their behalf for preferential treatments pursuant to the relevant tax treaties. However, in accordance with the Administrative Measures for Non-resident Taxpayers Preferential Treatments of Tax Treaty (No. 35 Announcement of the State Taxation Administration in 2019) (《非居民納稅人享受稅收協定待遇管理辦法》) and the requirements of relevant tax treaties, shareholders shall promptly provide relevant papers and data. Upon the review and approval of the applicable tax authorities, the Bank will assist in refunding the excessive amount of tax withheld.

For the individual holders of H Shares whose country of domicile is a country or region which has entered into a tax treaty with the PRC stipulating a rate of more than 10% but less than 20%, the Bank shall withhold and pay individual income tax at the applicable tax rate stipulated in the relevant tax treaty for those shareholders.

For the individual holders of H Shares whose country of domicile is a country or region which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country or region which has not entered into any tax treaties with the PRC, or under any other circumstances, the Bank shall withhold and pay individual income tax at the rate of 20% for those shareholders.

Pursuant to the relevant requirements under the Notice on the Relevant Taxation Policy regarding the Pilot Programme that Links the Stock Markets in Shanghai and Hong Kong (Cai Shui [2014] No. 81) 《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號) and the Notice on the Relevant Taxation Policy regarding the Pilot Programme that Links the Stock Markets in Shenzhen and Hong Kong (Cai Shui [2016] No. 127) 《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號), for dividends received by mainland individual investors from investing in H Shares listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the Bank shall withhold individual income tax at the rate of 20% on behalf of the investors. Individual investors who have paid withholding tax overseas may apply to the competent tax authority of China Securities Depository and Clearing Corporation Limited for tax credit with valid tax payment certificates. For dividends received by mainland securities investment funds from investing in Shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for the individual investors. Dividends received by mainland corporate investors from investing in Shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect are included in their total income and subject to corporate income tax according to law. The Bank will not withhold and pay the income tax of dividends for mainland corporate investors and those mainland corporate investors shall report and pay the relevant tax themselves.

## V. REASONS AND EFFECTS OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES OR CORRECTIONS OF SIGNIFICANT ACCOUNTING ERRORS

For changes in accounting policy of the Bank and accounting estimates and corrections of significant accounting errors during the Reporting Period, please refer to the "Audit Report and Financial Report: Notes to the Financial Statements" contained in this annual report.

## VI. DIRECTORS' INTERESTS IN THE BUSINESS WHICH COMPETES WITH THE BANK

Mr. YE Baishou, a non-executive Director of the Bank, is the chairman of SDIC Capital Co., Ltd. (國投資本股份有限公司) and the chairman of SDIC Taikang Trust Co., Ltd. (國投泰康信託有限公司). Mr. ZHANG Xifang, a non-executive Director of the Bank, is an executive director of China Minsheng Trust Co., Ltd., a director of Minsheng Securities Co., Ltd. and a director of Asia-Pacific Property and Casualty Insurance Co., Ltd.

Our Directors are of the view that, there is no competition or only minimal potential competition between those financial institutions and our Bank arising from our Directors' positions in those financial institutions, since: (I) they are not involved in the daily operation and management of the Bank; (II) we have appointed six independent non-executive Directors, representing one-third of the members of our Board of Directors to balance any potential conflict of interests in order to safeguard the interests of our Bank and the Shareholders as a whole.

Save as disclosed in this annual report, none of our Directors are interested in any business, which competes or is likely to compete, either directly or indirectly, with our business under Rule 8.10 of the Listing Rules.

## VII. RESERVES AND RESERVES AVAILABLE FOR DISTRIBUTION

For changes in the Bank's reserves and reserves available for distribution, please refer to the "Audit Report and Financial Report: Statement of Changes in Equity" contained in this annual report.

As of December 31, 2021, the Bank's reserves available for distribution amounted to RMB34.674 billion\*.

\* According to the Articles of Association, the Bank's reserves available for distribution shall be subject to the less of the retained earnings in the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises and the IFRS.

## VIII. MAJOR CUSTOMERS

As of the end of the Reporting Period, the five largest depositors of the Bank accounted for less than 30% of gross deposits from customers and the five largest borrowers accounted for less than 30% of gross loans and advances to customers.

## IX. EQUITY-LINKED AGREEMENT

During the Reporting Period, the Bank did not enter into any equity-linked agreement.

## X. PERMITTED PROVISION ON INDEMNITY

The Bank has purchased appropriate liability insurance for Directors, Supervisors and members of senior management in accordance with the relevant provisions of the Articles of Association.

## XI. MANAGEMENT CONTRACTS

During the Reporting Period, the Bank did not enter into any administrative or management contracts in respect of the overall or material business of the Company, nor did such contracts existed.

## XII. COMPLIANCE WITH LAWS AND REGULATIONS

During the Reporting Period, the Bank consciously observed various relevant laws and regulations of the banking industry, firmly established the concept of “noncompliance is risk and compliance is benefit”, paid close attention to the adjustment and change of regulatory environment, law and regulation, continuously improved the long-term internal control and compliance mechanism.

## XIII. PERFORMANCE OF SOCIAL RESPONSIBILITIES

In 2021, the Bank fully implemented the Fourth “Five-Year Plan” and established the corporate mission of “serving the national strategies, the real economy and Chinese people’s well-being, creating sustainable value for shareholders, establishing a platform with infinite opportunities for employees’ growth and performing corporation responsibility for the society”. The Bank further strengthened social responsibility management and achieved favourable performance in fulfilling the corporate social responsibilities, such as serving the real economy, developing green finance, providing high-quality services, promoting the growth of employees and facilitating social progress.

The Bank further optimized our social responsibility management and improved the performance capacity of social responsibility. Firstly, the Bank continuously conducted the disclosure of social responsibility information, prepared and publicly released the 2020 Social Responsibility Report of China Bohai Bank. Secondly, international authorities were introduced to provide ESG management consulting services and improve the scientificity and normativity of the Bank’s social responsibility management. Thirdly, the Measures for the Administration of External Donations of CHINA BOHAI BANK CO., LTD. was formulated to further strengthen the standardized management.

The Bank resolutely implemented the new development philosophy, and set serving the real economy as the original intent and goal in accordance with the overall requirements of “Stability on Six Key Fronts (namely, employment, the financial sector, foreign trade, foreign investment, domestic investment, and expectations) (六穩)” and “Security in Six Key Areas (namely, job security, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments) (六保)”. The Bank has identified inclusive finance as an important strategy for transformation and development, comprehensively promoted rural revitalization, reinforced support services in key areas, helped to elevate consumption to higher level, continuously expanded the comprehensive service capacity for the coordinated development of Beijing-Tianjin-Hebei Region, and promoted high-quality development of China’s economy. As of the end of the Reporting Period, the balance of inclusive small and micro loans of the Bank was RMB59.482 billion, with a growth rate of 62.91%; the number of loan accounts was 146,218, with a growth rate of 69.51%, overachieving the objectives of “two growths and two controls”.

Focusing on the requirements of the Fourth “Five-Year Plan” and strategic decoding, the Bank continued to accelerate the transformation and development of technology bank, reinforce FinTech empowerment, deepen the integration of technology and business, and gradually improve the ability of agile empowerment; it enriched channel service capabilities, accelerated the construction of “cloud outlets” and an open ecosystem. Leveraging FinTech and deepening agile transformation, the Bank’s ability to innovate financial products and services has been continuously enhanced, and the level of meeting the different financial service needs of more financial consumers has been continuously improved.

Based on the new development stage, the Bank implemented the new development philosophy, built a new development pattern and actively practiced the concept of green development. Focusing on the effort related to “peak carbon emissions and achieve carbon neutrality”, the Bank continued to increase support for green, low-carbon and circular economy, took effective measures to promote green operation, and continued to make progress in promoting green development. As of the end of the Reporting Period, the balance of the Bank’s green loans was RMB24.719 billion, representing an increase of 24.33%. In 2021, the Bank won the First Display of Talent Award of “Green Carbon Pioneer”: the Most Exploring Bank of the Year (“綠碳先鋒”初試鋒芒獎—年度最具探索力銀行).

The Bank has always adhered to the development philosophy of “people-oriented”, strengthened service management, optimized service channels, improved service processes, standardized service standards, strengthened the protection of consumer rights, provided customers with convenient, safe and efficient services, and constantly moved forward to the “modern wealth and treasury manager offering the best experience”.

The Bank is based on the compliance, continuously improving the joint force of risk management and control, taking a series of effective measures to strengthen the compliance concept, reinforcing risk control to ensure business safety. The Bank adheres to the people-oriented principle and regards promoting employee development as one of its important missions and achievements. The Bank makes constant effort to perfect the market-oriented compensation system, optimize the incentive and restraint mechanism, further promote the market-oriented personnel selection and employment mechanism, enhance staff training and create a broad career development platform. Our Bank respects the value of employees, effectively protects the rights and interests of employees, and works together with employees for a better life. In 2021, the Bank provided 1,896 new employment positions; our female employees accounted for 52.02% of the total; and we carried out more than 4,000 employee training sessions.

The Bank continued to implement targeted assistance in Jizhou District, Tianjin and conducted a new round of assistance work in an all-round way. We have supported Tianjin women’s volleyball team for 10 consecutive years, and signed the new cycle agreement. We adhered to the routine epidemic control and actively supported the prevention and control efforts of community. We organized and encouraged employees to participate in voluntary service, which has been highly recognized by the society.

The Bank will adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implement the spirit of the Sixth Plenary Session of the 19th CPC Central Committee and the deployment of the Central Economic Work Conference, enhance economic contribution, fully fulfill social responsibilities, and strive to write a new chapter of high-quality and sustainable development.

#### XIV. IMPLEMENTATION OF SERVING THE RURAL REVITALIZATION

During the Reporting Period, the Bank conscientiously implemented the decision and deployment of the Communist Party of China and the State Council on the effective linkage between consolidating and expanding the results of poverty alleviation and rural revitalization, and strictly implemented the relevant requirements of the “Notice of the General Office of the CBIRC on High-Quality Services for Rural Revitalization by Banking and Insurance Sectors in 2021” (Yin Bao Jian Ban Fa [2021] No. 44) (《中國銀保監會辦公廳關於 2021 年銀行業保險業高質量服務鄉村振興的通知》(銀保監辦發[2021]44 號)) and “Opinions of PBoC, CBIRC, CSRC, Ministry of Finance, Ministry of Agriculture and Rural Affairs, Rural Revitalization Bureau on Financial Support for Consolidating and Expanding the Results of Poverty Alleviation and Promoting Rural Revitalization Comprehensively” (Yin Fa [2021] No. 171) (《中國人民銀行銀保監會證監會財政部農業農村部鄉村振興局關於金融支持鞏固拓展脫貧攻堅成果全面推進鄉村振興的意見》(銀發[2021]171 號)), further enhanced the sense of responsibility and urgency, returned to the origin and adhered to its stance, took stronger measures to increase support and investment, and promoted rural revitalization comprehensively.

As of the end of the Reporting Period, the balance of the Bank's agricultural-related loans amounted to RMB47.197 billion, representing an increase of RMB2.282 billion or 5.08% as compared to the end of the previous year; the balance of inclusive agricultural-related loans amounted to RMB1.938 billion, representing an increase of RMB817 million or 72.85% as compared to the end of the previous year; the balance of loans in areas lifted out of poverty amounted to RMB1.561 billion, representing an increase of RMB604 million or 63.05% as compared to the end of the previous year.

### ***Improve the construction of rural revitalization mechanism***

First, in order to fully implement the financial support for rural revitalization and consolidate the achievements in poverty alleviation, the Bank formulated the 2021 work plan for consolidating the achievements in poverty alleviation, which was included in the 2021 Development Plan for Inclusive Finance Business of CHINA BOHAI BANK CO., LTD. considered and approved by the Development Strategy and Inclusive Finance Committee under the Board of Directors. Second, in order to further strengthen the main responsibility of the party committee, the Bank established a leading group for consolidating poverty alleviation and serving rural revitalization, with the secretary to the party committee of the Head Office as the group leader, the president of the Head Office as the deputy group leader, the vice president in charge of the leading department as the chairman, and other senior managers of the Head Office as members of the group, to be responsible for the organization and leadership of the Bank's poverty alleviation and serving rural revitalization.

### ***Establish a sound management system for rural revitalization financial services***

Firstly, the Bank formulated the "Implementation of Financial Support to Consolidate and Expand the Achievements in Poverty Alleviation and to Comprehensively Promote the Implementation of Rural Revitalization by Bohai Bank (《渤海銀行落實金融支持鞏固拓展脫貧攻堅成果全面推進鄉村振興的實施意見》)". In line with the new development concept of the Party Central Committee, Bohai Bank focused on consolidating and expanding the achievements in poverty eradication, promoting rural revitalization, and taking the realization of high-quality agricultural and rural development as the main line, guiding the Bank to do a good job in financial support to ensure food security and supply of important agricultural products, rural industry development, modern agricultural development, and rural construction actions. At the same time, the Bank's annual credit guidelines clearly defined the key directions and areas of credit support for rural revitalization.

Secondly, the Bank timely deployed the rural revitalization work throughout the year. The Bank organized branches to study and comply with the regulatory requirements for financial work related to agriculture, rural areas and farmers ("San Nong"), and put forward arrangements and requirements for the work of "San Nong". All branches were required to attach great importance to the work of "San Nong" and continue to optimize the financial service system and mechanism of "San Nong", as well as to enhance the capability and level of "San Nong" financial services by strengthening the empowerment of technology, and to enhance the breadth and depth of financial services for small farmers and new agricultural business entities. Centered on "San Nong", the Bank did a good job of effective connection between financial consolidation of poverty alleviation achievements and rural revitalization, strengthened the financial assistance to rural revitalization efforts.

Thirdly, the Bank formulated the administrative measures of Operating Procedures for Deepening the Development of Personal Agriculture-Related and Poverty Relief-Related Loan Business of Bohai Bank (Provisional) (《渤海銀行關於深化開展個人涉農及扶貧貸款業務的操作規程(暫行)》). The Bank optimized the operation process of all aspects of personal agriculture-related loan business, to improve the efficiency of the review and approval of agriculture-related loans.

### ***Develop supporting measures for financial services to ensure the rural revitalization***

Firstly, the Bank strengthened the evaluation and incentive plan. The Bank increased the weight of the KPI assessment for agriculture-related loans, and included the consolidation of the achievements of poverty alleviation and the inclusive agriculture-related indicators in the assessment of the party building of the branch party committee, so as to fully demonstrate the guiding effect of evaluation. Secondly, the Bank formulated preferential pricing policies. The internal capital transfer pricing discounts for inclusive agriculture-related loans were further increased to 75BP, and an additional 5-15BP of regional discounts were granted through the establishment of an incentive for the completion of inclusive business, guided branches to actively carry out financial services related to rural revitalization.

### ***Conduct innovative financial services for rural revitalization***

Firstly, the Bank innovated the business model and continued to promote the implementation of the product plan of the Agriculture Development Loan Cooperated between and Provided by "Bank, Government and Guarantee Institutions (銀政擔)" based on the characteristics of small, fragmented and unsecured demand for agriculture-related loans, and took the initiative to cooperate with members of the National Agricultural Credit Guarantee Union system to build a cooperation platform of bank and guarantee institutions, meanwhile, the supply chain financing business of livestock breeding was carried out by core customers. In addition, the Bank developed special agricultural-related and inclusive agricultural-related loan products, taking into considerations the characteristics of the new agricultural business entities such as family farms, farmers' cooperatives, leading agricultural industrialized enterprises.

Secondly, the Bank innovated the areas of business, highly concerned about the bottlenecks of industrial development in the western region, and provided funds to build industrial ecology in poorer counties, effectively driving local villagers to increase their income and wealth.

Thirdly, the Bank innovated the tools of business, made full use of technological empowerment, increased cooperation with platform companies with credible big data, solved the problem of last mile of rural finance, with the "Bohai Farmer Loans (渤農貸)" products of the Bank, the Bank innovated the tools to support farmers' financing services, broke through the limitations of the physical network, and truly solved the urgent needs of farmers.

Fourthly, the Bank actively promoted the issuance of rural revitalization bonds. In 2021, the Bank underwrote a scale of rural revitalization bonds of RMB4.35 billion. By underwriting and issuing various types of bonds for agriculture-related enterprises, such as "rural revitalization bonds (鄉村振興債)", "rural revitalization + Panda bonds (鄉村振興+熊貓債)" and "rural revitalization + old revolutionary base areas bonds (鄉村振興+革命老區債)", the Bank gave full play to its role in supporting the development of rural revitalization, actively supporting the construction of agricultural and rural infrastructure, helping the development of industries in old revolutionary base areas, and doing a good job in consolidating and expanding the achievements in poverty alleviation.

### ***Continue to do a good job of consumption assistance and talent support***

Through various channels of consumption poverty alleviation, the Bank included poverty alleviation products into the purchase project of employee holiday souvenirs, opened special counters for consumption poverty alleviation on a long-term basis and actively participated in the "One Dollar Donation for Families (愛心家庭一元捐)" project. At the same time, the Bank worked on supporting talents and ensuring the employment of staff in the recipient areas. The poverty alleviation cadres still performed their duties after the cap of poverty being removed, and continued to increase support for the employment of talents in rural areas.



## XV. IMPLEMENTATION OF PROTECTION OF CONSUMER RIGHTS AND INTERESTS IN THE BANKING INDUSTRY

The Bank adheres to guiding the consumer rights and interests protection by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, earnestly implements the people-centered development thought, adheres to the service objective of people supremacy, takes the people's satisfaction as a starting point and foothold of consumer rights protection, continues to improve the top-level design for consumer rights and interests protection, strengthens the performance and duties of main body for corporate governance, improves the management system, optimizes mechanisms and procedures, standardizes operations, actively fulfills social responsibilities, and comprehensively enhances the quality and efficiency of consumer rights and interests protection.

**Firstly, we improved the top-level design for protecting consumers' rights and interests.** The protection of consumer rights is embedded in the corporate governance, development strategy and highly integrated with the corporate culture, and the "Board of Directors, Board of Supervisors, senior management and two committees" significantly improved their ability of performing duties; consumer rights and interest protection system and mechanism composed of 1 overall planning, 1 basic policy, 9 internal control rules and 18 working measures became increasingly perfect.

**Secondly, we improved the control mechanism for the whole process of consumer rights protection.** We actively promoted prior review, deepened compliance sales, strengthened post-supervision, to ensure effective implementation of the relevant provisions and requirements for consumer rights protection in the design and development of products or services, marketing promotion and after-sales management and other business links.

**Thirdly, we strengthened the management of marketing publicity.** We formulated the Ban on Retail Business Sales of Bohai Bank to clarify "one principle and ten prohibitions", strengthening daily monitoring and analysis, constantly improving the concept and overall awareness of consumer rights protection of employees to ensure strict compliance with the law to carry out financial marketing and publicity activities.

**Fourthly, we actively carried out financial knowledge popularization and consumer education.** We earnestly implemented the concept of inclusive finance, paid attention to the actual needs and key problems of six focus groups, such as small and micro business owners, teenagers, the elderly, farmers, urban low-income groups and the disabled, and carried out all-round, three-dimensional financial knowledge popularization and risk warning.

**Fifthly, we properly handled consumer complaints.** We seriously carried out the development thought of people-centered, actively using non-prosecution third-party settlement mechanism to resolve financial disputes, adhering to creating the best user experience with the consumer perspective and the concept of whole process accompanying, attaching great importance to the root cause of complaints, continuously optimizing and improving products and services, actively building just and fair financial consumption environment. We published complaints telephone number, mailing address, consumer complaint handling process and other information in the striking positions of official website, mobile client and other electronic channels and places of business, publishing email address, website and other information of the Bank to receive complaints through the Internet complaint channels, meanwhile providing the complaints hotline or other complaint channels in the product or service contracts. The complaint channels are smooth, effective, convenient, effectively protecting the legal rights and interests of consumers. In 2021, the Bank accepted 6,907 consumer complaints, with a 100% complaint settlement rate and 85.73% satisfaction rate of customer return visit. Main complaint categories: credit card complaints accounted for 38.94%, loan complaints accounted for 21.87%, proprietary wealth management complaints accounted for 6.14%. Main complaint areas: Guangdong, Tianjin, Shanghai, Beijing and Shaanxi.

**Sixthly, we strengthened internal inspection, supervision and accountability for rectification.** We conducted the "Promotion Year of Consumer Rights and Interests Protection Management Standards" activity, implementing the "three comprehensive coverage" consumer rights and interests protection investigation, building a picture of joint governance of consumer rights and interests protection, including consumer rights and interest protection into routine audit, and further strengthening the accountability of employees for violations.

## XVI. DEVELOPMENT OF GREEN FINANCIAL BUSINESS

During the Reporting Period, under the decisions and plans of the CPC Central Committee and the State Council, and based on the new development stage, the Bank adhered to the new development philosophy, built the new development layout, actively fulfilled the national green development concepts and sustainable development strategy, and continued to increase support for the green economy, low-carbon economy and circular economy. The ability to prevent environmental, social and governance risks was enhanced. Focusing on the work related to “peak carbon emissions and achieve carbon neutrality”, the Bank performed social responsibilities and built up the green awareness of “Sustaining, Promoting and Supporting Green Development” in the whole bank, with which to optimize customer structure, enhance service level, promote the business transformation of the Bank, and achieve green, healthy and high-quality development.

As of the end of the Reporting Period, the green loan balance of the Bank amounted to RMB24.719 billion, representing an increase of RMB4.838 billion or 24.33% as compared with the end of last year. Specifically, the loan balance for clean energy industry amounted to RMB3.462 billion, representing an increase of RMB958 million or 38.26% as compared with the end of last year. The Bank independently led the underwriting of two green bonds with a total of RMB1.5 billion.

### *Improve the construction of green finance mechanism*

In accordance with the Bank’s green finance strategy, we established a Green Finance Leading Group at the head office, with the president as the leader, the vice president in charge of corporate banking as the deputy leader, and other senior management at the head office as team members, responsible for guiding and coordinating the Bank’s green finance work, setting green finance objectives, establishing mechanisms and processes, clarifying responsibilities and authorities, conducting internal control inspections and assessments, reporting to the Risk Management and Green Finance Committee of the Board of Directors on green finance development every year, and reporting and disclosing green finance-related information to regulatory authorities in accordance with regulations.

The Leading Group set up an office in the Corporate Business Department at the head office, which is responsible for leading the organization, management, coordination and promotion of all green finance work of the whole bank, and simultaneously clarified the responsibilities and labor division of each department at the head office, and jointly promoted the green finance work within the responsibility scope of the department.

Each branch completed the implementation of the regulatory and the head office green finance-related policies as required, docked and communicated well with local regulatory authorities.

### *Establish a sound green financial management system*

The Bank formulated and issued documents such as the Guidance on Further Promoting the Development of Green Finance Business of Bohai Bank (《渤海銀行關於進一步推動綠色金融業務發展的指導意見》) and Notice on Further Clarifying the Preferential Policies for Green Credit Business in 2021 (《關於進一步明確 2021 年綠色信貸業務優惠政策的通知》). According to the requirements of the Fourth “Five-Year Plan” of the Bank, the overall objectives and requirements for the development of green finance business were clarified, a leading team for green finance was established, the next key industries and customers for green finance business were specified, and supporting products and policy protection measures were introduced. At the same time, the Bank was required to further improve its environmental, social and governance performance to ensure the overall rapid growth of the green finance business of the Bank.

### ***Develop green financial supporting measures***

Firstly, the Bank set up special assessment indicators for green finance. The Bank strictly implemented the assessment requirements of the People's Bank of China and other regulatory authorities on green finance, incorporated green finance assessment indicators into the KPI assessment of branches, and fully utilized the assessment tools to guide and supervise the implementation of green finance regulatory policies and indicators, further promoted the development of green finance in the Bank.

Secondly, the Bank formulated preferential policies for green finance business. The Bank introduced initiatives to promote support for special scale allocation, FTP discounts, external pricing discounts, etc. in the field of green credit and clean energy loans, to guide the adjustment and optimization of the asset structure by means of capital allocation, and fully support the allocation of resources in the field of green credit by unleashing the existing resources and dynamic allocation.

Thirdly, the Bank strengthened the environmental and social risk management of the credit business. In accordance with the Regulations on Environmental and Social Risk Management of the Credit Business of Bohai Bank (《渤海銀行授信業務環境和社會風險管理辦法》), the Bank further strengthened the environmental and social risk classification of credit customers (projects), implemented comprehensive and whole-process risk management for environmental and social risks of proposed credit customers or projects, and prevented the environmental and social risks.

### ***Conduct the work of the carbon emission reduction facility***

The Bank actively carried out the work related to carbon emission reduction facility, in accordance with the requirements of the Notice on the Establishment of Carbon Emission Reduction Facility (《關於設立碳減排支持工具有關事宜的通知》) issued by the People's Bank of China, conducted credit fund investment in the field of carbon emission reduction, vigorously motivated the use of carbon emission reduction facility of the PBoC, promoted the further development of the Bank's green finance business in the field of carbon emission reduction, and did a good job of financial support for carbon emission reduction.

### ***Conduct green financial business training***

By conducting training, the Bank enhanced the professional level of green finance business management. Firstly, the Bank invited famous green finance experts in China to hold special training on green finance of the Party Committee Theoretical Central Learning Group (larger). Secondly, the Bank conducted training on green loans and green bonds, and other comprehensive financial products and marketing training for business staff. Thirdly, the Bank set up a "Green Finance" column on the risk management information sharing platform to collect and organize important policies in the field of green finance, share the results of research reports, and enhance the depth and breadth of learning and research in the field of green finance.

### ***Receive two green financial awards***

Firstly, at the 9th China Small and Medium Enterprises Investment and Financing Fair and 2021 "Small Business, Big Dreams" Summit jointly organized by China Association of Small and Medium Enterprises, China Banking Association and China Futures Association, the Bank's cooperation case with green photovoltaic enterprise Aiko Solar Energy Technology Co., Ltd was awarded the "2021 Excellent Case of Financial Services for Micro, Small and Medium-sized Enterprises" (2021 年金融服務中小微企業優秀案例). Secondly, the Bank was awarded the 2021 First Display of Talent Award of "Green Carbon Pioneer": the Most Exploring Bank of the Year (「綠碳先鋒」初試鋒芒獎—年度最具探索力銀行) at the "Green Empowerment – Sustainable Development" Banking Green Finance Forum.

## **XVII. OTHER MATTERS REQUIRED TO BE DISCLOSED**

During the Reporting Period, there was no other matter of the Bank to be disclosed.

By order of the Board of Directors  
**LI Fuan**  
Chairman  
March 29, 2022

# Report of the Board of Supervisors

## I. MAIN WORK OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors of the Bank fully implemented the decisions and plans of the CPC Central Committee, the State Council and the Tianjin Municipal Party Committee and Government. With an aim to protect the legitimate rights and interests of the Bank, the Shareholders, employees, creditors and other stakeholders, the Board of Supervisors performed its duties assigned by the Articles of Association of the Bank diligently and focused on overseeing the performance of duties and responsibilities by the Board of Directors, senior management and their members, financial decisions and implementation thereof, internal control and risk management of the Bank in accordance with the Company Law, the Guidelines on the Work of the Board of Supervisors of Commercial Banks (《商業銀行監事會工作指引》) and other laws, regulations and regulatory rules. The Board of Supervisors has proactively made its contribution to the prudent and compliant development of the Bank and the enhancement of quality and efficiency of corporate governance.

### (I) Convening Meetings in Compliance with Laws and Regulations to Provide Advice and Recommendations on Supervision

During the Reporting Period, the number and procedures of meetings convened by the Board of Supervisors of the Bank and the special committees under it were in compliance with the regulatory requirements, and recommendations were made to the Board of Directors and the senior management in the form of minutes. Please refer to II of this section for details of the meetings of the Board of Supervisors of the Bank and the special committees under it during the Reporting Period.

### (II) Strengthening the Supervision of Performance of Duties and Urging the Board of Directors and Senior Management of the Bank and Their Members to Perform Their Duties and Responsibilities

During the Reporting Period, the Board of Supervisors of the Bank adopted a combination of daily supervision and annual performance evaluation to carry out in-depth supervision on the performance of duties by the Bank's Board of Directors, senior management and their members in accordance with laws and regulations. Firstly, the Board of Supervisors has strengthened the daily supervision of performance of duties. The Board of Supervisors designated representatives to attend all on-site meetings of the Board of Directors and various special committees during the Reporting Period and participated in off-site meetings by reviewing the documents. A total of 197 proposals, reports and studies were reviewed by the Supervisors before the meetings, and supervision was conducted on the operation of the Board of Directors and its special committees and the performance of duties by Directors at the meetings. The chairman of the Board of Supervisors presided over a joint supervision meeting and attended the meeting for summarizing the achievements of the Fourth "Five-Year Plan" development strategic plan, the meeting for implementation and promotion of the Fourth "Five-Year Plan" and the 2021 mid-year work conference, and the bank-wide compliance warning and education conference. Employees' representative Supervisors attended the president's office meetings, special meetings conducted by the president and the meeting of the Consumer Rights Protection Committee. During the adjournment period, the Supervisors reviewed 103 copies of various status reports, minutes of the president's office meeting, minutes of special meetings conducted by the president, reports on related party transactions, internal control and compliance risk reminders and other material. Secondly, the annual performance evaluation was conducted. In accordance with the Guidelines on the Work of the Board of Supervisors of Commercial Banks (《商業銀行監事會工作指引》) and the provisions of the Bank's performance evaluation system, the Board of Supervisors organized an annual performance evaluation of the Board of Directors, senior management and their members in 2020 with a focus on the performance of the Board of Directors and senior management in the areas of capital management, comprehensive risk management (especially on liquidity risk management, market risk management, etc.), compliance

management, behaviour management of practitioners, data governance, etc. The results of the evaluation were reported to the Shareholders' general meeting and regulatory authorities in time after being considered and approved by the Board of Supervisors, and were included in the performance supervision file. Thirdly, post-office audits were conducted. During the Reporting Period, the Board of Supervisors seriously carried out post-office audits on Directors and senior management members, and conducted timely inspection and evaluation of their performance of duties during their terms of office in accordance with the resolutions of the Board of Directors. Post-office audits on Director ZHANG Bingjun and Vice President WU Siqi were carried out and post-office audit reports were issued.

### **(III) Strengthening Financial Supervision, and Constantly Focusing on Major Financial Decisions of the Bank and Their Implementation**

During the Reporting Period, the Bank's Board of Supervisors paid close attention to matters that may affect the operation and management and overall financial position, and further strengthened financial supervision. First, the Board of Supervisors listened to reports on important financial decisions and their implementation. During the Reporting Period, the Board of Supervisors attended relevant meetings of the Board of Directors and the senior management without voting rights, and continuously strengthened the supervision over the Bank's annual financial budget and final accounts, comprehensive business operation plans, issuance of bonds and other plans. Second, the Board of Supervisors reviewed the monthly business overview and analyzed and studied changes in the Bank's important financial indicators, major operating indicators and major provisions, and write-offs and related disposals. Third, the Board of Supervisors focused on supervising major matters. During the Reporting Period, the Bank's Board of Supervisors reviewed the 2020 profit distribution plan, the 2020 annual report, and the 2021 interim report, and offered opinions on the compliance and rationality of the profit distribution plan, as well as the authenticity, accuracy and completeness of the contents of the regular reports. It instructed the working institutions to carry out the audit on the management of related party transactions for 2020, reviewed reports on major related party transactions and general related party transactions related to the Bank's Directors and senior management, and reminded the Bank of potential risks in the Bank's related party transactions for many times. Fourth, the Board of Supervisors attached importance to the management of external audit work. It dispatched staff to be present at meetings of the Audit and Consumer Rights Protection Committee of the Board of Directors, listened to the 2020 annual audit report by the external auditor, and conducted on-site supervision on the review of the Proposal on the Re-appointment of the External Auditor of CHINA BOHAI BANK CO., LTD. of 2021.

### **(IV) Strengthening the Supervision over Internal Control, and Promoting the Continuous Improvement of Internal Control and Governance System**

Firstly, the Board of Supervisors dispatched representatives to attend relevant meetings of the Board of Directors and senior management without voting rights during the Reporting Period, reviewed the work reports on internal control and compliance, internal control evaluation report, internal control compliance risk reminders and other material, and issued independent opinions on the Bank's internal control in 2020. It also put forward opinions and suggestions on improving the Bank's internal control and compliance management. Secondly, the Board of Supervisors made further efforts in carrying out the "Year of Internal Control and Compliance Management Construction", urged the Board of Directors and the senior management to firmly stick to a prudent and compliant operation philosophy, continued to improve the internal control governance structure, and cooperated with third-party institutions to carry out internal control system assessment. Thirdly, the Board of Supervisors implemented the 2021 work plan for Board of Supervisors of the Bank, organized the implementation of special audits on case prevention and control management, and continued to strengthen the supervision on case risk screening and management and the rectification, accountability, and disposal of case risk events, as well as the efforts in employee training in compliance and case prevention and the binding of professional norms to employees. Fourthly, the Board of Supervisors organized and held special meetings of supervisors in a timely manner, put forward opinions in time on response to public sentiment, emergency response, internal control management, risk prevention and control, etc. during on-site supervision, and sent them to all Directors and senior management members of the Bank. Fifthly, the Board of Supervisors conducted in-depth research in branches and sub-branches.

## **(V) Strengthening the Supervision over Risk Management, and Continuously Optimizing the Comprehensive Risk Management and Governance Structure and Mechanism**

Firstly, the Board of Supervisors regularly listened to the comprehensive risk management report, especially the report on CBIRC's punishment of the Bank, CBIRC's report on the Bank's 2020 regulatory situation and the Bank's rectification report, reviewed the Bank's risk appetite, limit management plan, etc., and focused on the supervision of major risks that the supervisory authority pays attention to and are faced by the Bank at present. Secondly, the Board of Supervisors strengthened the supervision over reputational risk management. In light of the new regulatory requirements of reputational risk management during the Reporting Period, it advised the Board of Directors and senior management of the Bank to strengthen reputational risk management and control, improve reputational risk management system and mechanism, and ensure that reputational risk management is effective and compliant with regulations. Thirdly, the Board of Supervisors earnestly carried out "governance from management of sources of business risks", listened to special reports on the implementation of relevant work of the Bank, urged the Board of Directors and the senior management to re-examine the comprehensive risk management system, and improved the risk management and control mechanism. Fourthly, the Board of Supervisors gave better play to the role of audit and had work institutions carry out targeted audits on capital management, market risk management, data governance, Internet loan business, and information technology management. For the problems found in the audit, the Board of Supervisors required the audited entity to formulate a rectification plan and to specify the rectification measures and time limit of rectification, and urged it to effectively implement the rectification plan, contributing to the continuous improvement of the Bank's risk management efficiency.

## **(VI) Continuing to Consolidate the Work Foundation and Strengthen Self-discipline**

Firstly, we carefully carried out the self-evaluation of the Board of Supervisors and the assessment of the performance of duties of Supervisors in 2020. We conducted self-evaluation on the work of the Board of Supervisors in 2020 from the three dimensions including the Board of Supervisors' performance of its supervisory duties, operation in accordance with the law, and expression of independent opinions. By taking into full account the Supervisors' daily performance of duties, the Supervisors' attendance at meetings and working hours, and the Supervisors' mutual evaluation of professional competence and contributions, we evaluated the annual performance of duties by the Supervisors, and reported the evaluation results to the Shareholders' general meeting and the regulatory department on time to further complete the files of the performance of duties by the supervisors. Secondly, we strengthened the construction of the work system of the Board of Supervisors. In response to the Code of Corporate Governance of Banking and Insurance Institutions, the Measures for Evaluating the Performance of Directors of Banking and Insurance Institutions (Trial) and other new regulatory regulations in 2021, we carried out the internalization of external regulations, made adaptive amendments to the Bank's methods of assessment of the performance of duties for Directors and Supervisors, and proposed amendments to the corresponding contents of the Bank's Articles of Association. Thirdly, we changed employees' representative Supervisors in compliance with laws and regulations. During the Reporting Period, two employees' representative Supervisors resigned as employees' representative Supervisors of the Bank and ceased to hold positions in special committees of the Board of Supervisors because they reached retirement age. To facilitate the supervisory work of the Board of Supervisors, and make the size and composition of the Board of Supervisors comply with the regulatory requirements, we changed the employees' representative Supervisors in accordance with legal procedures on time, and made announcements. Fourthly, we focused on communication and cooperation. We conducted better communication and exchanges with the Board of Directors, senior management, the employees' representative meeting and relevant functional departments, and further strengthened the liaison and negotiation with regulatory authorities and third-party intermediaries, so as to jointly promote the efficient performance of the Bank's Shareholders' general meetings, the Board of Directors, the Board of Supervisors and the senior management. Fifthly, we organized training for supervisors.

## II. MEETINGS OF THE BOARD OF SUPERVISORS AND ITS SPECIAL COMMITTEES

### (I) Meetings of the Board of Supervisors

During the Reporting Period, the Board of Supervisors of the Bank convened a total of 5 meetings at which 15 resolutions were considered and approved and 23 reports were heard and reviewed. Details are as follows:

#### 1. *The 7th meeting of the fifth session of the Board of Supervisors (Annual Meeting 2020)*

The 7th meeting of the fifth session of the Board of Supervisors of the Bank was held in Tianjin on March 29, 2021. The meeting was held legally and effectively with 6 Supervisors actually attended. 10 resolutions were considered and approved at the meeting and the matters considered included: Work Report of the Board of Supervisors for 2020, the Independent Opinions of the Board of Supervisors on the Relevant Matters for 2020, the Board of Supervisors' 2020 Report on Self-Evaluation and Assessment of the Performance of Duties of Supervisors (2020 年度監事會自我評價和監事履職評價情況報告), the Board of Supervisors' 2020 Assessment Report on the Performance of Duties of the Board of Directors, Senior Management and their Members (監事會對董事會、高級管理層及其成員 2020 年度履職評價報告), Profit Distribution Plan for 2020, Annual Report 2020, Internal Control Evaluation Report and Auditor's Statement for 2020, Work Plan of the Board of Supervisors for 2021, information reporting system (2021 Revised Draft), and proposal to adjust the allowance for external supervisors.

The meeting also reviewed 8 reports including the 2020 Report on the Comprehensive Risk Management, 2020 Report on Internal Audit Work of the Audit Department, 2020 Report on Internal Control and Compliance Work, 2020 Audit Report on Management of Related Party Transactions, Audit Report on Stress Testing, Report on the Audit of the Business of the FinTech Department, Report on Information Security Management Audit and Report on Re-appointment of the Accounting Firm's Work for 2021.

#### 2. *The 8th meeting of the fifth session of the Board of Supervisors*

The 8th meeting of the fifth session of the Board of Supervisors of the Bank was held in Tianjin on June 28, 2021. The meeting was held legally and effectively with 5 Supervisors actually attended. 4 reports were reviewed at the meeting, including Audit Report on Capital Management, Report on Management of Related Transactions, Report on Penalties Imposed on the Bank by CBIRC, and Report on Investigation and Research on Management of Operational Risk Sources of the Bank by Local Government Leaders.

#### 3. *The 9th meeting of the fifth session of the Board of Supervisors*

The 9th meeting of the fifth session of the Board of Supervisors of the Bank was held in Tianjin on August 27, 2021. The meeting was held legally and effectively with 5 Supervisors actually attended. 2 resolutions were considered and approved at the meeting and the matters considered included: Interim Report 2021, Proposal on the Appointment of Mr. MA Shuming as Member of the Nomination Committee of Fifth Session of the Board of Supervisors of CHINA BOHAI BANK CO., LTD.; 2 reports were also reviewed at the meeting, including Report on Off-office Auditing of Director ZHANG Bingjun, Report of CBIRC on the Regulatory Notifications of China Bohai Bank for 2020 and its Rectification.

#### 4. *The 10th meeting of the fifth session of the Board of Supervisors*

The 10th meeting of the fifth session of the Board of Supervisors of the Bank was held in Tianjin on October 13, 2021. The meeting was held legally and effectively with 5 Supervisors actually attended. 4 reports were reviewed at the meeting, including Report on Comprehensive Risk Management for the First Half of 2021, Report on Internal Control and Compliance Work for the First Half of 2021, Report on Internal Audit Work of the Audit Department for the First Half of 2021 and Audit Report on Market Risk Management.

## 5. The 11th meeting of the fifth session of the Board of Supervisors

The 11th meeting of the fifth session of the Board of Supervisors of the Bank was held in Tianjin on December 20, 2021. The meeting was held legally and effectively with 5 Supervisors actually attended. 3 resolutions were considered and approved at the meeting and the matters considered included: the Evaluation Methods on Directors' Performance (2021 Revised Draft), the Evaluation Methods on Supervisors' Performance (2021 Revised Draft), the Administrative Measures for Reputational Risk; 5 reports were also reviewed at the meeting, including Report on Internal Audit Work of the Audit Department for the Third Quarter of 2021, Audit Report on Case Prevention and Control Management, Report on Off-office Auditing of Vice President WU Siqi, Report on the Regulatory Evaluation of Consumer Rights Protection for 2020 and Report on Consumer Complaints for the First Half of 2021.

During the Reporting Period, the attendance of the Bank's Supervisors at meetings of the Board of Supervisors was as follows:

Name	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences
WANG Chunfeng	5	5	–	–
QI Ershi	5	5	–	–
DIAO Qinyi	5	5	–	–
HUI Yung Chris	5	5	–	–
MA Shuming	3	3	–	–
FENG Jiankuan	1	1	–	–
FAN Zhigui	2	2	–	–

Notes: For the changes in Supervisors of the Bank during the Reporting Period, please refer to "Directors, Supervisors, Members of Senior Management, Employees and Branches: Changes in Directors, Supervisors and Members of Senior Management" in this annual report.

## (II) Meetings of Each Special Committee of the Board of Supervisors

During the Reporting Period, special committees of the Board of Supervisors of the Bank convened 4 meetings, considered and approved 6 proposals and heard 10 reports. Details are as follows:

### 1. Nomination Committee of the Board of Supervisors

#### (1) Personnel composition

As of the end of the Reporting Period, the Nomination Committee of the fifth session of the Board of Supervisors of the Bank consists of three members, namely, external Supervisor Mr. QI Ershi, employees' representative Supervisor Mr. WANG Chunfeng and Mr. MA Shuming, and Mr. QI Ershi is the chairman.

#### (2) Primary duties

The Nomination Committee of the Board of Supervisors shall be responsible for formulating standards and procedures for selecting and appointing supervisors, and preliminarily examining the qualifications and conditions of supervisor candidates, and making recommendations to our Board of Supervisors; supervising scientificity and reasonability of remuneration management system and policies of the Bank and remuneration plan of senior management personnel; supervising the election and appointment process of Directors; evaluating the performance of Directors, Supervisors and senior management comprehensively; performing off-office audits on Directors and senior management; and dealing with other matters authorized or designated by the Board of Supervisors.



### (3) Meetings and works

During the Reporting Period, the Nomination Committee of the Board of Supervisors of the Bank held 2 meetings on March 29, 2021 and December 20, 2021, at which 5 resolutions were considered and approved and 1 report was heard and the matters considered included: the Board of Supervisors' 2020 Report on Self-Evaluation and Assessment of the Performance of Duties of Supervisors, the Board of Supervisors' 2020 Assessment Report on the Performance of Duties of the Board of Directors, Senior Management and their Members, Proposal on Adjustment of the Allowances of External Supervisors, Evaluation Methods on Directors' Performance (2021 Revised Draft), Evaluation Methods on Supervisors' Performance (2021 Revised Draft). In addition, it also heard the Report on Off-office Audits of Vice President WU Siqi.

The attendance of members of the Nomination Committee of the Board of Supervisors of the Bank during the Reporting Period is as follows:

Name	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences
QI Ershi	2	2	–	–
WANG Chunfeng	2	2	–	–
MA Shuming	1	1	–	–
FAN Zhigui	1	1	–	–

## 2. The Supervision Committee of the Board of Supervisors

### (1) Personnel composition

As of the end of the Reporting Period, the Supervision Committee of the fifth session of the Board of Supervisors of the Bank consists of 2 members, representing the external Supervisors Mr. DIAO Qinyi and Mr. HUI Yung Chris, and Mr. DIAO Qinyi is the chairman.

### (2) Primary duties

The Supervision Committee of the Board of Supervisors shall be responsible for supervising the Board of Directors in the forming of sound operating concept and value standards, and a development strategy consistent with our Bank's circumstances, formulating a supervision plan for our Bank's financial activities and implement relevant inspections, monitoring and inspecting our Bank's business decisions, risk management and internal control, and dealing with other matters authorized or designated by the Board of Supervisors.

### (3) Meetings and works

During the Reporting Period, the Supervision Committee of the Board of Supervisors of the Bank held 2 meetings on March 29, 2021 and December 20, 2021, at which 1 resolution was considered and approved and 9 reports were heard. It considered the Administrative Measures for Reputational Risk; it also heard the Audit Report on Stress Testing, the Report on the Audit of the Business of the FinTech Department, the Report on the Audit of Information Security Management, the Audit Report on the Management of Related Transactions for 2020, the Report on the 2020 Financial Report Audit of CHINA BOHAI BANK CO., LTD., Report on Internal Audit Work of the Audit Department for the Third Quarter of 2021, Audit Report on Case Prevention and Control Management, Report on the Regulatory Evaluation of Consumer Rights Protection for 2020 and Report on Consumer Complaints for the First Half of 2021.

The attendance of members of the Supervision Committee of the Board of Supervisors of the Bank during the Reporting Period is as follows:

Name	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences
DIAO Qinyi	2	2	–	–
HUI Yung Chris	2	2	–	–
FENG Jiankuan	1	1	–	–

### III. THE INDEPENDENT OPINION OF THE BOARD OF SUPERVISORS ON RELEVANT MATTERS

#### (I) The Bank's Legal Operations

During the Reporting Period, the Bank conducted operation activities in accordance with the laws and its decision-making procedures were legal and valid. No violations of laws and regulations, the Articles of Association or other behaviors that harmed the interests of the Bank and its Shareholders were found among Director or the members of the senior management of the Bank during their performance of duty.

#### (II) The Truth in the Financial Reports

KPMG and KPMG Huazhen LLP have reviewed the 2021 financial reports of the Bank in accordance with the requirements set out in the IFRS and the China Accounting Standards for Business Enterprises respectively, and standard unqualified audit reports have been issued. The Board of Supervisors has no objection to the truthfulness of such financial reports.

#### (III) Use of Proceeds Raised

During the Reporting Period, the use of proceeds raised of the Bank was consistent with promised use.

#### (IV) Purchase and Sale of Assets

During the Reporting Period, there was no material acquisition and disposal of assets.

#### (V) Related Party Transactions

The Board of Supervisors approved the Audit Report on the Related Party Transactions Management for 2021.

#### (VI) Internal Control

The Board of Supervisors considered and approved the internal control evaluation report for 2021 of the Bank.

#### (VII) Implementation on Resolutions of the General Meeting

The Board of Supervisors held no objections to all reports and proposals submitted to the Shareholders' general meeting for consideration by the Board during the Reporting Period, and supervised the implementation on resolutions of the general meeting. The Board of Supervisors believed that the Board of Directors had earnestly implemented such resolutions of the general meeting.

# Important Events

## I. MATERIAL LITIGATIONS AND ARBITRATIONS

As of the end of the Reporting Period, the Bank as the plaintiff or claimant has involved in a total of 52 litigations with the amount in dispute of over RMB30 million each, most of which were routine litigations and settlements initiated by the Bank for the recovery of NPLs, and no provisions will be made. Among the above-mentioned litigations, except for 22 litigations that are still under trial, most of the remaining closed litigations have entered the enforcement procedure.

As of the end of the Reporting Period, the Bank as the defendant or respondent has involved in a total of 3 litigations with the amount in dispute of over RMB10 million each. Among them, in a case of disputes initiated by Zhang Shaobai (張少白) against two companies (namely Dalian Branch (大連分行) and Dalian Dafu Enterprises Holding Co., Ltd. (大連大福控股股份有限公司)) for tort liabilities, the court of first instance rejected the plaintiff's claim but the plaintiff has appealed at present. In light of the Bank's victory in the first instance, the possibility of making provisions is relatively low. In the case of Zhang Shaobai and Dalian Branch as outsiders of the execution objection proceeding, the procuratorate has accepted and reviewed the Bank's protest application, and this case is an application by an outsider to deduct the money from the guarantor's account opened in the Bank, and no provisions will be made. As for Elion Resources Group Co., Ltd. (億利資源集團有限公司) v. Zhuhai Branch (珠海分行) and Jiaying Tianlang Investment Partnership (Limited Partnership) (嘉興天朗投資合夥企業(有限合夥)) in a case of a dispute over pledge contract, which was a dispute caused by the Bank's deduction of the counterparty's security deposit, and no provisions will be made.

According to the above, the Bank considers that the above-mentioned litigations and arbitrations will not have any material and adverse impact on our operating activities and financial position.

During the Reporting Period, the Bank had a dispute with individual corporate customers over the business of bank acceptance bills pledged by certificates of deposit. The Bank has reported the case to the security authorities, and as of the date of this annual report, the investigation is in progress. The outcome of the case is subject to the effective judgement of the court, and the Bank is of the view that the financial impact of the above dispute cannot be reliably measured.

## II. INCREASE OR REDUCTION IN THE REGISTERED CAPITAL, ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER

During the Reporting Period, there was no change in the registered capital of the Bank, and there was no material acquisition and disposal of assets or business merger.

## III. IMPLEMENTATION OF EQUITY INCENTIVE PLANS

During the Reporting Period, the Bank did not implement any equity incentive plan.

## IV. PRE-EMPTIVE RIGHT

The Articles of Association of the Bank have no mandatory provisions on pre-emptive right.

## V. PUBLIC FLOAT

Based on publicly available information and to the knowledge of our Directors, as of the date of this annual report, the Bank had maintained the public float as required by the Listing Rules and the relevant waivers granted by the Hong Kong Stock Exchange.

## VI. MATERIAL RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the Reporting Period, all related party transactions of the Bank were conducted in accordance with relevant laws and regulations as well as relevant provisions of domestic and overseas regulatory authorities and the Bank's rules for related party transactions. These transactions were conducted in adherence to the general business principles, and based on conditions which were not superior to those granted to an independent third party, and their terms were fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The related party transactions of the Bank were mainly the credit business of Shareholders and their related parties. Please refer to the "Audit Report and Financial Report: Notes to the Financial Statements: 'Related parties'" of this annual report for specific data on related party transactions.

### (I) Related Party Transactions Relating to Daily Operation

According to the Administrative Measures for Related Party Transactions between Commercial Banks and Their Insiders or Shareholders and Interim Measures for the Equity Management of Commercial Banks, the material related party transactions of the Bank were all credit business. All credit transactions were conducted in accordance with relevant laws and regulations, external regulatory requirements, the Bank's credit conditions and review procedures.

According to relevant provisions of CBIRC, during the Reporting Period, the Board of Directors approved eight resolutions on material related party transactions, namely related party transactions of credit business of UBS SDIC Fund Management Co., Ltd., related party transactions of credit business of TEDA Investment Holding Co., Ltd., related party transactions of credit business of affiliated group customers of China COSCO Shipping Corporation Limited reviewed and approved at the 15th meeting of the fifth session of the Board of Directors; related party transactions of credit business of affiliated group customers of Tohigh Holdings Co., Ltd. (LU Zhiqiang as the natural person) reviewed and approved at the 18th meetings of the fifth session of the Board of Directors; related party transactions of credit business of affiliated group customers of TEDA Investment Holding Co., Ltd. reviewed and approved at the 19th and 21st meetings of the fifth session of the Board of Directors; related party transactions of credit business of affiliated group customers of Standard Chartered PLC and related party transactions of credit business of affiliated group customers of State Development & Investment Corp., Ltd. reviewed and approved at the 28th meeting of the fifth session of the Board of Directors, respectively.

As of the end of the Reporting Period, the Bank's net credit amount granted to all related parties were RMB23.627 billion according to the standards of the CBIRC. Specifically, the net credit amount granted to TEDA Investment Holding Co., Ltd. and its related parties was RMB12.566 billion, that granted to Standard Chartered Bank (Hong Kong) Limited and its related parties was RMB88 million, that granted to State Development & Investment Corp., Ltd. and its related parties was RMB530 million, that granted to China Baowu Steel Group Corporation Limited and its related parties amounted to RMB357 million, and that granted to Oceanwide Industry Co., Ltd. and its related parties was RMB8.545 billion, and that granted to other related parties reached RMB1.541 billion.

According to the standards of Hong Kong Stock Exchange, the Bank's net credit amount granted to all connected persons amounted to RMB12.654 billion. Specifically, the Bank extended RMB12.566 billion of net credits to TEDA Investment Holding Co., Ltd. and its connected persons, RMB88 million to Standard Chartered Bank (Hong Kong) Limited and its connected persons. The above-mentioned connected transactions are transactions conducted by the Bank with its connected persons in the ordinary course of business on general commercial terms or better terms for the Bank, which are fully exempted in accordance with Chapter 14A of the Listing Rules.

Non-credit transactions between the Bank and related parties, such as service, leasing, agency sales and other daily related party transactions, are subject to general commercial terms and conditions no superior to those granted to independent third parties. None of the above-mentioned transactions constitute material related party transactions under the standards of the CBIRC, and they are connected transactions meeting the minimum exemption level under Chapter 14A of the Listing Rules.

## **(II) Related Party Transactions Involving Disposal and Acquisition of Assets or Equity**

During the Reporting Period, the Bank was not engaged in any related party transactions involving disposal and acquisition of assets or equity.

## **(III) Related Party Transactions in Joint External Investment**

During the Reporting Period, the Bank was not engaged in any related party transactions in joint external investment.

## **VII. MATERIAL CONTRACTS AND THEIR PERFORMANCE**

### **(I) Material Custody, Contracting or Leasing Matters**

During the Reporting Period, the Bank had no major custody, contracting or leasing matters which were required to be disclosed.

### **(II) Important Guarantees**

During the Reporting Period, besides the normal business scope, the Bank had no important guarantees which were required to be disclosed.

### **(III) Other Material Contracts**

During the Reporting Period, the Bank had no other material contracts which were required to be disclosed.

## **VIII. SIGNIFICANT INVESTMENT AND MAJOR INVESTMENT PLAN**

During the Reporting Period, the Bank had no significant equity investment or major equity investment plans.

## **IX. MISAPPROPRIATION OF FUNDS BY THE CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES**

The Bank had no controlling shareholder, and there is no misappropriation of the Bank's funds by other related parties.

The external accounting firm of the Bank has issued the Explanations for Fund Misappropriation by the Controlling Shareholders and Other Related Parties of CHINA BOHAI BANK CO., LTD.

## **X. PENALTIES IMPOSED ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT**

During the Reporting Period, the Bank was not subject to any investigation due to suspected crimes according to law, or any criminal penalty. The Bank has disclosed the information through its website and other public channels in respect of the administrative penalties imposed by the regulatory authorities on the Bank and its tier-one branches during the Reporting Period; except for those disclosed, the Bank was not subject to any investigation or administrative penalty by CSRC due to suspected violations of laws and regulations, or any major administrative penalty by other competent authorities. During the Reporting Period, none of Directors, Supervisors and members of senior management of the Bank was subject to any coercive measures due to suspected crimes according to law, any criminal penalty, any investigation or administrative penalty by CSRC due to suspected violations of laws and regulations in their performance of duties in the Bank, any major administrative penalty by other competent authorities, any confinement measures by disciplinary inspection authorities due to suspected serious violations of discipline, law or duty crimes which affect their performance of duties, or any coercive measures by other competent authorities due to suspected violations of laws and regulations which affect their performance of duties in the Bank. During the Reporting Period, neither the Bank nor any of its Directors, Supervisors or members of senior management was subject to any administrative and regulatory measures taken by the CSRC or disciplinary actions taken by the stock exchange.

## XI. INTEGRITY OF THE BANK

During the Reporting Period, the Bank has not experienced circumstances that fail to comply with the effective judgment of the court in a material litigation case, and are not liable for a relatively large amount of debts that are overdue.

## XII. OTHER MATERIAL EVENTS

### (I) Obtaining Business Qualification

During the Reporting Period, the Bank responded to the new requirements of the China Foreign Exchange Trade System on the market-maker system of the inter-bank bond market by improving relevant business measures, actively filing applications, and focusing on improving its business competitiveness, so as to promote the development of the Bank's bond business in the financial market. On April 1, 2021, the Bank officially became a comprehensive market maker in the inter-bank bond market.

### (II) Branches Approved to Open for Business

#### 1. Tier-one branches

On September 22, 2021, Guizhou Office of China Banking and Insurance Regulatory Commission approved Guiyang Branch of the Bank to open with the Reply of Guizhou Banking and Insurance Regulatory Bureau on the Opening of Guiyang Branch of Bohai Bank (Gui Yin Bao Jian Fu [2021] No. 230). The business address is No. 1, F1 and No. 1, half B1, Building 9, Business District, One Guiyang International Finance Center, Lincheng Road, Guanshanhu District, Guiyang City, Guizhou Province.

On November 23, 2021, Yunnan Office of China Banking and Insurance Regulatory Commission approved Kunming Branch of the Bank to open with the Reply of Yunnan Banking and Insurance Regulatory Bureau on the Opening of Kunming Branch of CHINA BOHAI BANK CO., LTD. (Yun Yin Bao Jian Fu [2021] No.388). The business address is No.393, Rixin Middle Road, Xishan District, Kunming City, Yunnan Province.

#### 2. Tier-two branches

On August 16, 2021, Taizhou Office of China Banking and Insurance Regulatory Commission approved Taizhou Branch under the Nanjing Branch of the Bank to open with the Reply of Taizhou Banking and Insurance Regulatory Bureau on the Opening of Taizhou Branch of CHINA BOHAI BANK CO., LTD. (Tai Yin Bao Jian Fu [2021] No. 121). The business address is Building 13, Century Home, No. 788, Yaocheng Avenue, Taizhou city, Jiangsu Province.

On December 16, 2021, Shanxi Office of CBIRC approved Datong Branch under the Taiyuan Branch of the Bank to open with the Reply of Shanxi Banking Regulatory Bureau on the Opening of Datong Branch of Bohai Bank (Jin Yin Bao Jian Fu [2021] No. 336). The business address is 1-3/F, Building A, No. 4 Jinmao International Center, Heng'an Street, Pingcheng District, Datong City, Shanxi Province. As of the end of the Reporting Period, Datong Branch has not officially opened.

### (III) Establishment of a Wealth Management Subsidiary Company

On April 25, 2021, the Bank received the Approval from the China Banking and Insurance Regulatory Commission on the Establishment of CBHB Wealth Management Co., Ltd. (渤海理財有限責任公司). On January 19, 2022, CBIRC officially accepted the application for opening business of CBHB Wealth Management Co., Ltd. (渤海理財有限責任公司). At present, the Bank is accelerating the implementation of the preparatory work, striving for the approval of opening as soon as possible.

#### **(IV) Issuance of Bonds**

On January 15, 2021, the Bank issued ten-year tier 2 capital bonds with face value of RMB9 billion and a right allowing issuer to redeem subject to conditions precedent at the end of the 5th year. The fixed coupon interest rate per annum is 4.40%.

On April 6, 2021, the Bank issued three-year financial bonds with face value of RMB15 billion. The fixed coupon interest rate per annum is 3.55%.

On April 26, 2021, the Bank issued three-year financial bonds with face value of RMB10 billion. The fixed coupon interest rate per annum is 3.53%.

On November 3, 2021, the Hong Kong Branch of the Bank issued three-year fixed rate medium-term notes with face value of USD300 million. The coupon interest rate per annum is 1.50%.

### **XIII. SUBSEQUENT EVENTS**

On February 22, 2022, the Bank issued three-year special financial bonds for loans to small and micro enterprises with face value of RMB10 billion. The fixed coupon interest rate per annum is 2.95%.

### **XIV. REVIEW OF ANNUAL RESULTS**

The Bank's external auditor KPMG Huazhen LLP and KPMG have reviewed the financial reports prepared by the Bank in accordance with the requirements set out in the China Accounting Standards for Business Enterprises and the IFRS, and standard unqualified audit reports have been issued. The Audit and Consumer Rights Protection Committee under the Board of the Bank has reviewed and approved the Bank's results and financial reports for the year ended December 31, 2021.

### **XV. PUBLICATION OF THE ANNUAL REPORT**

The English and Chinese versions of the annual report prepared by the Bank pursuant to the IFRS and the Listing Rules are available on the website of the HKEX and the website of the Bank.

# Audit Report and Financial Report

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# Independent Auditor's Report

## Independent Auditor's Report To the Shareholders of CHINA BOHAI BANK CO., LTD.

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

### Opinion

We have audited the financial statements of CHINA BOHAI BANK CO., LTD. (the "Bank") set out on pages 136 to 275, which comprise the statement of financial position as at 31 December 2021 and related statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statement including a summary of significant accounting policies.

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

### Basis for opinion

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

### Key audit matters

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

## Independent Auditor's Report

**Key audit matters** (Continued)

<b>Loss allowances of loans and advances to customers and financial investments measured at amortised cost</b>	
<i>Refer to the accounting policies in "Note 3 (5) to the Financial Statements: Financial instruments", "Note 4 to the Financial Statements: Significant accounting judgements and estimates", "Note 21 to the Financial Statements: LOANS AND ADVANCES TO CUSTOMERS" and "Note 22 to the Financial Statements: FINANCIAL INVESTMENTS".</i>	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The Bank's loans and advances to customers and financial investments measured at amortised cost as at 31 December 2021 amounted to RMB1,236,156 million, with loss allowances amounted to RMB34,387 million as at 31 December 2021.</p> <p>The Bank uses the expected credit loss ("ECL") model to calculate the loss allowance in accordance with International Financial Reporting Standard 9, Financial instruments ("IFRS 9").</p> <p>The Bank classifies loans and advances to customers and financial investments measured at amortised cost into three stages. A financial asset is classified as stage one when its credit risk has not increased significantly since its initial recognition; otherwise it is classified as stage two. Stage three applies when a financial asset is credit-impaired. The loss allowance for stage one financial assets is measured at an amount equal to a 12-month ECL. The loss allowance for stage two and stage three financial assets is measured at an amount equal to a lifetime ECL.</p> <p>The loss allowance for loans and advances to customers and financial investments measured at amortised cost, other than those that are credit-impaired, is measured based on probability of default (PD), LGD and exposure at default (EAD), which take into account the historical overdue data, historical loss ratios, internal credit gradings and other adjustment factors.</p>	<p>Our audit procedures to assess the loss allowances of loans and advances to customers and financial investments measured at amortised cost included the following:</p> <ul style="list-style-type: none"> <li>• evaluating the effectiveness of internal controls related to ECL allowance: <ul style="list-style-type: none"> <li>– assessing the key design, implementation and operational effectiveness of internal controls of the credit risk management process. In particular, we assessed the design, implementation and operating effectiveness of the key internal controls over the stage classification of loans and advances to customers and financial investments measured at amortised cost;</li> <li>– assessing the operating effectiveness of information system controls, including general information technology control, completeness of key internal historical data, data transmission between systems, mapping of parameters of the ECL model, and system calculation of the ECL allowance with the assistance of our IT audit professionals.</li> </ul> </li> <li>• with the assistance of our financial model specialists, assessing the appropriateness of the ECL model, including the reasonableness of probability of default, loss given default, exposure at default, discount rate, forward-looking adjustments and other parameters and key assumptions;</li> </ul>

## Independent Auditor's Report

**Key audit matters** *(Continued)*

<b>Loss allowances of loans and advances to customers and financial investments measured at amortised cost</b> <i>(continued)</i>	
<i>Refer to the accounting policies in "Note 3 (5) to the Financial Statements: Financial instruments", "Note 4 to the Financial Statements: Significant accounting judgements and estimates", "Note 21 to the Financial Statements: LOANS AND ADVANCES TO CUSTOMERS" and "Note 22 to the Financial Statements: FINANCIAL INVESTMENTS".</i>	
<b>The key audit matter</b> <i>(continued)</i>	<b>How the matter was addressed in our audit</b> <i>(continued)</i>
<p>The loss allowance for credit-impaired loans and advances and financial investments measured at amortised cost are measured using the discounted cash flow method. Management exercises judgement in determining recoverable cash flows based on a range of factors. These factors include available remedies for recovery, the financial situation of the borrowers, collateral valuation, the seniority of the claim and the existence and cooperativeness of other creditors.</p> <p>ECLs for loans and advances to customers and financial investments measured at amortised cost is a subjective area due to the degree of judgement applied by management in determining loss allowances. From the Bank's perspective, the determination of the loss allowances for loans and advances to customers and financial investments measured at amortised cost is heavily dependent on the external macro economy and the Bank's internal credit risk management strategy.</p> <p>We identified the assessment for the ECL allowance as a key audit matter because of the inherent uncertainty and management judgements involved, and because the loss allowance is significant to the financial results and capital of the Bank.</p>	<ul style="list-style-type: none"> <li>• selecting items to assess the appropriateness of the stage classification. We also focused on loans and investments with perceived higher risks and selected items from non-performing loans, overdue but performing loans and borrowers with negative warning signs or adverse press coverage;</li> <li>• assessing the appropriateness of the forecast of recoverable cash flows based on financial information of borrowers and guarantors, latest collateral valuations and other available information for the selected credit-impaired corporate loans and advances and financial investments measured at amortised cost;</li> <li>• recalculating the amount of credit loss allowance based on the above parameters and assumptions for selected loans and advances to customers and financial investments measured at amortised cost; and</li> <li>• evaluating whether the credit risk related disclosures comply with the prevailing accounting standards.</li> </ul>

## Independent Auditor's Report

**Key audit matters** (Continued)

<b>Fair value of financial instruments</b>	
<i>Refer to the accounting policies in "Note 3 (5) to the Financial Statements: Financial instruments", "Note 4 to the Financial Statements: Significant accounting judgements and estimates" and "Note 48 to the Financial Statements: FAIR VALUE".</i>	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>Financial instruments carried at fair value account for a significant part of the Bank's assets and liabilities. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income.</p> <p>The Bank mainly holds level 2 and level 3 financial instruments measured at fair value. As at 31 December 2021, the carrying amount of the Bank's financial assets and liabilities measured at fair value totalled RMB268,477 million and RMB1,026 million, respectively.</p> <p>The valuation of the Bank's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use observable inputs. Where one or more significant inputs are unobservable in the valuation techniques, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgement.</p> <p>The Bank has developed its own models to value certain level 2 and level 3 financial instruments, which also involve significant management judgement.</p> <p>We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and the degree of judgement exercised by management in determining the inputs used in the valuation models.</p>	<p>Our audit procedures to assess the fair value of financial instruments included the following:</p> <ul style="list-style-type: none"> <li>• assessing the design, implementation and operating effectiveness of key internal controls over the valuation for financial instruments;</li> <li>• for level 2 financial instruments, assessing the reasonableness of the fair values by comparing the observable inputs against external market data on a sample basis;</li> <li>• for level 2 and level 3 fair values, involving our internal valuation specialists, on a sample basis, evaluating the reasonableness of the valuation methods inputs and assumptions adopted by the management, analysing the sensitivities of valuation results to key inputs and assumptions;</li> <li>• assessing whether the disclosures in the financial statements comply with the prevailing accounting standards.</li> </ul>

## Independent Auditor's Report

**Key audit matters** (Continued)

<b>Recognition of interests in and consolidation of structured entities</b>	
<p>Refer to the accounting policies in "Note 3 (1) to the Financial Statements: Subsidiary and non-controlling interests", "Note 4 to the Financial Statements: Significant accounting judgements and estimates" and "Note 41 to the Financial Statements: INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES".</p>	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Bank may acquire an ownership interest in, or act as a sponsor to, a structured entity, through initiating, investing or retaining shares in a wealth management product, an investment fund, an asset management plan, a trust plan, a structured lease or an asset-backed security. The Bank may also retain partial interests in derecognised assets due to guarantees or securitisation structures.</p> <p>In determining whether the Bank should retain any partial interests in a structured entity or should consolidate a structured entity, management is required to consider the risks and rewards retained, the power the Bank is able to exercise over the activities of the entity and its ability to influence the Bank's own returns from the entity. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.</p> <p>We identified the recognition of interests in and consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and the judgement exercised by management in the qualitative assessment of the terms and the nature of each entity.</p>	<p>Our audit procedures to assess the recognition of interests in and consolidation of structured entities included the following:</p> <ul style="list-style-type: none"> <li>• understanding and assessing the design and implementation of key internal controls of financial reporting over consolidation of structured entities.</li> <li>• selecting significant structured entities of each key product type: <ul style="list-style-type: none"> <li>– inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Bank has with the structured entity and to assess management's judgement over whether the Bank has the ability to exercise power over the structured entity;</li> <li>– inspecting the risk and reward structure of the structured entity, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgement as to the exposure, or rights, to variable returns from the Bank's involvement in such an entity;</li> <li>– assessing management's judgement over whether the structured entity should be consolidated or not; and</li> </ul> </li> <li>• evaluating the disclosures in the financial statements in relation to the recognition of interests in and consolidation of structured entities with reference to the requirements of the prevailing accounting standards.</li> </ul>

## Independent Auditor's Report

### Other information

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

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

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

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

### Responsibilities of the directors for the financial statements

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

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

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

## Independent Auditor's Report

### Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

## Independent Auditor's Report

### **Auditor's responsibilities for the audit of the financial statements** *(Continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Siu Tung.

#### **KPMG**

*Certified Public Accountants*

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

29 March 2022



# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
		2021	2020
Interest income		<b>62,518,088</b>	59,907,209
Interest expense		<b>(37,338,789)</b>	(31,430,173)
<b>Net interest income</b>	6	<b>25,179,299</b>	28,477,036
Fee and commission income		<b>3,891,888</b>	5,196,988
Fee and commission expense		<b>(1,654,091)</b>	(2,294,532)
<b>Net fee and commission income</b>	7	<b>2,237,797</b>	2,902,456
Net trading gains	8	<b>280,164</b>	44,600
Net gains arising from investment securities	9	<b>1,398,941</b>	997,253
Other operating income	10	<b>98,163</b>	70,825
<b>Operating income</b>		<b>29,194,364</b>	32,492,170
Operating expenses	11	<b>(10,212,572)</b>	(9,182,900)
Impairment losses on assets	14	<b>(8,677,995)</b>	(13,224,178)
<b>Profit before taxation</b>		<b>10,303,797</b>	10,085,092
Income tax	15	<b>(1,674,073)</b>	(1,640,521)
<b>Net profit</b>		<b>8,629,724</b>	8,444,571
<b>Earnings per share</b>			
– Basic and diluted (RMB yuan)	16	<b>0.43</b>	0.47

The notes on pages 143 to 275 form part of these financial statements.

**Statement of Profit or Loss and Other Comprehensive Income**

For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
		2021	2020
<b>Net profit</b>		<b>8,629,724</b>	8,444,571
<b>Other comprehensive income:</b>			
Items that will not be reclassified to profit or loss:			
Changes in fair value of equity instruments designated as at fair value through other comprehensive income	38	<b>(3,362,294)</b>	–
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of financial assets measured at fair value through other comprehensive income	38	<b>527,743</b>	(435,997)
Credit losses of financial assets measured at fair value through other comprehensive income	38	<b>(19,268)</b>	(495,258)
Charge/(reserve) from cash flow hedging instruments	38	<b>160</b>	(160)
Exchange difference on translating foreign operations	38	<b>1,952</b>	–
<b>Other comprehensive income, net of tax</b>		<b>(2,851,707)</b>	(931,415)
<b>Total comprehensive income</b>		<b>5,778,017</b>	7,513,156

The notes on pages 143 to 275 form part of these financial statements.

# Statement of Financial Position

As at 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	31 December 2021	31 December 2020
<b>Assets</b>			
Cash and deposits with the central bank	17	<b>115,143,453</b>	96,548,417
Deposits with banks and other financial institutions	18	<b>27,730,508</b>	27,805,363
Placements with banks and other financial institutions	19	<b>9,262,262</b>	6,063,668
Derivative financial assets	20	<b>676,154</b>	232,498
Loans and advances to customers	21	<b>937,906,589</b>	867,120,217
Financial investments:	22		
– Financial investments measured at fair value through profit or loss		<b>102,377,637</b>	72,597,497
– Financial investments measured at fair value through other comprehensive income		<b>89,218,927</b>	61,813,595
– Financial investments measured at amortised cost		<b>276,034,540</b>	241,515,654
Property and equipment	24	<b>3,585,904</b>	3,630,154
Deferred tax assets	25	<b>10,923,356</b>	8,664,618
Right-of-use assets	26	<b>3,921,702</b>	3,976,754
Other assets	27	<b>5,926,566</b>	3,554,690
<b>Total assets</b>		<b>1,582,707,598</b>	1,393,523,125
<b>Liabilities</b>			
Borrowing from the central bank	28	<b>78,846,876</b>	71,592,485
Deposits from banks and other financial institutions	29	<b>171,542,080</b>	130,273,359
Placements from banks and other financial institutions	30	<b>60,198,745</b>	31,920,614
Derivative financial liabilities	20	<b>1,025,842</b>	533,164
Financial assets sold under repurchase agreements	31	<b>68,199,110</b>	52,406,083
Deposits from customers	32	<b>835,920,665</b>	758,235,794
Income tax payable		<b>1,224,898</b>	2,485,405
Debt securities issued	33	<b>242,598,064</b>	225,154,090
Lease liabilities	34	<b>4,047,564</b>	4,136,314
Other liabilities	35	<b>12,539,677</b>	13,539,987
<b>Total liabilities</b>		<b>1,476,143,521</b>	1,290,277,295

The notes on pages 143 to 275 form part of these financial statements.

**Statement of Financial Position**

As at 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	31 December 2021	31 December 2020
<b>Equity</b>			
Share capital	36	<b>17,762,000</b>	17,762,000
Other equity instruments	37	<b>19,961,604</b>	19,961,604
Other comprehensive income	38	<b>(2,813,629)</b>	38,078
Capital reserve	39	<b>10,732,077</b>	10,732,077
Surplus reserve	39	<b>6,731,609</b>	5,868,637
General reserve	39	<b>19,496,787</b>	17,664,811
Retained earnings	40	<b>34,693,629</b>	31,218,623
<b>Total equity</b>		<b>106,564,077</b>	103,245,830
<b>Total liabilities and equity</b>		<b>1,582,707,598</b>	1,393,523,125

**Li Fu'an**  
Legal Representative  
Chairman of the  
Board of Directors

**Qu Hongzhi**  
President  
Executive Director

**Du Gang**  
The person in charge  
of accounting affairs

**Wang Fenglei**  
The person in charge  
of accounting  
department

(Company stamp)

The notes on pages 143 to 275 form part of these financial statements.

# Statement of Changes in Equity

For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Share capital	Other equity instruments	Other comprehensive income	Capital reserve	Surplus reserve	General reserve	Retained earnings	Total
Balance at 31 December 2020		17,762,000	19,961,604	38,078	10,732,077	5,868,637	17,664,811	31,218,623	103,245,830
Changes in equity for the year:									
Net profit		-	-	-	-	-	-	8,629,724	8,629,724
Other comprehensive income	38	-	-	(2,851,707)	-	-	-	-	(2,851,707)
Total comprehensive income		-	-	(2,851,707)	-	-	-	8,629,724	5,778,017
Appropriation of profit									
- Appropriation to surplus reserve	39	-	-	-	-	862,972	-	(862,972)	-
- Appropriation to general reserve	39	-	-	-	-	-	1,831,976	(1,831,976)	-
- Dividend distribution to other equity instruments holders	40	-	-	-	-	-	-	(950,000)	(950,000)
- Dividends distribution to ordinary shareholders	40	-	-	-	-	-	-	(1,509,770)	(1,509,770)
Balance at 31 December 2021		17,762,000	19,961,604	(2,813,629)	10,732,077	6,731,609	19,496,787	34,693,629	106,564,077

	Note	Share capital	Other equity instruments	Other comprehensive income	Capital reserve	Surplus reserve	General reserve	Retained earnings	Total
Balance at 31 December 2019		14,450,000	19,961,604	969,493	-	5,009,612	14,081,733	28,166,155	82,638,597
Changes in equity for the year:									
Net profit		-	-	-	-	-	-	8,444,571	8,444,571
Other comprehensive income	38	-	-	(931,415)	-	-	-	-	(931,415)
Total comprehensive income		-	-	(931,415)	-	-	-	8,444,571	7,513,156
Issue of H shares	36/39	3,312,000	-	-	10,732,077	-	-	-	14,044,077
Appropriation of profit									
- Appropriation to surplus reserve	39	-	-	-	-	859,025	-	(859,025)	-
- Appropriation to general reserve	39	-	-	-	-	-	3,583,078	(3,583,078)	-
- Dividend distribution to other equity instruments holders	40	-	-	-	-	-	-	(950,000)	(950,000)
Balance at 31 December 2020		17,762,000	19,961,604	38,078	10,732,077	5,868,637	17,664,811	31,218,623	103,245,830

The notes on pages 143 to 275 form part of these financial statements.

# Cash Flow Statement

For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December		
	Note	2021	2020
<b>Cash flows from operating activities</b>			
Profit before taxation		<b>10,303,797</b>	10,085,092
<i>Adjustments for:</i>			
Impairment losses on assets		<b>8,677,995</b>	13,224,178
Depreciation and amortisation		<b>1,398,491</b>	1,428,134
Net gains arising from investment securities		<b>(1,398,941)</b>	(997,253)
Interest expense on debts securities issued		<b>8,095,150</b>	6,551,656
Net trading gains		<b>(280,164)</b>	(44,600)
Interest income arising from financial investments		<b>(11,754,529)</b>	(11,461,869)
Interest expense on lease liabilities		<b>141,067</b>	165,020
Net gains on disposal of property and equipment and other long-term assets		<b>(351)</b>	(178)
		<b>15,182,515</b>	18,950,180
<i>Changes in operating assets</i>			
Net (increase)/decrease in deposits with banks and other financial institutions with maturity over 3 months		<b>(100,000)</b>	1,110,000
Net (increase)/decrease in deposits with the central bank		<b>(3,436,163)</b>	1,514,616
Net (increase)/decrease in placement with banks and other institutions		<b>(6,020,000)</b>	2,250,725
Net increase in financial assets held for trading		<b>(6,472,344)</b>	(7,075,939)
Net increase in loans and advances to customers		<b>(81,742,417)</b>	(185,577,707)
Net decrease/(increase) in other operating assets		<b>2,689,770</b>	(287,685)
		<b>(95,081,154)</b>	(188,065,990)
<i>Changes in operating liabilities</i>			
Net increase in borrowings from the central bank		<b>7,300,000</b>	24,300,000
Net increase in deposits from banks and other financial institutions		<b>40,469,986</b>	51,723,701
Net increase in placements from banks and other financial institutions		<b>28,140,506</b>	10,511,690
Net increase in financial assets sold under repurchase agreements		<b>15,790,284</b>	29,291,107
Net increase in deposits from customers		<b>73,863,374</b>	108,790,884
Net increase/(decrease) in other operating liabilities		<b>1,564,275</b>	(384,003)
		<b>167,128,425</b>	224,233,379
Net cash flows generated from operating activities before taxation		<b>87,229,786</b>	55,117,569
Income tax paid		<b>(4,242,099)</b>	(3,032,162)
<b>Net cash flows generated from operating activities</b>		<b>82,987,687</b>	52,085,407

The notes on pages 143 to 275 form part of these financial statements.

**Cash Flow Statement**

For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
		2021	2020
<b>Cash flows from investing activities</b>			
Proceeds from disposal sale and redemption of investments		<b>410,355,276</b>	314,521,017
Proceeds received from investment activities		<b>9,363,603</b>	10,876,973
Proceeds from disposal of property and equipment and other assets		<b>415</b>	751
Payments on acquisition of investments		<b>(495,219,913)</b>	(388,583,782)
Payments on acquisition of property and equipment, intangible assets and other assets		<b>(569,635)</b>	(395,394)
<b>Net cash flows used in investing activities</b>		<b>(76,070,254)</b>	(63,580,435)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of H shares		–	14,044,077
Proceeds from debt securities issued		<b>405,497,295</b>	368,425,934
Repayment of debt securities issued		<b>(389,013,679)</b>	(341,414,057)
Interest paid on debt securities issued		<b>(7,134,792)</b>	(5,013,286)
Dividends payments to equity and other equity instruments holders		<b>(2,459,770)</b>	(950,000)
Interest paid on lease liabilities		<b>(141,067)</b>	(165,020)
Repayment of capital element of lease liabilities		<b>(870,432)</b>	(581,005)
<b>Net cash flows generated from financing activities</b>		<b>5,877,555</b>	34,346,643
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>(707,096)</b>	(791,350)
<b>Net increase in cash and cash equivalents</b>	44(a)	<b>12,087,892</b>	22,060,265
<b>Cash and cash equivalents as at 1 January</b>		<b>64,755,129</b>	42,694,864
<b>Cash and cash equivalents as at 31 December</b>	44(b)	<b>76,843,021</b>	64,755,129
Interest received		<b>62,373,588</b>	60,357,929
Interest paid (excluding interest expense on debt securities issued)		<b>(33,958,631)</b>	(27,165,019)

The notes on pages 143 to 275 form part of these financial statements.

# Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 1 Background information

CHINA BOHAI BANK CO., LTD. (the “Bank”) is a national joint-stock commercial bank established in Tianjin on 30 December 2005.

The Bank has been approved by the former China Banking Regulatory Commission (the “CBRC”) to hold financial business permit (No. B0017H112000001) and approved by the Tianjin Administration for Market Regulation for the business license (No. 911200007109339563).

On 16 July 2020, the Bank’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 9668).

The Bank commenced its operation on 16 February 2006. As at 31 December 2021, the Bank has established 36 tier-one branches (including Suzhou, Qingdao and Ningbo Branches under direct management of the Head Office and 1 overseas branch), 32 tier-two branches, and 192 sub-branches (including 65 comprehensive light sub-branches) in 64 major cities and a Special Administrative Region including Tianjin, Beijing, Hangzhou, Taiyuan, Chengdu, Jinan, Shanghai, Shenzhen, Nanjing, Dalian, Guangzhou, Changsha, Shijiazhuang, Wuhan, Hohhot, Suzhou, Fuzhou, Hefei, Zhengzhou, Xi’an, Changchun, Chongqing, Shenyang, Xiamen, Haikou, Qingdao, Ningbo, Nanning, Nanchang, Guiyang, Kunming and Hong Kong. The total number of outlets reached 289, including 260 branches and sub-branches, and 29 small and micro community sub-branches.

The principal activities of the Bank include absorbing public deposits; offering short-term, medium term and long-term loans; arranging settlement of domestic and international accounts; handling accept and discount of bill; issuing financial bonds; acting as agent to issue, settle and underwrite government bonds and proprietary trading bonds issued by financial institutions and government; inter-bank borrowing and lending; trading of foreign currencies on behalf of its customers; selling and purchasing foreign exchange, bank card business; letters of credit and financial guarantees; acting as agent on inward and outward payments; acting as an insurance agent, safe-deposit facilities, derivative trading, securities investment custody, insurance fund custody, selling securities investment fund and other business approved by the banking regulatory institutions of the State Council.

## 2 Basis of preparation

### (1) Statement of compliance

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



## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 Basis of preparation *(Continued)*

### (2) Basis of preparation

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments, financial assets and financial liabilities measured at fair value through profit or loss ("FVTPL") and financial assets measured at fair value through other comprehensive income ("FVOCI"), as further explained in the respective accounting policies below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 4.

### (3) Change in accounting policies

Except as described below, the accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2020.

The IASB has issued the following amendments to IFRSs (including IASs) that are first effective for the current accounting period of the Bank.

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

*Interest Rate Benchmark Reform*  
*Covid-19-Related Rent Concessions*

#### ***Interest rate benchmark reform***

A fundamental reform of major interest rate benchmarks is being undertaken globally, replacing some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as "IBOR reform"). In March 2021, the Financial Conduct Authority (FCA), as the regulator of ICE (the authorised administrator of LIBOR), announced that after 31 December 2021 LIBOR settings for sterling, euro and the one-week and two-month US dollar settings will either cease to be provided or no longer be representative. The remaining US dollar settings will either cease to be provided or no longer be representative after 30 June 2023.

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Bank applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Basis of preparation *(Continued)*

#### (3) Change in accounting policies *(Continued)*

##### *Interest rate benchmark reform (Continued)*

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Bank first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Bank then applies the applicable requirements in IFRS 9 Financial Instruments on modification of a financial asset or a financial liability for additional changes to which the practical expedient does not apply.

- Non-derivative financial assets and loan commitments

During 2020 and 2021, the Bank had the following principal IBOR exposures in respect of nonderivative financial assets and loan commitments subject to the reform:

- floating-rate loans and advances to customers: Euribor throughout its operations and USD LIBOR
- loan commitments indexed to USD LIBOR held throughout its Operations.

As at 31 December 2021, the Bank amended existing contracts indexed to IBOR to incorporate new benchmark rates or fallback provisions for contracts originally indexed to US dollar LIBOR.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**2 Basis of preparation** (Continued)**(3) Change in accounting policies** (Continued)**Interest rate benchmark reform** (Continued)

The following tables show the total amounts of unreformed non-derivative financial assets and loan commitments and those with appropriate fallback language at 1 January 2020, 31 December 2020 and 31 December 2021. The amounts of loans and advances to customers are shown at their gross carrying amounts. The amounts of loan commitments are shown at their committed amounts.

	USD LIBOR		EONIA	
	Total amount of unreformed contracts	Amount with appropriate fallback clause	Total amount of unreformed contracts	Amount with appropriate fallback clause
31 December 2021				
Corporate loans	<b>5,514,508</b>	<b>3,912,824</b>	–	–
Loan commitments	–	<b>354,361</b>	–	–

	USD LIBOR		EONIA	
	Total amount of unreformed contracts	Amount with appropriate fallback clause	Total amount of unreformed contracts	Amount with appropriate fallback clause
31 December 2020				
Corporate loans	6,418,908	–	–	–

	USD LIBOR		EONIA	
	Total amount of unreformed contracts	Amount with appropriate fallback clause	Total amount of unreformed contracts	Amount with appropriate fallback clause
1 January 2020				
Corporate loans	6,527,405	–	975,464	–

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**2 Basis of preparation** (Continued)**(3) Change in accounting policies** (Continued)*Interest rate benchmark reform* (Continued)

- Derivatives

The Bank holds derivatives for trading and risk management purposes (see Notes 20). The interest rate and cross-currency swaps have floating legs that are indexed to various IBORs. The Bank's derivative instruments are governed by ISDA's 2006 definitions.

The following tables show the total amounts of unreformed derivative instruments and amounts that include appropriate fallback language at 1 January 2020, 31 December 2020 and 31 December 2021.

	USD LIBOR	
	Total amount of unreformed contracts	Amount with appropriate fallback clause
31 December 2021		
Derivatives held for risk management interest rate swap	<b>609,379</b>	<b>43,579</b>

	USD LIBOR	
	Total amount of unreformed contracts	Amount with appropriate fallback clause
31 December 2020		
Derivatives held for risk management interest rate swap	627,040	—

	USD LIBOR	
	Total amount of unreformed contracts	Amount with appropriate fallback clause
1 January 2020		
Derivatives held for risk management interest rate swap	619,819	—

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 Basis of preparation *(Continued)*

#### (3) Change in accounting policies *(Continued)*

##### *Interest rate benchmark reform (Continued)*

The adoption of the amendments has no material impact on the financial position and the financial performance of the Bank.

##### *Covid-19-Related Rent Concessions*

In addition, the Bank has early applied the Amendment to IFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021". The application of this amendment has no material impact on the Bank's financial positions and performance for the current and prior periods.

### 3 Significant accounting policies

#### (1) Subsidiary and non-controlling interests

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

#### (2) Associates and joint ventures

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

A joint venture is an arrangement whereby the Bank and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Bank's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Bank's share of the investee's net assets and any impairment loss relating to the investment (see Note 3(14)). Any acquisition-date excess over cost, the Bank's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the statement of profit or loss, whereas the Bank's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the combined statement of profit or loss and other comprehensive income.

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

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 Significant accounting policies *(Continued)*

#### (2) Associates and joint ventures *(Continued)*

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

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

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

#### (3) Translation of foreign currencies

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

Monetary assets and liabilities denominated in foreign currencies are translated to RMB at the spot exchange rate at the date of the statement of financial position.

Non-monetary assets and liabilities denominated in foreign currencies that are measured based on historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rate at the date on which the fair value is determined.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from equity investments in respect of which an election has been made to present subsequent changes in fair value in other comprehensive income (Note 3(5)) recognised in other comprehensive income.

As at the end of the Reporting Period, the assets and liabilities of foreign operations are translated into the presentation currency of the Bank at the exchange rates ruling at the end of the Reporting Period. All items within equity except for retained profits are translated at the exchange rates ruling at the dates of the initial transactions. Income and expenses in the statement of profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the above translation are taken to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 Significant accounting policies *(Continued)*

#### (4) Cash and cash equivalents

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

#### (5) Financial instruments

##### *(a) Recognition and initial measurement of financial assets and financial liabilities*

A financial asset or financial liability is recognised in the statement of financial position when the Bank becomes a party to the contractual provisions of a financial instrument.

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

##### *(b) Classification of financial assets*

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Bank changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first Reporting Period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 Significant accounting policies (Continued)

#### (5) Financial instruments (Continued)

##### (b) Classification of financial assets (Continued)

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirement to be measured at amortised cost or at FVOCI as a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Bank manages its financial assets in order to generate cash flows. That is, the Bank's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Bank determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Bank's key management personnel.

The Bank assesses the characteristics of contractual cash flow of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on a particular date are only payments for principal and interest based on the outstanding principal amount. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Bank also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

##### (c) Subsequent measurement of financial assets

###### – Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

###### – Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.



## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 Significant accounting policies *(Continued)*

#### (5) Financial instruments *(Continued)*

##### (c) *Subsequent measurement of financial assets (Continued)*

###### – **Debt instruments at FVOCI**

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

###### – **Equity investments at FVOCI**

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

##### (d) *Classification and subsequent measurement of financial liabilities*

Financial liabilities are classified as measured at FVTPL and other financial liabilities.

###### – **Financial liabilities measured at FVTPL**

A financial liability is classified as measured at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities measured at FVTPL are subsequently measured at fair value and net gains and losses (including any interest expense) are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

###### – **Other financial liabilities**

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

##### (e) *Impairment of financial instruments*

The Bank recognises loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortised cost;
- debt instruments measured at FVOCI;
- Credit commitments other than the financial liabilities at fair value through profit or loss.

Financial assets measured at fair value, including financial assets at FVTPL, equity investments designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 Significant accounting policies (Continued)

#### (5) Financial instruments (Continued)

##### (e) Impairment of financial instruments (Continued)

###### **Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive).

The Bank's method of measuring expected credit losses of financial instruments reflects the following elements: (i) unbiased weighted average probability determined by the results of evaluating a range of possible outcomes; (ii) time value of money; (iii) reasonable and evidence-based information about past events, current conditions, and future economic forecasts that are available at no additional cost or effort at the end of the Reporting Period.

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

Lifetime ECL is the ECL that result from all possible default events over the expected life of a financial instrument.

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

The Bank classifies financial instruments into three stages and makes provisions for expected credit losses accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition.

The three risk stages are defined as follows:

Stage 1: A financial instrument of which the credit risk has not significantly increase since initial recognition. The amount equal to 12-month ECL is recognised as loss allowance.

Stage 2: A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired. The amount equal to lifetime ECL is recognised as loss allowance. Refer to Note 47 (a) credit risk for the description of how the Bank determines when a significant increase in credit risk has occurred.

Stage 3: A financial instrument is considered to be credit-impaired as at the end of the Reporting Period. The amount equal to lifetime ECL is recognised as loss allowance.

ECLs on these financial assets are estimated based on the Bank's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the date of the statement of financial position.

Please refer to Note 47(a) for the measurement of expected credit losses of the Bank.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 Significant accounting policies *(Continued)*

#### (5) Financial instruments *(Continued)*

##### *(e) Impairment of financial instruments (Continued)*

###### **Presentation of allowance for ECL**

ECLs are re-measured at each date of statement of financial position to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Bank recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income.

###### **Write-off**

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

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

##### *(f) Determination of fair value of financial assets and financial liabilities*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date.

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. The quoted price in the active market should be readily and regularly available from independent sources (e.g. the exchange, broker, industry group or pricing service agency) with prudent utilisation of purchase price, selling price and middle price. The Bank should use market valuation method for fair value assessment as much as is feasible, which represents the prices in actual and regularly market transactions on an arm's length basis.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 Significant accounting policies *(Continued)*

#### (5) Financial instruments *(Continued)*

##### *(f) Determination of fair value of financial assets and financial liabilities (Continued)*

If there is no active market for a financial instrument, appropriate valuation techniques will be used to establish the fair value. Valuation techniques include referencing the price of recent market transactions between well-informed voluntary parties; reference to the current fair value of other instruments that are substantially the same; discounted cash flow model and referencing the valuation results of the third-party valuation agencies. The Bank selects appropriate models based on the risk characteristics, liquidity, counterparty risk and pricing basis of specific financial instruments or trading strategies to ensure that their fair value are truly and effectively reflected. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of each of the Reporting Periods. When referring to the valuation results of third-party valuation agencies, the authority, independence and professionalism of the agencies should be assessed. Where other pricing models are used, inputs are based on market data at the end of each of the Reporting Periods.

In estimating the fair value of a financial asset and financial liability, the Bank considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, which are likely to affect the fair value of the financial asset and financial liability.

The Bank uses the valuation techniques commonly used by market participants to price financial instruments and techniques which have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. The Bank makes use of all factors that market participants would consider in setting a price as much as possible, and incorporates these into its chosen valuation technique and tests for validity using prices from any observable current market transactions in the same instruments. Observable data is given priority to unobservable data unless it is unpractical or unavailable.

##### *(g) Derecognition of financial assets and financial liabilities*

Financial asset of the Bank is derecognised when one of the following conditions is met:

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

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 Significant accounting policies *(Continued)*

#### (5) Financial instruments *(Continued)*

##### *(g) Derecognition of financial assets and financial liabilities (Continued)*

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

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

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

##### *(h) Offsetting*

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

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

#### (6) Perpetual bonds

At initial recognition, the Bank classifies the perpetual bonds issued or their components as financial assets, financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial assets, financial liabilities and equity instruments.

Perpetual bonds issued that should be classified as equity instruments are recognised in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the perpetual bonds are redeemed according to the contractual terms, the redemption price is charged to equity.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 Significant accounting policies *(Continued)*

#### (7) Derivatives and hedge accounting

##### *Derivatives*

A derivative is a financial instrument or financial contract that meets the following criteria:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in those market factors; and
- it is settled at a future date.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Derivatives with a positive fair value are reflected in the balance sheet as derivative financial instrument assets and those with a negative fair value as derivative financial instrument liabilities. The gains or losses from the valuation of the financial instruments as a result of the fluctuation of their fair value are recorded in the statement of profit or loss.

##### *Hedge accounting*

At the inception of a hedging relationship, the Bank formally designates the hedge instruments and the hedged items, and documents the hedging relationship to which the Bank wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to meet the hedge effectiveness in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to analyse the sources of hedge ineffectiveness which are expected to affect the hedging relationship in remaining hedging period. If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio, but the risk management objective for that designated hedging relationship remains the same, the Bank would rebalance the hedging relationship.

Certain derivative transactions, while providing effective economic hedges under the Bank's risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with fair value gains or losses recognised in profit or loss. Hedges which meet the strict criteria for hedge accounting are accounted for in accordance with the Bank's accounting policy as set out below.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 Significant accounting policies *(Continued)*

#### (7) Derivatives and hedge accounting *(Continued)*

##### *Cash flow hedges*

Cash flow hedges are hedges of the Bank's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, a highly probable forecast transaction or a component of any such item, and could affect profit or loss. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in profit or loss.

When the hedged cash flow affects profit or loss, the gain or loss on the hedging instrument recognised directly in other comprehensive income is recycled in the corresponding income or expense line of the statement of profit or loss. When the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income until the hedged forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

#### (8) Financial assets held under resale and repurchase agreements

Financial assets purchased under resale agreements are bonds, loans and bills purchased by the Bank at certain prices from the sellers under agreements with the commitment to resell these instruments to the original sellers in the future at predetermined prices. Financial assets sold under repurchase agreements refer to bonds, loans and bills sold by the Bank at certain prices under agreements with the commitment to buy back these instruments in the future at predetermined prices.

The assets purchased under resale agreements are not recognised, and the payments (including accrued interest) are recognised as receivables on the statement of financial position and are carried at amortised cost. Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statements of financial position and measured in accordance with their original measurement principles. The proceeds (including accrued interest) from the sale are reported as liabilities and are carried at amortised cost.

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

#### (9) Property and equipment and construction in progress

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

Property and equipment are stated in the statements of financial position at cost less accumulated depreciation and impairment loss (see Note 3(14)). Construction in progress is stated in the statements of financial position at cost less impairment loss (see Note 3(14)).

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 Significant accounting policies *(Continued)*

#### (9) Property and equipment and construction in progress *(Continued)*

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

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

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Bank in different patterns thus necessitating use of different depreciation rates or methods, they are recognised as a separate property and equipment.

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

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

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

Asset category	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	20 years	5.00%	4.75%
Leasehold improvements	Shorter of useful life or remaining lease term	–	–
Operating equipment	5 years	–	20.00%
Motor vehicle	5 years	5.00%	19.00%

Useful lives, residual values and depreciation methods of the Bank are reviewed at least at each year-end.



## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 Significant accounting policies *(Continued)*

#### (10) Leases

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

##### *(a) As a lessee*

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

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

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 Significant accounting policies *(Continued)*

#### (10) Leases *(Continued)*

##### *(a) As a lessee (Continued)*

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

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

##### ***Short-term leases and leases of low-value assets***

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

##### *(b) As a lessor*

At inception or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

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

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

When the Bank is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Bank applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Bank applies IFRS 15 to allocate the consideration in the contract.

The Bank recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other operating income'.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 Significant accounting policies *(Continued)*

#### (11) Land use rights

Land use rights are initially recognised at costs and amortised using the straight-line basis over the legal term of use through profit and loss. Impaired land use rights are amortised net of accumulated impairment losses.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 3(14).

#### (12) Intangible assets

The intangible assets of the Bank have finite useful lives. The intangible assets are stated at cost less accumulated amortisation and impairment loss (see Note 3(14)). The cost of intangible assets less residual value and impairment loss is amortised on the straight-line method over the estimated useful lives.

The respective amortisation periods for intangible assets of the Bank are as follows:

Computer software and system	3 – 5 years
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#### (13) Repossessed assets

Repossessed assets are physical assets or property rights obtained by the Bank from debtors, warrantors or third parties following the enforcement of its creditor's rights. The repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

#### (14) Provision for impairment losses on non-financial assets

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

- Property and equipment
- Construction in progress
- Land use rights
- Intangible assets
- Long-term equity investments

Non-financial assets of the Bank that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

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

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 Significant accounting policies *(Continued)*

#### (14) Provision for impairment losses on non-financial assets *(Continued)*

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

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called "asset") is the higher of its fair value less costs to sell and its present value of expected future cash flows. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Bank determines the recoverable amount of the asset group to which the assets belongs.

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

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. A provision for an impairment loss of the asset is recognised accordingly.

If, in a subsequent period, the amount of impairment loss of the non-financial asset decreases and the decrease can be linked objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

#### (15) Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits and other long-term employee benefits provided in various forms of consideration in exchange for service rendered by employees or compensations for the termination of employment relationship.

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences. Short-term employee benefits are recognised as liabilities in the accounting period in which the service is rendered by the employees based on the amounts paid or the statutory provisioning basis or ratio, with corresponding amounts charged to the profit or loss.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 Significant accounting policies *(Continued)*

#### (15) Employee benefits *(Continued)*

The Bank's post-employment benefit plans are defined contribution plans. Defined contribution plans are post-employment benefit plans under which the bank pays fixed contributions into a separate fund and will have no obligation to pay further contributions. During the Reporting Period, the Bank's post-employment benefits mainly include the social pension schemes, unemployment insurance and annuity plan. The social pension schemes and unemployment insurance are calculated according to the base and proportion stipulated by the nation, and the annuity plan is calculated according to a certain proportion of the employees' total wages in the previous year. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with corresponding amounts charged to the profit or loss.

#### (16) Income tax

Income tax for the Reporting Period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the Reporting Period, using tax rates enacted or substantively enacted at the end of the Reporting Period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiary to the extent that, in the case of taxable differences, the Bank controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 Significant accounting policies *(Continued)*

#### (16) Income tax *(Continued)*

The amount of deferred tax recognised is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the Reporting Period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each Reporting Period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Bank has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Bank intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

#### (17) Financial guarantees, provisions and contingent liabilities

##### (i) *Financial guarantees*

Financial guarantees are contracts that require the issuer (the “guarantor”) to make specified payments to reimburse the beneficiary of the guarantee (“holder”) for a loss that the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognised as deferred income in other liabilities. The deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

In terms of off-balance sheet credit commitment, the Bank applies expected credit loss model to measure the loss caused by particular debtors incapable of paying due debts, which is present in provisions. See Note 3(5)(e) for the description of expected credit loss model.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 Significant accounting policies *(Continued)*

#### (17) Financial guarantees, provisions and contingent liabilities *(Continued)*

##### *(ii) Other provisions and contingent liabilities*

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

For a possible obligation resulting from a past transaction or event whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

#### (18) Fiduciary activities

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

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

#### (19) Income recognition

Income is the gross inflow of economic benefit in the periods arising in the course of the Bank's ordinary activities when the inflows result in an increase in shareholder's equity, other than an increase relating to contributions from shareholders.

Income is recognised when the Bank satisfies the performance obligation in the contract which by transferring the control over relevant goods or services to the customers.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 Significant accounting policies *(Continued)*

#### (19) Income recognition *(Continued)*

The following is the description of accounting policies regarding income from the Bank's principal activities:

##### *(i) Interest income*

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

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

Interest on the impaired assets is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

##### *(ii) Fee and commission income*

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

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

- The customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs;
- The customer controls the service provided by the Bank in the course of performance or;
- The Bank does not provide service with an alternative use to the Bank, and the Bank has an enforceable right to payment for performance completed to date.

In other cases, the Bank recognises revenue at a point in time at which a customer obtains control of the promised services.



## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 Significant accounting policies *(Continued)*

#### (19) Income recognition *(Continued)*

##### *(iii) Government grants*

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Bank will comply with the conditions attaching to them. Grants that compensate the Bank for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Bank for the cost of an asset are initially recognised as deferred income and subsequently are recognised in profit or loss over the useful life of the asset.

##### *(iv) Other income*

Other income is recognised on an accrual basis.

#### (20) Expenses recognition

##### *(i) Interest expense*

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

##### *(ii) Other expenses*

Other expenses are recognised on an accrual basis.

#### (21) Dividends

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

#### (22) Related parties

- (a) A person, or a close member of that person's family, is related to the Bank if that person:
- (i) has control or joint control over the Bank;
  - (ii) has significant influence over the Bank; or
  - (iii) is a member of the key management personnel of the Bank or the Bank's parent.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 Significant accounting policies *(Continued)*

#### (22) Related parties *(Continued)*

- (b) An entity is related to the Bank if any of the following conditions applies:
- (i) The entity and the Bank are members of the same Bank (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Bank of which the other entity is a member);
  - (iii) Both entities are joint ventures of the same third party;
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank;
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
  - (viii) The entity, or any member of a Bank of which it is a part, provides key management personnel services to the Bank or to the Bank's parent.

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

#### (23) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Bank's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Bank's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4 Significant accounting judgements and estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

#### (1) Measurement of expected credit loss

The measurement of the expected credit loss allowance for the investment in financial assets and debt instruments measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit losses is further detailed in Note 47(a).

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in Note 47 (a) credit risk.

#### (2) Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis, and option pricing models. Valuation models established by the Bank make maximum use of market input and rely as little as possible on the Bank's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Bank reviews the above estimations and assumptions periodically and makes adjustment if necessary.

#### (3) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Bank carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4 Significant accounting judgements and estimates *(Continued)*

#### (4) Impairment of non-financial assets

Non-financial assets of the Bank are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) may not be obtained reliably, the fair value of the asset may not be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

#### (5) Depreciation and amortisation

Investment properties, property and equipment and intangible assets of the Bank are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in each of the Reporting Period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

#### (6) Determination of control over investees

The Bank applies its judgement to determine whether the control indicators set out Note 3(1) indicate that the Bank controls a non-principal guaranteed wealth management product and an asset management plan.

The Bank acts as manager to a number of non-principal guaranteed wealth management products and asset management plans. Determining whether the Bank controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Bank in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Bank, the Bank's aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Bank has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**5 Impact of issued but not yet effective international financial reporting standards**

The revised and new accounting standards and interpretations but not yet effective for the year ended 31 December 2021, are set out below:

	Effective for accounting period beginning on or after
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IFRS 3, <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to IAS 16, <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
Amendments to IAS 37, <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to IAS 1, <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
IFRS 17, <i>Insurance contracts</i>	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to IAS 8, <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to IAS 12, <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined
Amendments to IFRS 4, <i>Extension of the temporary exemption from applying IFRS 9</i>	To be determined

The Bank has not adopted any new standard, amendment or interpretation that is not yet effective for the current accounting period.

The Bank has assessed the impact of these amendments which is expected to be in the period of initial application. So far it has concluded that the adoptions of them are unlikely to have significant impacts on the Bank's result of operations and financial position and financial performance.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**6 Net interest income**

	Years ended 31 December	
	2021	2020
<b>Interest income arising from</b>		
Deposits with the central bank	<b>1,009,503</b>	1,047,020
Deposits with banks and other financial institutions	<b>283,696</b>	208,053
Placements with banks and other financial institutions	<b>312,392</b>	272,487
Loans and advances to customers		
– Corporate loans and advances	<b>25,548,884</b>	27,082,088
– Personal loans	<b>21,465,193</b>	18,758,719
– Discounted bills	<b>1,756,128</b>	849,023
Financial assets held under resale agreements	<b>387,763</b>	227,950
Financial investments	<b>11,754,529</b>	11,461,869
Sub-total	<b>62,518,088</b>	59,907,209
<b>Interest expense arising from</b>		
Borrowing from the central bank	<b>(2,102,752)</b>	(1,908,327)
Deposits from banks and other financial institutions	<b>(5,544,708)</b>	(2,508,869)
Placements from banks and other financial institutions	<b>(577,466)</b>	(502,793)
Deposits from customers	<b>(20,257,631)</b>	(19,327,768)
Financial assets sold under repurchase agreements	<b>(761,082)</b>	(630,760)
Debt securities issued	<b>(8,095,150)</b>	(6,551,656)
Sub-total	<b>(37,338,789)</b>	(31,430,173)
<b>Net interest income</b>	<b>25,179,299</b>	28,477,036

Interest income arising from impaired loan for the years ended 31 December 2021 and 2020 amounted to RMB466 million and RMB320 million, respectively.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**7 Net fee and commission income****(a) Income and expense streams:**

	Years ended 31 December	
	2021	2020
<b>Fee and commission income</b>		
Agency service fees	<b>1,761,457</b>	3,075,667
Settlement and clearing fees	<b>738,739</b>	591,198
Custodian service fees	<b>501,052</b>	770,970
Consulting service fees	<b>401,420</b>	284,057
Credit commitments and asset management fees	<b>349,691</b>	367,637
Bank card fees	<b>71,262</b>	47,851
Others	<b>68,267</b>	59,608
Sub-total	<b>3,891,888</b>	5,196,988
<b>Fee and commission expense</b>		
Information service fees	<b>(1,386,952)</b>	(2,023,435)
Agency service fees	<b>(79,141)</b>	(106,269)
Consulting service fees	<b>(57,190)</b>	(74,475)
Settlement and clearing fees	<b>(54,790)</b>	(39,289)
Bank card fees	<b>(49,548)</b>	(33,212)
Others	<b>(26,470)</b>	(17,852)
Sub-total	<b>(1,654,091)</b>	(2,294,532)
<b>Net fee and commission income</b>	<b>2,237,797</b>	2,902,456

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**7 Net fee and commission income** (Continued)**(b) Disaggregation of income:**

	Years ended 31 December			
	2021		2020	
	At a point in time	Over time	At a point in time	Over time
Agency service fees	<b>498,279</b>	<b>1,263,178</b>	649,750	2,425,917
Settlement and clearing fees	<b>1,847</b>	<b>736,892</b>	1,563	589,635
Custodian service fees	–	<b>501,052</b>	–	770,970
Consulting service fees	–	<b>401,420</b>	–	284,057
Credit commitments and asset management fees	<b>29,113</b>	<b>320,578</b>	98,979	268,658
Bank card fees	<b>71,212</b>	<b>50</b>	47,851	–
Others	<b>12,608</b>	<b>55,659</b>	15,877	43,731
<b>Total</b>	<b>613,059</b>	<b>3,278,829</b>	814,020	4,382,968

**8 Net trading gains**

	Years ended 31 December	
	2021	2020
Net gains from equity investment	<b>429,719</b>	323,030
Exchange losses	<b>(344,712)</b>	(145,076)
Net gains from debt securities	<b>293,309</b>	67,488
Net (losses)/gains from trading of precious metals	<b>(89,932)</b>	55,157
Net losses from derivative instruments	<b>(29,801)</b>	(279,145)
Net gains from loans and advances at fair value through profit or loss	<b>21,581</b>	23,146
<b>Total</b>	<b>280,164</b>	44,600

**9 Net gains arising from investment securities**

	Years ended 31 December	
	2021	2020
Net gains of financial investments at fair value through profit or loss	<b>1,048,073</b>	951,210
Net gains of financial investments at fair value through other comprehensive income	<b>85,496</b>	8,618
Dividend income	<b>15,600</b>	10,800
Net gains on disposal of financial investments at amortised cost	<b>249,772</b>	26,625
<b>Total</b>	<b>1,398,941</b>	997,253



## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**10 Other operating income**

	Years ended 31 December	
	2021	2020
Government grants	<b>57,407</b>	39,012
Rental income	<b>14,534</b>	14,024
Long-term unwithdrawn items income	<b>3,686</b>	2,546
Net gains on disposal of property and equipment	<b>396</b>	216
Others	<b>22,140</b>	15,027
<b>Total</b>	<b>98,163</b>	70,825

**11 Operating expenses**

	Years ended 31 December	
	2021	2020
Staff costs		
– Salaries, bonuses and allowances	<b>4,150,239</b>	4,027,368
– Social insurance and annuity	<b>835,925</b>	451,533
– Housing allowances	<b>478,349</b>	426,637
– Staff welfares	<b>226,344</b>	178,798
– Employee education expenses and labour union expenses	<b>135,856</b>	104,671
– Others	<b>216,166</b>	258,377
<b>Sub-total</b>	<b>6,042,879</b>	5,447,384
Depreciation and amortisation	<b>1,398,491</b>	1,428,134
Taxes and surcharges	<b>426,707</b>	437,697
Interest expense on lease liabilities	<b>141,067</b>	165,020
Auditors' remuneration	<b>5,250</b>	5,000
Other general and administrative expenses	<b>2,198,178</b>	1,699,665
<b>Total</b>	<b>10,212,572</b>	9,182,900

Expenses relating to short-term leases and leases of low-value assets amounted to RMB38 million and RMB20 million for the year ended 31 December 2021 and 2020, respectively.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 12 Directors' and supervisors' emoluments

The emoluments paid before individual income tax in respect of the directors and supervisors who held office during the year are as follows:

Year ended 31 December 2021								
Notes	Fees	Salaries	Discretionary bonus	Housing funds And social insurances	Annuities	Others	Total	
<b>Executive directors</b>								
	–	226	–	196	97	2	521	
	–	854	596	196	74	3	1,723	
	–	421	576	196	76	3	1,272	
	–	683	446	109	62	3	1,303	
<b>Non-executive directors</b>								
	–	–	–	–	–	–	–	
	(a)	–	–	–	–	–	–	
	–	–	–	–	–	–	–	
	–	–	–	–	–	–	–	
	–	–	–	–	–	–	–	
	–	–	–	–	–	–	–	
	(c)	–	–	–	–	–	–	
<b>Independent non-executive directors</b>								
	535	–	–	–	–	–	535	
	534	–	–	–	–	–	534	
	535	–	–	–	–	–	535	
	535	–	–	–	–	–	535	
	535	–	–	–	–	–	535	
	534	–	–	–	–	–	534	
<b>Supervisors</b>								
	–	226	645	187	66	3	1,127	
	535	–	–	–	–	–	535	
	535	–	–	–	–	–	535	
	535	–	–	–	–	–	535	
	(b)	399	244	83	55	3	784	
	(d)	105	–	–	–	–	105	
	(e)	469	848	72	33	–	1,422	
Total	4,813	3,383	3,355	1,039	463	17	13,070	

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 12 Directors' and supervisors' emoluments (Continued)

	Year ended 31 December 2020							
	Notes	Fees	Salaries	Discretionary bonus	Housing funds And social insurances	Annuities	Others	Total
<b>Executive directors</b>								
Li Fu'an		–	218	991	71	84	–	1,364
Qu Hongzhi		–	526	400	153	84	–	1,163
Li Yi		–	421	532	69	84	–	1,106
Du Gang		–	421	359	60	25	–	865
<b>Non-executive directors</b>								
Fung Joi Lun Alan		242	–	–	–	–	–	242
Cui Xuesong		–	–	–	–	–	–	–
Yuan Wei		–	–	–	–	–	–	–
Ye Baishou		–	–	–	–	–	–	–
Hu Aimin		242	–	–	–	–	–	242
Zhang Xifang		–	–	–	–	–	–	–
Zhang Yunji		242	–	–	–	–	–	242
Zhang Bingjun	(c)	242	–	–	–	–	–	242
<b>Independent non-executive directors</b>								
Mao Zhenhua		259	–	–	–	–	–	259
Chi Guotai		242	–	–	–	–	–	242
Mu Binrui		259	–	–	–	–	–	259
Tse Yat Hong		–	–	–	–	–	–	–
Wang Ren		–	–	–	–	–	–	–
Zhu Ning		–	–	–	–	–	–	–
<b>Supervisors</b>								
Wang Chunfeng		–	218	611	144	53	–	1,026
Qi Ershi		259	–	–	–	–	–	259
Diao Qinyi		259	–	–	–	–	–	259
Hui Yung Chris		–	–	–	–	–	–	–
Feng Jiankuan	(d)	–	421	532	119	70	–	1,142
Fan Zhigui	(e)	–	1,116	3,076	443	84	–	4,719
<b>Total</b>		<b>2,246</b>	<b>3,341</b>	<b>6,501</b>	<b>1,059</b>	<b>484</b>	<b>–</b>	<b>13,631</b>

There was no amount paid during the year to the directors in connection with their retirement from employment or compensation for loss of office with the Bank, or inducement to join the Bank. For the year ended 31 December 2020, Ye Baishou, non-executive directors, waived the fee of RMB0.24 million.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 12 Directors' and supervisors' emoluments (Continued)

Notes:

- (a) In the Annual General Meeting held on 17 May 2021, Wang Zhiyong was appointed as non-executive director of the Bank. On 22 December 2021, the appointment was approved by the China Banking and Insurance Regulatory Commission ("CBIRC").
- (b) On 18 August 2021, Ma Shuming was appointed as employee representative supervisors of the Bank.
- (c) On 29 March 2021, Zhang Bingjun resigned as non-executive director of the Bank.
- (d) On 31 March 2021, Feng Jiankuan resigned as employee representative supervisors of the Bank.
- (e) On 18 August 2021, Fan Zhigui resigned as employee representative supervisors of the Bank.

### 13 Individuals with highest emoluments

For the years ended 31 December 2021, the five individuals with highest emoluments paid did not include any directors and supervisors of the Bank.

The emoluments paid to the five highest paid individuals for the years ended 31 December 2021 are as follows:

	Years ended 31 December	
	2021	2020
Salaries and other emoluments	5,993	5,726
Discretionary bonuses	18,068	23,780
Housing funds and social insurances	695	431
Annuities	561	422
Others	26	25
<b>Total</b>	<b>25,343</b>	30,384

The number of these individuals whose emoluments are within the following bands is set out below:

	Years ended 31 December	
	2021	2020
HKD5,000,001 – 5,500,000	3	–
HKD5,500,001 – 6,000,000	–	–
HKD6,000,001 – 6,500,000	–	2
HKD6,500,001 – 7,000,000	1	2
HKD7,000,001 – 7,500,000	–	–
HKD7,500,001 – 8,000,000	1	–
HKD9,000,001 – 9,500,000	–	1

None of these individuals received any inducement to join or upon joining the Bank or compensation for loss of office, or waived any emoluments during the year.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**14 Impairment losses on assets**

	Years ended 31 December	
	2021	2020
Deposits with banks and other financial institutions	<b>(338)</b>	17,702
Placements with banks and other financial institutions	<b>21,043</b>	65,334
Financial assets held under resale agreements	–	(406)
Loans and advances to customers	<b>7,515,545</b>	6,784,184
Financial investments	<b>1,653,834</b>	6,117,972
Credit commitments	<b>(525,704)</b>	239,392
Others	<b>13,615</b>	–
<b>Total</b>	<b>8,677,995</b>	13,224,178

**15 Income tax expense****(a) Income tax expense:**

	Note	Years ended 31 December	
		2021	2020
Current tax		<b>2,981,592</b>	3,629,578
Deferred tax	25(b)	<b>(1,307,519)</b>	(1,989,057)
<b>Total</b>		<b>1,674,073</b>	1,640,521

**(b) Reconciliations between income tax and accounting profit are as follows:**

	Note	Years ended 31 December	
		2021	2020
Profit before taxation		<b>10,303,797</b>	10,085,092
Statutory tax rate		<b>25%</b>	25%
Income tax calculated at statutory tax rate		<b>2,575,949</b>	2,521,273
Non-deductible expenses		<b>314,746</b>	254,518
Non-taxable income	(i)	<b>(977,317)</b>	(900,194)
Deductible undated capital bonds interest expense		<b>(237,500)</b>	(237,500)
Others		<b>(1,805)</b>	2,424
<b>Income tax</b>		<b>1,674,073</b>	1,640,521

(i) The non-taxable income mainly represents the interest income arising from the the People's Republic of China ("PRC") government bonds, municipal debts, and dividend income from funds.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**16 Basic and diluted earnings per share**

	Note	Years ended 31 December	
		2021	2020
Profit attributable to equity holders of the Bank		<b>8,629,724</b>	8,444,571
Less: interest on undated capital bonds declared		<b>(950,000)</b>	(950,000)
Profit attributable to ordinary equity holders of the Bank		<b>7,679,724</b>	7,494,571
Weighted average number of ordinary shares in issue (in thousands)	(a)	<b>17,762,000</b>	15,947,443
Basic and diluted earnings per share (in RMB)		<b>0.43</b>	0.47

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

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

	Years ended 31 December	
	2021	2020
Number of ordinary shares at the beginning of the year	<b>17,762,000</b>	14,450,000
Weighted average number of ordinary shares issued during the year	–	1,497,443
Weighted average number of ordinary shares	<b>17,762,000</b>	15,947,443

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**17 Cash and deposits with the central bank**

	Note	31 December	
		2021	2020
Cash on hand		<b>443,231</b>	433,044
Deposits with the central bank			
– Statutory deposit reserves	(a)	<b>65,845,978</b>	62,256,838
– Surplus deposit reserves	(b)	<b>48,243,464</b>	33,092,724
– Fiscal deposits		<b>582,308</b>	735,285
Sub-total		<b>114,671,750</b>	96,084,847
Interests accrued		<b>28,472</b>	30,526
Total		<b>115,143,453</b>	96,548,417

- (a) The Bank places statutory deposit reserves with the PBoC in accordance with relevant regulations. As at the end of the Reporting Period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December	
	2021	2020
Reserve ratio for RMB deposits	<b>8.0%</b>	9.0%
Reserve ratio for foreign currency deposits	<b>9.0%</b>	5.0%

The statutory deposit reserves are not available for the Bank's daily business.

- (b) The surplus deposit reserves are maintained with the PBoC for the purpose of clearing.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**18 Deposits with banks and other financial institutions**

Analysed by type and location of counterparty

	31 December	
	2021	2020
Deposits in Mainland China		
– Banks	<b>13,449,264</b>	12,223,057
Sub-total	<b>13,449,264</b>	12,223,057
Deposits outside Mainland China		
– Banks	<b>14,466,118</b>	15,771,096
Sub-total	<b>14,466,118</b>	15,771,096
Interests accrued	<b>12,400</b>	9,428
Less: Provision for impairment losses	<b>(197,274)</b>	(198,218)
Total	<b>27,730,508</b>	27,805,363

**19 Placements with banks and other financial institutions**

Analysed by type and location of counterparty

	31 December	
	2021	2020
Placements in Mainland China		
– Banks	<b>8,170,000</b>	2,150,000
– Other financial institutions	–	1,000,000
Sub-total	<b>8,170,000</b>	3,150,000
Placements outside Mainland China		
– Banks	<b>1,048,691</b>	2,942,955
Sub-total	<b>1,048,691</b>	2,942,955
Interests accrued	<b>138,459</b>	44,832
Less: Provision for impairment losses	<b>(94,888)</b>	(74,119)
Total	<b>9,262,262</b>	6,063,668



## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**20 Derivative financial instruments**

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Bank uses derivative financial instruments mainly including forwards, swaps and option contracts.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Bank but does not reflect the risk.

The notional amount and fair value of unexpired derivative financial instruments held by the Bank are set out in the following tables:

	31 December 2021		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	201,286,476	47,291	(38,405)
Exchange rate swaps	59,174,936	17,386	(356,177)
Exchange rate forwards	43,299,707	577,205	(521,346)
Precious metal derivatives	2,748,971	6,134	(84,366)
Option contracts	1,676,974	28,138	(25,548)
<b>Total</b>	<b>308,187,064</b>	<b>676,154</b>	<b>(1,025,842)</b>

	31 December 2020		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	130,258,400	82,861	(73,125)
Exchange rate swaps	25,338,865	16,575	(255,739)
Exchange rate forwards	6,921,165	123,941	(115,620)
Precious metal derivatives	2,739,600	–	(82,149)
Option contracts	1,725,576	9,121	(6,531)
<b>Total</b>	<b>166,983,606</b>	<b>232,498</b>	<b>(533,164)</b>

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**20 Derivative financial instruments** (Continued)**Cash flow hedges**

The Bank's cash flow hedges consist of interest rate swap contracts that are used to protect against exposures to variability of future cash flows.

Among the above derivative financial instruments, those designated as hedging instruments in cash flow hedges are set out below.

31 December 2021							
	Notional amounts with remaining life of					Fair Values	
	Within a month	Over a month but within three months	Over three months but within a year	Over a year but within five years	Over five years	Assets	Liabilities
Interest rate swap	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

31 December 2020							
	Notional amounts with remaining life of					Fair Values	
	Within a month	Over a month but within three months	Over three months but within a year	Over a year but within five years	Over five years	Assets	Liabilities
Interest rate swap	-	-	-	200,000	-	-	(245)
Total	-	-	-	200,000	-	-	(245)

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**20 Derivative financial instruments** (Continued)**Cash flow hedges** (Continued)

Details of the Bank's hedged risk exposures in cash flow hedges and the corresponding effect on equities are as follows:

31 December 2021					
	Carrying amount of hedged items		Effect of hedging instruments on other comprehensive income during the current year	Accumulated effect of hedging instruments on other comprehensive income	Line items in the statement of financial position
	Assets	Liabilities			
Loans	–	–	<b>160</b>	–	<b>Loans and advances to customers</b>
Total	–	–	<b>160</b>	–	

31 December 2020					
	Carrying amount of hedged items		Effect of hedging instruments on other comprehensive income during the current year	Accumulated effect of hedging instruments on other comprehensive income	Line items in the statement of financial position
	Assets	Liabilities			
Loans	200,000	–	(160)	(160)	Loans and advances to customers
Total	200,000	–	(160)	(160)	

The gain and loss arising from the ineffective portion of cash flow hedges were immaterial for the year ended 31 December 2021 and 2020.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**21 Loans and advances to customers****(a) Analysed by nature**

	31 December	
	2021	2020
<b>Loans and advances to customers measured at amortised cost:</b>		
Corporate loans and advances	<b>536,715,503</b>	546,044,790
Personal loans		
– Residential and commercial housing loans	<b>191,493,666</b>	167,701,283
– Personal consumption loans	<b>103,737,632</b>	117,005,285
– Personal business loans	<b>46,185,939</b>	25,665,459
Sub-total	<b>341,417,237</b>	310,372,027
Interests accrued	<b>5,296,053</b>	4,408,520
Less: Provision for loans and advances to customers measured at amortised cost	<b>(22,744,711)</b>	(24,825,848)
Sub-total	<b>860,684,082</b>	835,999,489
<b>Loans and advances to customers measured at fair value through other comprehensive income:</b>		
Discounted bills	<b>76,698,756</b>	31,046,668
<b>Loans and advances to customers measured at fair value through profit or loss:</b>		
Corporate loans and advances	<b>523,751</b>	74,060
Net loans and advances to customers	<b>937,906,589</b>	867,120,217

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**21 Loans and advances to customers** (Continued)**(b) Loans and advances to customers (excluded interests accrued) analysed by industry sector**

	31 December 2021		
	Amount	Percentage	Loans and advances secured by collaterals
Lease and business services	180,718,892	18.91%	43,672,995
Manufacturing	100,507,008	10.52%	68,220,265
Real estate	75,817,353	7.94%	50,743,098
Water conservancy, environment and public facilities management	60,174,126	6.30%	8,385,579
Wholesale and retail	44,945,025	4.70%	26,799,020
Construction	26,574,895	2.78%	16,974,625
Transportations and communications, storage and post	13,109,144	1.37%	6,040,052
Production and supply of electricity, heat, gas and water	9,554,863	1.00%	599,123
Mining	8,745,021	0.92%	–
Finance	5,805,897	0.61%	813,149
Agriculture, forestry, animal husbandry and fishery	2,049,445	0.21%	220,900
Education	1,707,452	0.18%	499,646
Public health and social work	1,679,583	0.18%	470,921
Others	5,850,550	0.61%	2,200,129
Sub-total of corporate loans and advances	537,239,254	56.23%	225,639,502
Personal loans	341,417,237	35.74%	205,677,804
Discounted bills	76,698,756	8.03%	76,698,756
Gross loans and advances to customers	955,355,247	100.00%	508,016,062

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**21 Loans and advances to customers** (Continued)**(b) Loans and advances to customers (excluded interests accrued) analysed by industry sector** (Continued)

	31 December 2020		
	Amount	Percentage	Loans and advances secured by collaterals
Lease and business services	171,383,263	19.31%	32,869,421
Real estate	111,774,970	12.59%	77,024,629
Manufacturing	78,572,827	8.85%	45,626,723
Water conservancy, environment and public facilities management	57,281,338	6.45%	7,199,664
Wholesale and retail	46,695,083	5.26%	20,873,159
Construction	25,998,522	2.93%	13,916,968
Transportations and communications, storage and post	15,266,620	1.72%	6,549,398
Mining	10,576,481	1.19%	18,644
Production and supply of electricity, heat, gas and water	8,434,143	0.95%	589,878
Finance	5,220,010	0.59%	1,038,896
Education	2,712,058	0.31%	1,089,600
Public health and social work	2,588,730	0.29%	564,100
Agriculture, forestry, animal husbandry and fishery	2,381,667	0.27%	337,210
Others	7,233,138	0.82%	2,945,755
Sub-total of corporate loans and advances	546,118,850	61.53%	210,644,045
Personal loans	310,372,027	34.97%	178,515,317
Discounted bills	31,046,668	3.50%	31,046,668
Gross loans and advances to customers	887,537,545	100.00%	420,206,030

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**21 Loans and advances to customers** (Continued)**(b) Loans and advances to customers (excluded interests accrued) analysed by industry sector** (Continued)

As at the end of the Reporting Period and during the year, detailed information of the credit-impaired loans and advances to customers (exclusive interests accrued) as well as the corresponding provision for impairment losses in respect of each industry sector which constitutes 10% or more of gross loans and advances to customers are as follows:

	31 December 2021					
	Credit-impaired loans and advances	Expected credit losses over the next 12 months	Expected credit loss that assessed for loans and advances that are not credit-impaired	Expected credit loss that assessed for loans and advances that are credit-impaired	Impairment losses charged during the year	Written-off during the year
Lease and business services	1,645,285	(1,491,461)	(846,091)	(708,298)	(630,825)	77,936
Manufacturing	3,112,072	(597,904)	(724,159)	(1,503,984)	(730,842)	1,906,061

	31 December 2020					
	Credit-impaired loans and advances	Expected credit losses over the next 12 months	Expected credit loss that assessed for loans and advances that are not credit-impaired	Expected credit loss that assessed for loans and advances that are credit-impaired	Impairment losses charged during the year	Written-off during the year
Lease and business services	3,135,737	(1,783,856)	(244,876)	(464,229)	(385,308)	-
Real estate	2,385,067	(2,482,659)	(798,483)	(760,810)	(425,021)	-

**(c) Analysed by geographical sector (exclusive interests accrued)**

	31 December 2021		
	Amount	Percentage	Loans and advances secured by collaterals
Northern and Northeast China	395,136,402	41.36%	181,452,426
Eastern China	240,292,222	25.15%	126,241,782
Central and Southern China	232,967,007	24.39%	156,632,480
Western China	86,959,616	9.10%	43,689,374
Gross loans and advances to customers	955,355,247	100.00%	508,016,062

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**21 Loans and advances to customers** (Continued)**(c) Analysed by geographical sector (exclusive interests accrued)** (Continued)

	31 December 2020		
	Amount	Percentage	Loans and advances secured by collaterals
Northern and Northeast China	389,592,957	43.89%	159,788,724
Eastern China	211,867,272	23.87%	97,939,390
Central and Southern China	209,862,150	23.65%	131,484,717
Western China	76,215,166	8.59%	30,993,199
Gross loans and advances to customers	887,537,545	100.00%	420,206,030

The geographical areas are categorized as follows:

Northern and Northeastern China includes Head Office, Beijing Branch, Tianjin Branch, Binhai Branch, Tianjin Pilot Free Trade Zone Branch, Dalian Branch, Hohhot Branch, Taiyuan Branch, Shijiazhuang Branch, Changchun Branch and Shenyang Branch.

Eastern China includes Nanjing Branch, Hangzhou Branch, Jinan Branch, Shanghai Branch, Shanghai Pilot Free Trade Zone Branch, Hefei Branch, Suzhou Branch, Qingdao Branch, Ningbo Branch and Nanchang Branch.

Central and Southern China includes Guangzhou Branch, Shenzhen Branch, Shenzhen Qianhai Branch, Hong Kong Branch, Changsha Branch, Wuhan Branch, Fuzhou Branch, Zhengzhou Branch, Xiamen Pilot Free Trade Zone Branch, Haikou Branch and Nanning Branch.

Western China includes Chengdu Branch, Xi'an Branch, Chongqing Branch, Guiyang Branch, Kunming Branch.

**(d) Analysed by type of collateral (exclusive interests accrued)**

	31 December	
	2021	2020
Unsecured loans	<b>174,499,677</b>	191,402,509
Guaranteed loans	<b>272,839,508</b>	275,929,006
Collateralised loans	<b>303,198,889</b>	294,096,608
Pledged loans	<b>128,118,417</b>	95,062,754
Bank acceptance discounted bills	<b>74,255,944</b>	24,189,841
Commercial acceptance discounted bills	<b>2,442,812</b>	6,856,827
Gross loans and advances to customers	<b>955,355,247</b>	887,537,545



## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**21 Loans and advances to customers** (Continued)**(e) Overdue loans (exclusive interests accrued) analysed by overdue period**

31 December 2021					
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	3,983,672	1,900,715	1,465,311	97,860	7,447,558
Guaranteed loans	8,968,902	2,434,814	1,363,615	1,215,744	13,983,075
Collateralised loans	6,554,421	1,069,971	2,608,396	642,216	10,875,004
Pledged loans	4,503,149	880,962	818,810	47,209	6,250,130
<b>Total</b>	<b>24,010,144</b>	<b>6,286,462</b>	<b>6,256,132</b>	<b>2,003,029</b>	<b>38,555,767</b>
As a percentage of gross loans and advances to customers	2.51%	0.66%	0.65%	0.21%	4.03%

31 December 2020					
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	1,178,365	1,593,322	514,860	55,566	3,342,113
Guaranteed loans	3,632,195	1,702,760	2,782,758	994,111	9,111,824
Collateralised loans	3,438,574	1,891,123	771,826	606,273	6,707,796
Pledged loans	2,357,456	3,083,464	–	47,559	5,488,479
<b>Total</b>	<b>10,606,590</b>	<b>8,270,669</b>	<b>4,069,444</b>	<b>1,703,509</b>	<b>24,650,212</b>
As a percentage of gross loans and advances to customers	1.20%	0.93%	0.46%	0.19%	2.78%

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day (inclusive) or more.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**21 Loans and advances to customers** (Continued)**(f) Loans and advances (exclusive interests accrued) and provision for impairment losses**

	31 December 2021			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
Total loans and advances to customers measured at amortised cost	831,491,740	29,806,453	16,834,547	878,132,740
Less: Provision for impairment losses	(7,834,624)	(4,893,154)	(10,016,933)	(22,744,711)
Carrying amount of loans and advances to customers measured at amortised cost	823,657,116	24,913,299	6,817,614	855,388,029
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	76,698,756	-	-	76,698,756
	31 December 2020			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
Total loans and advances to customers measured at amortised cost	815,010,509	25,692,529	15,713,779	856,416,817
Less: Provision for impairment losses	(9,664,387)	(7,228,243)	(7,933,218)	(24,825,848)
Carrying amount of loans and advances to customers measured at amortised cost	805,346,122	18,464,286	7,780,561	831,590,969
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	31,046,668	-	-	31,046,668

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**21 Loans and advances to customers** (Continued)**(g) Movements of provision for impairment losses****(i) Movements of provision for impairment losses of loans and advances to customers measured at amortised cost:**

	Year ended 31 December 2021			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at 1 January	9,664,387	7,228,243	7,933,218	24,825,848
Transferred:				
– to expected credit losses over the next 12 months	34,216	(34,216)	–	–
– to lifetime expected credit losses: not credit-impaired loans	(242,370)	242,370	–	–
– to lifetime expected credit losses: credit-impaired loans	(43,298)	(3,026,328)	3,069,626	–
(Reversal)/charge for the year	(1,569,250)	483,085	8,641,457	7,555,292
Transfer out	–	–	(3,471,058)	(3,471,058)
Recoveries	–	–	161,633	161,633
Write-offs	–	–	(6,316,008)	(6,316,008)
Exchange differences and other	(9,061)	–	(1,935)	(10,996)
<b>As at 31 December</b>	<b>7,834,624</b>	<b>4,893,154</b>	<b>10,016,933</b>	<b>22,744,711</b>

	Year ended 31 December 2020			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at 1 January	9,281,200	6,213,635	8,106,036	23,600,871
Transferred:				
– to lifetime expected credit losses: not credit-impaired loans	(447,970)	466,896	(18,926)	–
– to lifetime expected credit losses: credit-impaired loans	(357,064)	(642,457)	999,521	–
Charge for the year	1,191,933	1,190,169	4,312,113	6,694,215
Transfer out	–	–	(2,623,253)	(2,623,253)
Recoveries	–	–	114,136	114,136
Write-offs	–	–	(2,949,112)	(2,949,112)
Exchange differences and other	(3,712)	–	(7,297)	(11,009)
<b>As at 31 December</b>	<b>9,664,387</b>	<b>7,228,243</b>	<b>7,933,218</b>	<b>24,825,848</b>

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**21 Loans and advances to customers** (Continued)**(g) Movements of provision for impairment losses** (Continued)**(ii) Movements of provision for impairment of loans and advances to customers measured at fair value through other comprehensive income:**

	Year ended 31 December 2021			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at 1 January	127,184	-	-	127,184
Reversal for the year	(39,747)	-	-	(39,747)
As at 31 December	87,437	-	-	87,437

	Year ended 31 December 2020			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at 1 January	37,215	-	-	37,215
Charge for the year	89,969	-	-	89,969
As at 31 December	127,184	-	-	127,184

Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of loans and advances to customers presented in the statements of financial position, and impairment loss or gain is recognised in the profit or loss.

**(h) Disposal of loans and advances to customers**

During the years ended 31 December 2021 and 2020, the Bank transferred loans and advances with gross amount of RMB160 million and RMB1,524 million to independent third parties, and the transfer price was RMB17 million and RMB290 million.

The Bank enters into transactions by which it transfers loans to structured entities and transfer the trust beneficiary rights to investors. In 2021, the amount at the time of transfer of the loans was RMB1,555 million (2020: RMB0 million) (Note 42).

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**22 Financial investments**

	Note	31 December	
		2021	2020
Financial investments measured at fair value through profit or loss	(a)	<b>102,377,637</b>	72,597,497
Financial investments measured at fair value through other comprehensive income	(b)	<b>89,218,927</b>	61,813,595
Financial investments measured at amortised cost	(c)	<b>276,034,540</b>	241,515,654
<b>Total</b>		<b>467,631,104</b>	375,926,746

**(a) Financial investments measured at fair value through profit or loss**

	Note	31 December	
		2021	2020
Debt securities	(i)		
– Government		<b>3,424,829</b>	377,181
– Policy banks		<b>2,092,809</b>	855,306
– Corporates		<b>7,650,373</b>	7,204,039
Sub-total		<b>13,168,011</b>	8,436,526
– Unlisted		<b>13,168,011</b>	8,436,526
Interbank deposits			
– Unlisted		<b>1,752,105</b>	–
Investment funds			
– Unlisted		<b>58,080,079</b>	44,178,765
Equity investments			
– Listed outside Hong Kong		<b>514,335</b>	298,175
– Unlisted		<b>3,299,833</b>	1,832,738
Trust plans and asset management plans			
– Unlisted		<b>25,563,274</b>	17,851,293
<b>Total</b>		<b>102,377,637</b>	72,597,497

Note:

- (i) As at 31 December 2021, certain debt securities were pledged for borrowings from the central bank (Note 50(e)) (31 December 2020: nil).

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**22 Financial investments** (Continued)**(b) Financial investments measured at fair value through other comprehensive income**

	Note	31 December	
		2021	2020
Debt securities	(i)		
– Government		<b>48,571,904</b>	35,500,988
– Policy banks		<b>31,292,651</b>	22,955,615
– Banks and other financial institutions		<b>5,505,633</b>	1,285,751
– Corporate		<b>20,008</b>	49,612
Interests accrued		<b>1,018,191</b>	858,658
Sub-total		<b>86,408,387</b>	60,650,624
– Unlisted		<b>86,408,387</b>	60,650,624
Trust plans and asset management plans			
– Unlisted		–	962,971
Equity investments			
– Unlisted	(ii)	<b>2,810,540</b>	200,000
Total		<b>89,218,927</b>	61,813,595

Note:

- (i) As at 31 December 2021 and 2020, certain debt securities were pledged for borrowings from the central bank and financial assets sold under repurchase agreements (Note 50(e)).
- (ii) Dividends income from equity investments designated as fair value through other comprehensive income (“FVOCI”) during the year ended 31 December 2021 and 2020 was RMB15.6 million and RMB10.8 million, respectively, which was included in the profit or loss. The Bank did not dispose such equity investments during the Reporting Periods, and there was no cumulative gain or loss transferred from other comprehensive income to retained earnings.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**22 Financial investments** *(Continued)***(b) Financial investments measured at fair value through other comprehensive income** *(Continued)*Note: *(Continued)*

- (iii) Movements of provision for impairment losses of financial investments measured at fair value through other comprehensive income is as follows:

	Year ended 31 December 2021				Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired		
Balance at 1 January	42,501	–	30,000		72,501
Charge/(reversal) for the year	34,057	–	(20,000)		14,057
Balance at 31 December	76,558	–	10,000		86,558

	Year ended 31 December 2020				Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired		
Balance at 1 January	809,442	–	13,371		822,813
(Reversal)/charge for the year	(766,941)	–	16,629		(750,312)
Balance at 31 December	42,501	–	30,000		72,501

Provision for impairment on financial investments measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of financial investments presented in the statements of financial position, and impairment loss or gain is recognised in the profit or loss.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**22 Financial investments** *(Continued)***(c) Financial investments measured at amortised cost**

	Note	31 December	
		2021	2020
Debt securities	(i)		
– Government and central banks		<b>84,535,941</b>	72,995,069
– Policy banks		<b>58,441,663</b>	47,850,949
– Banks and other financial institutions		<b>1,518,517</b>	2,900,000
– Corporate		<b>12,624,118</b>	11,269,315
Interests accrued		<b>2,422,815</b>	2,089,849
Sub-total		<b>159,543,054</b>	137,105,182
– Unlisted		<b>159,543,054</b>	137,105,182
Interbank deposits		<b>957,663</b>	–
Interests accrued		<b>215</b>	–
Sub-total		<b>957,878</b>	–
– Unlisted		<b>957,878</b>	–
Trust plans and asset management plans		<b>123,246,580</b>	111,855,622
Interests accrued		<b>3,842,307</b>	2,474,099
Sub-total		<b>127,088,887</b>	114,329,721
– Unlisted		<b>127,088,887</b>	114,329,721
Less: Provision for impairment losses	(ii)	<b>(11,555,279)</b>	(9,919,249)
Total		<b>276,034,540</b>	241,515,654



## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**22 Financial investments** (Continued)**(c) Financial investments measured at amortised cost** (Continued)

Note:

- (i) As at 31 December 2021 and 2020, certain debt securities were pledged for borrowings from the central bank and financial assets sold under repurchase agreements (Note 50(e)).
- (ii) Movements of provision for impairment losses of financial investments measured at amortised cost is as follows:

	Year ended 31 December 2021			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at 1 January	1,247,621	3,725,889	4,945,739	9,919,249
Transfers:				
– to lifetime expected credit losses credit-impaired	(49,891)	(440,000)	489,891	–
(Reversal)/charge for the year	(451,965)	1,765,246	326,496	1,639,777
Exchange differences and other	(3,747)	–	–	(3,747)
<b>Balance at 31 December</b>	<b>742,018</b>	<b>5,051,135</b>	<b>5,762,126</b>	<b>11,555,279</b>

	Year ended 31 December 2020			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at 1 January	1,313,800	406,945	1,483,563	3,204,308
Transfers:				
– to lifetime expected credit losses not credit-impaired	(324,820)	324,820	–	–
– to lifetime expected credit losses credit-impaired	–	(243,157)	243,157	–
Charge for the year	261,798	3,237,281	3,369,205	6,868,284
Transfer out	–	–	(150,186)	(150,186)
Exchange differences and other	(3,157)	–	–	(3,157)
<b>Balance at 31 December</b>	<b>1,247,621</b>	<b>3,725,889</b>	<b>4,945,739</b>	<b>9,919,249</b>

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 23 Interest in associate

	Note	31 December	
		2021	2020
Interest in associate	(a)	–	–

Notes:

- (a) The following list contains the Bank's associate, which is immaterial to the Bank and is an unlisted corporate entity whose quoted market price is not available:

Name	Percentages of Equity/voting rights		Place of incorporation/ registration	Business sector
	31 December 2021	31 December 2020		
Hawtai Motor Finance Co., Ltd. ("Hawtai Motor Finance")	10%	10%	Tianjin, China	Motor Finance

The following tables illustrate the information of the Bank's associate that is not material:

	31 December	
	2021	2020
Carrying amount of immaterial associate in the statements of financial position of the Bank	–	–
Amounts of the Bank's share of results of this associate		
– Losses from continuing operations	–	–
– Total comprehensive losses	–	–

- (b) As at 31 December 2021 and 2020, the Bank has not recognised share of losses totalling RMB89 million and RMB81 million in relation to its interest in the associate, because the Bank has no obligation in respect of this losses.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 24 Property and equipment

	Premises	Leasehold improvements	Operating equipment	Motor vehicles	Construction in progress	Total
<b>Cost</b>						
As at 1 January 2020	3,875,984	680,967	1,248,123	80,471	362,877	6,248,422
Additions	–	73,459	147,150	4,468	98,235	323,312
Transfers	–	–	97,299	–	(97,299)	–
Disposals	–	(21,960)	(24,795)	(2,784)	–	(49,539)
As at 31 December 2020	3,875,984	732,466	1,467,777	82,155	363,813	6,522,195
As at 1 January 2021	<b>3,875,984</b>	<b>732,466</b>	<b>1,467,777</b>	<b>82,155</b>	<b>363,813</b>	<b>6,522,195</b>
Additions	–	<b>170,026</b>	<b>213,383</b>	<b>6,438</b>	<b>34,318</b>	<b>424,165</b>
Transfers	–	–	<b>3,596</b>	–	<b>(3,596)</b>	–
Disposals	–	<b>(10,565)</b>	<b>(33,874)</b>	<b>(1,414)</b>	–	<b>(45,853)</b>
As at 31 December 2021	<b>3,875,984</b>	<b>891,927</b>	<b>1,650,882</b>	<b>87,179</b>	<b>394,535</b>	<b>6,900,507</b>
<b>Accumulated depreciation</b>						
As at 1 January 2020	(984,204)	(526,144)	(873,266)	(60,597)	–	(2,444,211)
Charge for the year	(185,892)	(108,503)	(178,605)	(6,652)	–	(479,652)
Disposals	–	4,550	24,627	2,645	–	31,822
As at 31 December 2020	(1,170,096)	(630,097)	(1,027,244)	(64,604)	–	(2,892,041)
As at 1 January 2021	<b>(1,170,096)</b>	<b>(630,097)</b>	<b>(1,027,244)</b>	<b>(64,604)</b>	–	<b>(2,892,041)</b>
Charge for the year	<b>(185,892)</b>	<b>(97,705)</b>	<b>(173,374)</b>	<b>(6,181)</b>	–	<b>(463,152)</b>
Disposals	–	<b>9,775</b>	<b>29,472</b>	<b>1,343</b>	–	<b>40,590</b>
As at 31 December 2021	<b>(1,355,988)</b>	<b>(718,027)</b>	<b>(1,171,146)</b>	<b>(69,442)</b>	–	<b>(3,314,603)</b>
<b>Net book value</b>						
As at 31 December 2020	2,705,888	102,369	440,533	17,551	363,813	3,630,154
As at 31 December 2021	<b>2,519,996</b>	<b>173,900</b>	<b>479,736</b>	<b>17,737</b>	<b>394,535</b>	<b>3,585,904</b>

The net book values of premises as at the end of the Reporting Period are analysed by the remaining terms of the leases as follows:

	31 December	
	2021	2020
Held in Mainland China		
– Medium-term leases (10 – 50 years)	<b>2,519,996</b>	2,705,888

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**25 Deferred tax assets****(a) Analysed by nature**

	31 December 2021		31 December 2020	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets				
– Allowance for impairment losses	<b>36,569,536</b>	<b>9,142,384</b>	30,931,922	7,732,980
– Fair value changes	<b>5,508,869</b>	<b>1,377,217</b>	688,360	172,090
– Accrued salary cost	<b>4,517,403</b>	<b>1,129,351</b>	4,061,016	1,015,254
– Provisions	<b>521,039</b>	<b>130,260</b>	1,048,631	262,158
– Others	<b>801,225</b>	<b>200,306</b>	145,175	36,294
	<b>47,918,072</b>	<b>11,979,518</b>	36,875,104	9,218,776
Deferred income tax liability				
– Fair value changes	<b>(3,826,772)</b>	<b>(956,693)</b>	(1,879,299)	(469,825)
– Others	<b>(397,876)</b>	<b>(99,469)</b>	(337,333)	(84,333)
	<b>(4,224,648)</b>	<b>(1,056,162)</b>	(2,216,632)	(554,158)
Net balances	<b>43,693,424</b>	<b>10,923,356</b>	34,658,472	8,664,618

**(b) Movements of deferred tax**

	Allowance for impairment losses Note (i)	Fair value changes Note (ii)	Others	Net balance of deferred tax assets
As at 1 January 2020	5,669,013	(387,824)	1,083,902	6,365,091
Recognised in profit or loss	2,063,967	(55,296)	145,471	2,154,142
Recognised in other comprehensive income	–	145,385	–	145,385
As at 31 December 2020	7,732,980	(297,735)	1,229,373	8,664,618
Recognised in profit or loss	1,409,404	(226,538)	131,075	1,313,941
Recognised in other comprehensive income	–	944,797	–	944,797
As at 31 December 2021	<b>9,142,384</b>	<b>420,524</b>	<b>1,360,448</b>	<b>10,923,356</b>

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**25 Deferred tax assets** (Continued)**(b) Movements of deferred tax** (Continued)

Notes:

- (i) The Bank made provision for impairment losses on loans and advances to customers and other assets. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at 31 December 2021 and 2020, together with write-offs which fulfil specific criteria as set out in the PRC tax rules and are approved by the tax authorities.
- (ii) Net gains or losses on fair value changes of financial instruments are subject to income tax when realized.

**26 Right-of-use assets**

	Premises	Others	Total
<b>Cost</b>			
As at 1 January 2020	4,714,042	26,802	4,740,844
Additions	925,836	207	926,043
As at 31 December 2020	5,639,878	27,009	5,666,887
As at 1 January 2021	<b>5,639,878</b>	<b>27,009</b>	<b>5,666,887</b>
Additions	<b>1,150,945</b>	<b>949</b>	<b>1,151,894</b>
Disposals	<b>(570,339)</b>	<b>(12,781)</b>	<b>(583,120)</b>
As at 31 December 2021	<b>6,220,484</b>	<b>15,177</b>	<b>6,235,661</b>
<b>Accumulated depreciation</b>			
As at 1 January 2020	(815,430)	(4,470)	(819,900)
Charge for the year	(867,596)	(2,637)	(870,233)
As at 31 December 2020	(1,683,026)	(7,107)	(1,690,133)
As at 1 January 2021	<b>(1,683,026)</b>	<b>(7,107)</b>	<b>(1,690,133)</b>
Charge for the year	<b>(855,549)</b>	<b>(2,018)</b>	<b>(857,567)</b>
Disposals	<b>229,817</b>	<b>3,924</b>	<b>233,741</b>
As at 31 December 2021	<b>(2,308,758)</b>	<b>(5,201)</b>	<b>(2,313,959)</b>
<b>Net book value</b>			
As at 31 December 2020	3,956,852	19,902	3,976,754
As at 31 December 2021	<b>3,911,726</b>	<b>9,976</b>	<b>3,921,702</b>

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**27 Other assets**

	Note	31 December	
		2021	2020
Interest receivable	(a)	<b>2,005,270</b>	1,370,954
Investment funds payment		<b>2,000,000</b>	–
Land use rights	(b)	<b>414,711</b>	429,437
Fees and commission receivable		<b>313,287</b>	317,244
Prepayments		<b>212,774</b>	156,789
Intangible assets	(c)	<b>174,293</b>	147,017
Amount pending for settlement		<b>154,099</b>	410,712
Guarantee deposits		<b>150,835</b>	129,844
Long-term deferred expenses		<b>3,702</b>	1,860
Others		<b>497,595</b>	590,833
Sub-total		<b>5,926,566</b>	3,554,690
Less: Allowances for impairment losses		–	–
Total		<b>5,926,566</b>	3,554,690

**(a) Interest receivable**

	31 December	
	2021	2020
Interests receivables arising from:		
Financial investments	<b>1,277,405</b>	1,110,311
Loans and advances to customers	<b>727,865</b>	260,643
Total	<b>2,005,270</b>	1,370,954

As at 31 December 2021 and 2020, interest receivable only includes interest that has been due for the relevant financial instruments but not yet received. Interest on financial instruments based on the effective interest method has been reflected in the balance of corresponding financial instruments.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**27 Other assets** (Continued)**(b) Land use rights**

	31 December	
	2021	2020
Located in Mainland China: 10 – 50 years	<b>414,711</b>	429,437

**(c) Intangible assets**

	Year ended 31 December	
	2021	2020
<b>Cost</b>		
As at 1 January	<b>515,276</b>	450,246
Additions for the year	<b>86,205</b>	65,575
Disposals for the year	<b>(84)</b>	(545)
As at 31 December	<b>601,397</b>	515,276
<b>Accumulated amortisation</b>		
As at 1 January	<b>(368,259)</b>	(314,768)
Charge for the year	<b>(58,910)</b>	(53,591)
Disposals for the year	<b>65</b>	100
As at 31 December	<b>(427,104)</b>	(368,259)
<b>Book value</b>		
As at 1 January	<b>147,017</b>	135,478
As at 31 December	<b>174,293</b>	147,017

**28 Borrowings from the central bank**

	31 December	
	2021	2020
Medium-term Lending Facility	<b>77,900,000</b>	70,600,000
Interests accrued	<b>946,876</b>	992,485
Total	<b>78,846,876</b>	71,592,485

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**29 Deposits from banks and other financial institutions**

Analysed by type of and location of counterparty

	31 December	
	2021	2020
Deposits in Mainland China		
– Banks	<b>113,225,298</b>	95,899,927
– Other financial institutions	<b>55,767,056</b>	33,762,362
Sub-total	<b>168,992,354</b>	129,662,289
Deposits outside Mainland China		
– Other financial institutions	<b>1,139,921</b>	–
Sub-total	<b>1,139,921</b>	–
Interests accrued	<b>1,409,805</b>	611,070
Total	<b>171,542,080</b>	130,273,359

**30 Placements from banks and other financial institutions**

Analysed by type and location of counterparty

	31 December	
	2021	2020
Placements in Mainland China		
– Banks	<b>27,092,932</b>	11,113,200
– Other financial institutions	<b>1,000,000</b>	–
Sub-total	<b>28,092,932</b>	11,113,200
Placements outside Mainland China		
– Banks	<b>31,779,460</b>	20,618,686
Sub-total	<b>31,779,460</b>	20,618,686
Interests accrued	<b>326,353</b>	188,728
Total	<b>60,198,745</b>	31,920,614



## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**31 Financial assets sold under repurchase agreements****(a) Analysed by type and location of counterparty**

	31 December	
	2021	2020
In Mainland China		
– Banks	<b>66,834,971</b>	52,337,687
– Other financial institutions	<b>294,000</b>	–
Sub-total	<b>67,128,971</b>	52,337,687
Outside mainland China		
– Banks	<b>999,000</b>	–
Sub-total	<b>999,000</b>	–
Interests accrued	<b>71,139</b>	68,396
Total	<b>68,199,110</b>	52,406,083

**(b) Analysed by type of collateral held**

	31 December	
	2021	2020
Debt securities	<b>57,058,210</b>	41,103,700
Acceptance	<b>11,069,761</b>	11,233,987
Sub-total	<b>68,127,971</b>	52,337,687
Interests accrued	<b>71,139</b>	68,396
Total	<b>68,199,110</b>	52,406,083

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**32 Deposits from customers**

	31 December	
	2021	2020
Demand deposits		
– Corporate customers	<b>175,579,642</b>	187,615,249
– Individual customers	<b>47,169,584</b>	20,467,078
Sub-total	<b>222,749,226</b>	208,082,327
Time deposits		
– Corporate customers	<b>380,549,788</b>	288,674,152
– Individual customers	<b>87,761,951</b>	81,475,122
Sub-total	<b>468,311,739</b>	370,149,274
Pledged deposits		
– Acceptances	<b>38,735,191</b>	96,075,072
– Letters of credit and guarantees	<b>33,111,255</b>	32,303,279
– Letters of guarantees	<b>4,498,172</b>	5,788,720
– Others	<b>52,955,029</b>	34,122,644
Sub-total	<b>129,299,647</b>	168,289,715
Fiscal deposits	<b>138,608</b>	119,136
Inward and outward remittances	<b>89,937</b>	85,331
Interests accrued	<b>15,331,508</b>	11,510,011
Total	<b>835,920,665</b>	758,235,794

**33 Debt securities issued**

	Note	31 December	
		2021	2020
Interbank deposits issued	(a)	<b>176,076,608</b>	165,340,725
Financial bonds issued	(b)	<b>52,958,797</b>	57,951,340
Tier 2 capital debts issued	(c)	<b>8,989,126</b>	–
Medium term notes	(d)	<b>1,902,460</b>	–
Subordinate bonds issued	(e)	<b>947,345</b>	947,004
Sub-total		<b>240,874,336</b>	224,239,069
Interests accrued		<b>1,723,728</b>	915,021
Total		<b>242,598,064</b>	225,154,090

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 33 Debt securities issued *(Continued)*

Notes:

- (a) Interbank deposit issued
- (i) For the year ended 31 December 2021, the Bank issued a number of certificates of interbank deposit with total nominal amount of RMB374,570 million with duration between 1 to 12 months. The effective interest rates ranged from 2.35% to 3.28% per annum.
  - (ii) For the year ended 31 December 2020, the Bank issued a number of certificates of interbank deposit with total nominal amount of RMB344,600 million with duration between 1 to 12 months. The effective interest rates ranged from 1.20% to 3.50% per annum.
  - (iii) As at 31 December 2021 and 2020, the fair value of interbank deposits issued was RMB174,787 million and RMB164,185 million, respectively.
- (b) Financial bonds issued
- (i) On 26 April 2021, the Bank issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 3.53%.
  - (ii) On 6 April 2021, the Bank issued three-year financial bonds with face value of RMB15,000 million. The coupon interest rate per annum is 3.55%.
  - (iii) On 18 August 2020, the Bank issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 3.55%.
  - (iv) On 17 February 2020, the Bank issued three-year financial bonds with face value of RMB8,000 million. The coupon interest rate per annum is 3.24%.
  - (v) On 13 January 2020, the Bank issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 3.47%.
  - (vi) On 5 November 2018, the Bank issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 4.07%. The bank has redeemed all of the bonds at face value on 7 November 2021.
  - (vii) On 26 October 2018, the Bank issued three-year financial bonds with face value of RMB20,000 million. The coupon interest rate per annum is 4.09%. The bank has redeemed all of the bonds at face value on 30 October 2021.
  - (viii) As at 31 December 2021 and 2020, the fair value of financial bonds issued was RMB53,188 million and RMB58,083 million, respectively.
- (c) Tier 2 capital debts issued
- (i) On 15 January 2021, the Bank issued ten-year fixed interest rate tier 2 capital debts with face value of RMB9,000 million. The coupon interest rate per annum is 4.40%. According to the issuance terms, the Bank has an option to redeem all the debts at face value on the last day of the fifth year.
  - (ii) As at 31 December 2021 and 2020, the fair value of tier 2 capital debts issued was RMB9,060 million and nil, respectively.
- (d) Medium term notes
- (i) On 3 November 2021, the Hongkong branch issued three-year financial bonds with face value of USD300 million. The coupon interest rate per annum is 1.50%.
  - (ii) As at 31 December 2021 and 2020, the fair value of medium term notes issued was RMB1,870 million and nil, respectively.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 33 Debt securities issued (Continued)

Notes: (Continued)

(e) Subordinated bonds issued

- (i) On 20 July 2012, the Bank issued fifteen-year fixed interest rate subordinated bonds with face value of RMB950 million. The coupon interest rate per annum is 5.68%. According to the issuance terms, the Bank has the option to redeem all the bonds at face value on the last day of the tenth year.
- (ii) As at 31 December 2021 and 2020, the fair value of subordinated bonds issued was RMB963 million and RMB975 million, respectively.

As at 31 December 2021 and 2020, there were no defaults of principal and interest or other breaches with respect to these bonds. None of the above bonds were secured.

### 34 Lease liabilities

	31 December	
	2021	2020
Less than one year (inclusive)	963,220	925,050
One to two years (inclusive)	883,479	859,762
Two to three years (inclusive)	751,435	763,804
Three to five years (inclusive)	1,007,109	1,137,742
More than five years	926,920	813,700
Undiscounted lease liabilities	4,532,163	4,500,058
Ending balance of lease liabilities	4,047,564	4,136,314

### 35 Other liabilities

	Note	31 December	
		2021	2020
Accrued staff cost	(a)	4,711,117	4,257,490
Payment and collection clearance accounts		4,033,774	5,645,377
Amount to be settled and cleared		1,562,943	471,656
Other taxes payable		827,887	879,618
Provisions	(b)	521,039	1,048,631
Contract liabilities	(c)	165,263	140,479
Others		717,654	1,096,736
Total		12,539,677	13,539,987

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**35 Other liabilities** (Continued)**(a) Accrued staff cost**

	31 December	
	2021	2020
Salary, bonuses and allowances payable	<b>4,354,559</b>	3,883,565
Pension and annuity payable	<b>14,112</b>	15,149
Other social insurance payable	<b>7,151</b>	11,045
Housing fund payable	<b>5,914</b>	39,031
Others	<b>329,381</b>	308,700
<b>Total</b>	<b>4,711,117</b>	4,257,490

**(b) Provisions**

	Note	31 December	
		2021	2020
Provision for credit commitment losses	(i)	<b>478,795</b>	1,006,387
Expected litigation losses		<b>42,244</b>	42,244
<b>Total</b>		<b>521,039</b>	1,048,631

**(i) Movements of provisions for credit commitment losses is as follows:**

	Year ended 31 December 2021			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January 2021	<b>861,465</b>	<b>144,264</b>	<b>658</b>	<b>1,006,387</b>
Reversal for the year	<b>(381,940)</b>	<b>(143,744)</b>	<b>(20)</b>	<b>(525,704)</b>
Exchange differences and other	<b>(1,888)</b>	–	–	<b>(1,888)</b>
<b>Balance at 31 December 2021</b>	<b>477,637</b>	<b>520</b>	<b>638</b>	<b>478,795</b>

	Year ended 31 December 2020			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January 2020	730,049	36,935	1,396	768,380
Charge/(reversal) for the year	132,801	107,329	(738)	239,392
Exchange differences and other	(1,385)	–	–	(1,385)
<b>Balance at 31 December 2020</b>	<b>861,465</b>	<b>144,264</b>	<b>658</b>	<b>1,006,387</b>

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 35 Other liabilities (Continued)

#### (c) Contract liabilities

As at 31 December 2021 and 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Bank's existing contracts are approximately RMB165 million and RMB140 million, respectively. This amount represents income expected to be recognised in the future from agency, custody, guarantee and acceptance services. The Bank will recognise the expected income in future as the services are provided.

### 36 Share capital

#### Issued share capital

Share capital of the Bank as at 31 December 2021 and 2020 represented share capital of the Bank, which is fully paid.

	31 December	
	2021	2020
Number of shares issued and fully paid at par value of RMB1 each (in thousand)	<b>17,762,000</b>	17,762,000

### 37 Other equity intrusments

#### Undated capital bonds

##### (a) Outstanding undated capital bonds at 31 December 2021

Financial Instrument outstanding	Issue date	Accounting classification	Distribution rate	Issue price	Amount (million shares)				
						In RMB	Maturity	Conversion condition	Conversion
Undated Capital Bonds	11 September 2019	Equity	4.75%	100RMB/Share	200	20,000,000	None	No	No
Total						20,000,000			
Less: Issue fees						(38,396)			
Book value						19,961,604			

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 37 Other equity intrusments *(Continued)*

#### Undated capital bonds *(Continued)*

##### *(b) Main Clauses*

##### *(i) Principal Amount*

RMB20 billion.

##### *(ii) Maturity Date*

The Bonds will continue to be outstanding so long as the Issuer's business continues to operate.

##### *(iii) Distribution Rate*

The distribution rate of the Bonds will be adjusted at defined intervals, with a distribution rate adjustment period every 5 years since the payment settlement date. In any distribution rate adjusted period, the Distribution Payments on the Bonds will be paid at a prescribed fixed distribution rate. The distribution rate at the time of issuance is determined by way of book building running and centralised allocation.

The distribution rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of 5 trading days prior to the Announcement Date of the Subscription Agreement, as indicated by the yield to maturity curve of applicable 5-year China government Notes (rounded up to 0.01%) published on [www.ChinaBond.com.cn](http://www.ChinaBond.com.cn) (or other websites approved by the China Central Depository & Clearing Co., Ltd.). The fixed spread is the difference between the distribution rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

The Bonds will not have any distribution rate step up nor any other incentive to redeem.

##### *(iv) Conditional Redemption Rights of the Issuer*

The Bonds Issuance sets conditional redemption rights for the Issuer. From the fifth anniversary since the Issuance of the Bonds, the Issuer may redeem the Bonds in whole or in part on each distribution payment date (including the fifth distribution payment date since the Issuance). If, after the Issuance, the Bonds no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Issuer may redeem all but not some only of the Bonds.

##### *(v) Subordination*

The claims in respect of the Bonds, in the event of the liquidation of the Issuer, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness; shall rank in priority to all classes of shares held by the Issuer's shareholders and rank pari passu with the claims in respect of any other Additional Tier 1 Capital instruments of the Issuer that rank pari passu with the Bonds. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 37 Other equity intrusments *(Continued)*

#### Undated capital bonds *(Continued)*

##### *(b) Main Clauses (Continued)*

##### *(vi) Distribution Payment*

The distribution of the Bonds will be payable annually. The distribution payment date of the Bonds shall be 16 September of each year. If any distribution payment date falls on a day which is an official holiday or non-business day in the PRC, it shall be postponed to the subsequent business day. Such postponed distributions shall not bear interest. The Issuer shall have the right to cancel, in whole or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Issuer will take into full consideration the interest of the Bonds' holders. The Issuer may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the Bonds, no matter in whole or in part, will not impose any other restriction on the Issuer, except in relation to dividend distributions to ordinary shares. Any cancellation of any distribution on the Notes, no matter in whole or in part, will require the deliberation and approval of the general shareholders meeting. And the Issuer shall give notice to the investors on such cancellation in a timely manner.

##### *(vii) Put Option*

The holder of the Bonds do not have any put option to sell back the Bonds to the Issuer.

##### *(viii) Write – down/write – off Clauses*

Upon the occurrence of an Additional Tier 1 Capital Trigger Event, namely, the Issuer's Core Tier 1 Capital Adequacy Ratio having fallen to 5.125% (or below), the Issuer has the right, subject to the approval of the China Banking and Insurance Regulatory Commission ("CBIRC") but without the need for the consent of the Bond holders, to write down all or part of the aggregate amount of the Bonds then issued and outstanding, in order to restore the Core Tier 1 Capital Adequacy Ratio to above 5.125%. In the case of a partial write-down, all of the Bonds then issued and outstanding shall be written down on a prorata basis, according to the outstanding par value, with all other Additional Tier 1 Capital instruments with equivalent write-down clauses of the Issuer. The Bonds may be subject to write-down more than once, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Issuer to above 5.125%.

Upon the occurrence of a Tier 2 Capital Trigger Event, the Issuer has the right to write off in whole, without the need for the consent of Bond holders, the aggregate principal amount of the Bonds then issued and outstanding according to the outstanding par value. A Tier 2 Capital Trigger Event refers to the earlier of the following events: (a) CBIRC having decided that the Issuer would become non-viable without a write-off; (b) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable. Upon write-off of the Bonds, such Bonds are to be permanently cancelled and will not be restored under any circumstances.



## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**38 Other comprehensive income**

	Year ended 31 December	
	2021	2020
Items that will not be reclassified to profit or loss:		
<i>Changes in fair value of equity instruments designated as at fair value through other comprehensive income</i>		
As at 1 January	–	–
Changes in fair value recognised in other comprehensive income	<b>(4,483,059)</b>	–
Less: deferred tax	<b>1,120,765</b>	–
As at 31 December	<b>(3,362,294)</b>	–
Items that may be reclassified subsequently to profit or loss:		
<i>Changes in fair value of financial assets measured at fair value through other comprehensive income</i>		
As at 1 January	<b>(111,526)</b>	324,471
Changes in fair value recognised in other comprehensive income	<b>714,594</b>	(712,756)
Transfer to profit or loss upon disposal	<b>(10,936)</b>	131,427
Less: deferred tax	<b>(175,915)</b>	145,332
As at 31 December	<b>416,217</b>	(111,526)
<i>Credit losses of financial assets measured at fair value through other comprehensive income</i>		
As at 1 January	<b>149,764</b>	645,022
Impairment losses recognised in other comprehensive income	<b>(25,690)</b>	(660,343)
Less: deferred tax	<b>6,422</b>	165,085
As at 31 December	<b>130,496</b>	149,764
<i>Charge/(reserve) from cash flow hedging instruments</i>		
As at 1 January	<b>(160)</b>	–
Gains during the year recognised in other comprehensive income	–	(213)
Transfer to profit or loss upon disposal	<b>213</b>	–
Less: deferred tax	<b>(53)</b>	53
As at 31 December	–	(160)
Exchange difference on translating foreign operations		
As at 31 December	<b>1,952</b>	–

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 39 Reserves

#### (a) Capital reserve

	31 December	
	2021	2020
Share premium	<b>10,732,077</b>	10,732,077

#### (b) Surplus reserve

Pursuant to the Company Law of the PRC and the Article of Association of the Bank, the Bank is required to appropriate 10% of its net profit as on an annual basis determined under the People's Republic of China Generally Accepted Accounting Principles (PRC GAAP) after making good prior year's accumulated loss, to statutory surplus reserve until the balance reaches 50% of its registered capital.

The Bank appropriated an amount of approximately RMB863 million and RMB859 million to the surplus reserve for 2021 and 2020, respectively.

#### (c) General reserve

Pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)" issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis. The balance of the general reserve of the Bank amounted to approximately RMB19,497 million and RMB17,665 million as at 31 December 2021 and 2020, respectively.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 40 Retained earnings

#### Appropriation of profits

On 29 March 2022, Board of Directors proposed the following profit distribution scheme for the year ended 31 December 2021:

- Appropriation of statutory surplus reserve base on 10% of the net profit under the PRC GAAP;
- Appropriation of general reserve to 1.5% of the ending balance of the gross risk-bearing assets amounted to approximately RMB1,832 million; and
- Declaration of cash dividend in an aggregation amount of approximately RMB1,545 million to all existing ordinary equity holders.

Above proposed profit distribution scheme is subject to the approval of the shareholders in the annual general Meeting. Cash dividends will be distributed to all shareholders registered at the relevant date upon approval.

In accordance with the resolution at the Bank's Annual General Meeting on 17 May 2021, the shareholders approved the following profit appropriations for the year ended 31 December 2020:

- Appropriation of statutory surplus reserve base on 10% of the net profit under the PRC GAAP;
- Appropriation of general reserve to 1.5% of the ending balance of the gross risk-bearing assets amounted to approximately RMB3,583 million; and
- Declaration of cash dividend in an aggregation amount of approximately RMB1,510 million to all existing ordinary equity holders.

#### Interests for Undated Capital Bonds

The Bank declared and distributed the interest on the 2020 Undated Capital Bonds amounting to RMB950 million on 16th September 2021.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**41 Involvement with unconsolidated structured entities****(a) Structured entities sponsored by third party institutions in which the Bank holds an interest:**

The Bank holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include the investment management products under trust schemes, wealth management products under trust schemes issued by financial institutions and investment funds. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Bank in unconsolidated structured entities, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised as at 31 December 2021 and 2020:

	31 December 2021		31 December 2020	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Financial investments measured at fair value through profit or loss	<b>83,643,353</b>	<b>83,643,353</b>	62,030,058	62,030,058
Financial investments measured at fair value through other comprehensive income	–	–	962,971	962,971
Financial investments measured at amortised cost	<b>115,719,153</b>	<b>116,995,963</b>	104,608,861	105,714,077
<b>Total</b>	<b>199,362,506</b>	<b>200,639,316</b>	167,601,890	168,707,106

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 41 Involvement with unconsolidated structured entities *(Continued)*

#### **(b) Structured entities sponsored by the Bank which the Bank does not consolidate but holds an interest in:**

The types of unconsolidated structured entities sponsored by the Bank include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Bank includes investments in units issued by these structured entities and fees charged by providing management services. As at 31 December 2021 and 2020, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised are not material to the Bank's financial positions.

For the years ended 31 December 2021 and 2020, the amount of fee and commission income from the abovementioned structured entities by the Bank amounted to RMB1,262 million and RMB2,414 million, respectively.

As at 31 December 2021 and 2020, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Bank, were RMB196,067 million and RMB213,174 million, respectively.

#### **(c) Unconsolidated structure entities sponsored by the Bank during the year which the Bank does not have an interest in as at 31 December 2021 and 2020:**

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Bank after 1 January 2021 but matured before 31 December 2021 was RMB133,527 million and the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Bank after 1 January 2020 but matured before 31 December 2020 was RMB163,492 million.

### 42 Transferred financial assets

The Bank enters into transactions in the normal course of business whereby it transfers recognised financial assets to third parties or to structured entities. In some cases these transfers may give rise to full or partial de-recognition of the financial assets concerned. In other cases where the transferred assets do not qualify for de-recognition as the Bank retains substantially all the risks and rewards of these assets, the Bank continues to recognise the transferred assets.

The Bank enters into transactions by which it transfers loans to structured entities and transfer the trust beneficiary rights to investors. The Bank assessed among other factors, whether or not to derecognise the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished control over these assets.

In 2021, the amount at the time of transfer of the credit assets and placements from banks and other financial institutions were RMB2,555 million (2020: RMB0 million). These transactions were all qualified for full de-recognition.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 43 Capital management

The Bank implements a comprehensive capital management framework, covering the management of the regulated capital, economic capital and book capital, particularly the capital compliance management, capital planning, allocation and evaluation.

In setting its capital adequacy objective, the Bank considers regulatory requirements, external rating objective and its own risk preference, so as to protect the interest of its customers and creditors, maximize the value of shareholders and meet all regulatory requirements on capital management.

The Bank calculates capital adequacy ratios in accordance with the "Regulation Governing Capital of Commercial Banks (Provisional)" promulgated by the former CBRC and related regulatory requirements. In calculating its capital adequacy ratios, the Bank considers all its domestic and overseas branches and sub-branches and financial institution subsidiaries (excluding insurance companies).

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. The credit risk weighted assets of counterparties in over-the-counter derivatives transactions are the sum of default risk weighted assets of counterparties and credit-adjusted risk-weighted assets. Market risk-weighted assets are calculated using the standardized approach. Operational risk-weighted assets are calculated using basic indicator approach.

The former CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)". For domestic systemically important banks, minimum core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should reach 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, the minimum ratios for core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively. During the year, the Bank has complied in full with all its externally imposed capital requirements.

The Bank calculates its core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio in accordance with the former CBRC's "Regulation Governing Capital of Commercial Banks (Provisional)" and relevant requirements. The capital adequacy ratios and related components of the Bank illustrated below are computed based on the Bank's statutory financial statements prepared in accordance with PRC GAAP.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**43 Capital management** (Continued)

The Bank's capital adequacy ratios at 31 December 2021 and 2020 calculated in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the former CBRC are as follows:

	31 December	
	2021	2020
Total core tier 1 capital		
– Share capital	<b>17,762,000</b>	17,762,000
– Qualifying portion of capital reserve	<b>10,752,077</b>	10,752,077
– Surplus reserve	<b>6,731,609</b>	5,868,637
– General reserve	<b>19,496,787</b>	17,664,811
– Other comprehensive income	<b>(2,813,629)</b>	38,078
– Retained earnings	<b>34,673,629</b>	31,487,086
Core tier 1 capital	<b>86,602,473</b>	83,572,689
Core tier 1 capital deductions	<b>(2,454,831)</b>	(468,892)
Net core tier 1 capital	<b>84,147,642</b>	83,103,797
Other tier 1 capital	<b>19,961,604</b>	19,961,604
Net tier 1 capital	<b>104,109,246</b>	103,065,401
Tier 2 capital		
– Instruments issued and share premium	<b>9,397,688</b>	817,124
– Surplus provision for loan impairment	<b>5,997,063</b>	9,239,253
Tier 2 capital deductions	–	–
Tier 2 capital	<b>15,394,751</b>	10,056,377
Net capital base	<b>119,503,997</b>	113,121,778
Total risk weighted assets	<b>967,783,914</b>	936,106,790
Core tier 1 capital adequacy ratio	<b>8.69%</b>	8.88%
Tier 1 capital adequacy ratio	<b>10.76%</b>	11.01%
Capital adequacy ratio	<b>12.35%</b>	12.08%

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**44 Notes to the cash flow statement****(a) Net increase in cash and cash equivalents**

	31 December	
	2021	2020
Cash and cash equivalents as at 31 December	<b>76,843,021</b>	64,755,129
Less: Cash and cash equivalents as at 1 January	<b>64,755,129</b>	42,694,864
Net increase in cash and cash equivalents	<b>12,087,892</b>	22,060,265

**(b) Cash and cash equivalents**

	31 December	
	2021	2020
Cash on hand	<b>443,231</b>	433,044
Deposits with central bank other than restricted deposits	<b>48,243,464</b>	33,092,724
Deposits with banks and other financial institutions	<b>27,107,635</b>	27,286,406
Placements with banks and other financial institutions	<b>1,048,691</b>	3,942,955
Total	<b>76,843,021</b>	64,755,129



## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 44 Notes to the cash flow statement (Continued)

## (c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Bank's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Bank's cash flow statement as cash flows from financing activities.

	Debt securities issued (Note 33)	Interest accrued arising from debt securities issued (Note 33)	Dividends payable (Note 40)	Lease liabilities (Note 34)	Total
As at 1 January 2021	224,239,069	915,021	-	4,136,314	229,290,404
Changes from financing cash flows					
Net proceeds from new debt securities issued	405,497,295	-	-	-	405,497,295
Repayment of debt securities issued	(389,013,679)	-	-	-	(389,013,679)
Interest paid on debt securities issued	(4,857,286)	(2,277,506)	-	-	(7,134,792)
Dividends payments to equity and other equity instruments holders	-	-	(2,459,770)	-	(2,459,770)
Payment of lease liabilities interest	-	-	-	(141,067)	(141,067)
Repayment of lease liabilities	-	-	-	(870,432)	(870,432)
Total changes from financing cash flows	11,626,330	(2,277,506)	(2,459,770)	(1,011,499)	5,877,555
Other changes					
Interest expense (Note 6)	5,008,937	3,086,213	-	-	8,095,150
Dividend distribution to other equity instruments holders	-	-	2,459,770	-	2,459,770
Addition of lease liabilities	-	-	-	922,749	922,749
Total other changes	5,008,937	3,086,213	2,459,770	922,749	11,477,669
As at 31 December 2021	240,874,336	1,723,728	-	4,047,564	246,645,628

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 44 Notes to the cash flow statement (Continued)

## (c) Reconciliation of liabilities arising from financing activities (Continued)

	Debt securities issued (Note 33)	Interest accrued arising from debt securities issued (Note 33)	Dividends payable (Note 40)	Lease liabilities (Note 34)	Total
As at 1 January 2020	195,900,075	703,768	–	3,956,296	200,560,139
Changes from financing cash flows					
Net proceeds from new debt securities issued	368,425,934	–	–	–	368,425,934
Repayment of debt securities issued	(341,414,057)	–	–	–	(341,414,057)
Interest paid on debt securities issued	(2,889,456)	(2,123,830)	–	–	(5,013,286)
Dividends paid	–	–	(950,000)	–	(950,000)
Payment of lease liabilities interest	–	–	–	(165,020)	(165,020)
Repayment of lease liabilities	–	–	–	(581,005)	(581,005)
Total changes from financing cash flows	24,122,421	(2,123,830)	(950,000)	(746,025)	20,302,566
Other changes					
Interest expense (Note 6)	4,216,573	2,335,083	–	–	6,551,656
Dividend distribution to other equity instruments holders	–	–	950,000	–	950,000
Addition of lease liabilities	–	–	–	926,043	926,043
Total other changes	4,216,573	2,335,083	950,000	926,043	8,427,699
As at 31 December 2020	224,239,069	915,021	–	4,136,314	229,290,404

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**45 Related parties****Related parties of the Bank****(a) The Bank's major shareholders**

Major shareholders include shareholders of the Bank with direct or indirect 5% or above shareholding, or with the right to appoint a director in the Bank.

Shareholding in the Bank:

	31 December	
	2021	2020
TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司)	<b>20.34%</b>	20.34%
Standard Chartered Bank (Hong Kong) Co., Ltd. (渣打銀行(香港)有限公司)	<b>16.26%</b>	16.26%
China Shipping Investment Co., Ltd. (中海集團投資有限公司)	<b>11.12%</b>	11.12%
State Development & Investment Corp., Ltd. (國家開發投資集團有限公司)	<b>9.49%</b>	9.49%
China Baowu Steel Group Corporation Limited (中國寶武鋼鐵集團有限公司)	<b>9.49%</b>	9.49%
Oceanwide Industry Co., Ltd. (泛海實業股份有限公司)	<b>7.72%</b>	7.72%
Tianjin Shanghui Investment Holding Company Limited (天津商匯投資(控股)有限公司)	<b>6.51%</b>	6.51%

**(b) Associate of the Bank**

The detailed information of the Bank's associate is set out in Note 23.

**(c) Other related parties**

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; entities (and their subsidiary) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 45(a) or their controlling shareholders.

**Related party transactions****(a) Pricing policy**

Transactions between the Bank and related parties are conducted in the normal course of its business and under normal commercial terms. The pricing policies are no more favourable than those offered to independent third parties.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**45 Related parties** (Continued)**Related party transactions** (Continued)**(b) Transactions with related parties other than key management personnel****(i) Transactions between the Bank and major shareholders:**

	Years ended 31 December	
	2021	2020
Transactions during the year		
Interest income	<b>170,314</b>	217,972
Interest expense	<b>51</b>	175
Operating expense	<b>2,229</b>	4,094

	31 December	
	2021	2020
Balances at end of the year		
Deposits with banks and other financial institutions	<b>1,588,105</b>	1,184,885
Loans and advances to customers	<b>3,442,294</b>	3,442,824
Deposits from customers	<b>967</b>	1,084
Other liabilities	<b>13,556</b>	38,454

**(ii) Transactions between the Bank and associate:**

	Years ended 31 December	
	2021	2020
Transactions during the year		
Interest expense	<b>34</b>	17

	31 December	
	2021	2020
Balances at end of the year		
Deposits from banks and other financial institutions	<b>4,273</b>	4,078

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**45 Related parties** (Continued)**Related party transactions** (Continued)**(b) Transactions with related parties other than key management personnel** (Continued)**(iii) Transactions between the Bank and other related parties:**

	Years ended 31 December	
	2021	2020
Transactions during the year		
Interest income	<b>733,077</b>	419,843
Fee and commission income	<b>41,930</b>	57,374
Net gains of investment securities	<b>13,724</b>	619
Interest expense	<b>81,077</b>	39,416
Operating expense	<b>21,589</b>	21,298
	31 December	
	2021	2020
Balances at end of the year		
Deposits with banks and other financial institutions	<b>4,361,792</b>	7,566,578
Loans and advances to customers	<b>11,303,133</b>	3,941,371
Financial investment	<b>3,178,452</b>	2,650,279
Derivative financial assets	<b>1,403</b>	723
Deposits from banks and other financial institutions	<b>4,062,382</b>	1,863,776
Deposits from customers	<b>1,117,170</b>	1,119,803
Derivative financial liabilities	<b>4,706</b>	1,765
Debt securities issued	<b>1,658,349</b>	374,041
Other liabilities	<b>192,794</b>	259,826
Derivative financial instruments-notional amount	<b>10,517,000</b>	4,123,088
Bank acceptances	<b>30,000</b>	236,942
Letters of guarantees	<b>50,348</b>	243
Letters of credit	<b>235,424</b>	31,920

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**45 Related parties** (Continued)**Related party transactions** (Continued)**(c) Key management personnel**

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Bank, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

**(i) Transactions between the Bank and key management personnel:**

	Years ended 31 December	
	2021	2020
Transactions during the year		
Interest income	30	136
Interest expense	44	8

	31 December	
	2021	2020
Balances at end of the year		
Loans and advances to customers	2	3,310
Deposits from customers	1,767	3,402

**(ii) Key management personnel compensation**

The aggregate compensation of key management personnel is listed as follows:

	Years ended 31 December	
	2021	2020
Key management personnel compensation	18,570	20,266

**(iii) Loans and advances to directors, supervisors and officers**

	31 December	
	2021	2020
Aggregate amount of relevant loans outstanding at the end of the year	2	3,302
Maximum aggregate amount of relevant loans outstanding during the year	3,302	3,302

There were no amount due but unpaid as at 31 December 2021 and 2020.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 Segment reporting

#### (a) Business segment

The Bank manages its business by business lines. Consistent with the way in which information is reported internally to the Bank's most senior executive management for the purposes of resource allocation and performance assessment, the Bank defines reporting segments based on the following operating segments:

##### *Corporate banking*

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade financing, deposit taking activities, agency services, wealth management services, consulting and advisory services, remittance and settlement services and guarantee services.

##### *Retail banking*

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans, deposit taking activities, personal wealth management services and remittance services.

##### *Financial market business*

This segment covers the Bank's treasury business operations. The financial markets business enters into inter-bank money market transactions, repurchases transactions, and investments. It also trades in debt securities. The financial markets business segment also covers management of the Bank's overall liquidity position, including the issuance of debts.

##### *Others*

These represent assets, liabilities, income and expenses which cannot directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Bank's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Intra-group balances and intra-group transactions are eliminated by segment income, expenses, assets and liabilities as part of the consolidation process. Segment capital expenditure is the total cost incurred during the years ended 31 December 2021 and 2020 to acquire property and equipment, intangible assets and other long-term assets.







## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 46 Segment reporting (Continued)

## (b) Geographical segment (Continued)

Central and Southern China includes Guangzhou Branch, Shenzhen Branch, Shenzhen Qianhai Branch, Hong Kong Branch, Changsha Branch, Wuhan Branch, Fuzhou Branch, Zhengzhou Branch, Xiamen Pilot Free Trade Zone Branch, Haikou Branch and Nanning Branch.

Western China includes Chengdu Branch, Xi'an Branch, Chongqing Branch, Guiyang Branch, Kunming Branch.

	Year ended 31 December 2021					
	Northern and Northeast China	Eastern China	Central and Southern China	Western China	Elimination	Total
Operating income						
External net interest income	10,392,049	5,605,610	6,088,167	3,093,473	-	25,179,299
Internal net interest income/(expense)	3,223,822	(719,800)	(1,154,076)	(1,349,946)	-	-
Net interest income	13,615,871	4,885,810	4,934,091	1,743,527	-	25,179,299
Net fee and commission income	1,404,765	593,465	136,127	103,440	-	2,237,797
Net trading gains	255,722	13,200	10,414	828	-	280,164
Net gains arising from investment securities	1,398,941	-	-	-	-	1,398,941
Other operating income	38,555	24,078	17,596	17,934	-	98,163
Operating income	16,713,854	5,516,553	5,098,228	1,865,729	-	29,194,364
Operating expenses	(5,717,715)	(2,133,549)	(1,870,087)	(491,221)	-	(10,212,572)
Provision for impairment losses on assets	(5,498,915)	(962,089)	(1,859,217)	(357,774)	-	(8,677,995)
Profit before taxation	5,497,224	2,420,915	1,368,924	1,016,734	-	10,303,797
Other segment information						
- Depreciation and amortisation	621,745	350,598	341,679	84,469	-	1,398,491
- Capital expenditure	291,267	92,055	97,427	35,514	-	516,263

	31 December 2021					
	Northern and Northeast China	Eastern China	Central and Southern China	Western China	Elimination	Total
Segment assets	1,079,592,520	273,981,004	283,043,201	96,123,646	(160,956,129)	1,571,784,242
Deferred tax assets						10,923,356
Total assets						1,582,707,598
Segment liabilities	991,565,776	270,660,714	280,049,691	94,823,469	(160,956,129)	1,476,143,521
Total liabilities						1,476,143,521
Credit commitment	110,137,278	93,609,922	77,184,375	17,846,484	-	298,778,059



## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 Risk management

The Bank has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

The Bank develops and continually improves risk management policies, limit system, control procedures and IT systems based on the latest changes in regulatory policies, market conditions and business development to analyze, identify, monitor and report various risks.

This note presents information about the Bank's exposure to each of the above risks and their sources, and the Bank's objectives, policies and procedures for measuring and managing these risks.

#### Risk management system

The Board of Directors of the Bank is responsible for the ultimate responsibility for comprehensive risk management. The Risk Management and Green Finance Committee of the Bank is set up under the Board of Directors, which is responsible to the Board of Directors. The Board of Supervisors of the Bank is responsible for the supervision of comprehensive risk management and is responsible for supervising the performance of the Board of Directors and senior management in risk management and the rectification. The senior management shall assume the responsibilities for implementing comprehensive risk management and implementing the resolutions of the Board of Directors.

The Bank has established a risk prevention system consisting of three lines of defense against each main risk to which it is exposed. The first line of defense is formed by various business departments at the head office, branches, and sub-branches of the Bank, who are directly responsible for the prevention of various types of risks. The second line of defense is business management departments of risk management line, Assets and Liabilities Management Department and Internal Control and Compliance Departments of the Bank, who take the lead in formulating the requisite policies and procedures, and supervising bank-wide risk management measures. The third line of defense is the Audit departments of the Bank, which are responsible for conducting independent valuation of risk management system and its implementation, and monitoring the effectiveness of risk management policies.

#### (a) Credit risk

Credit risk is one of the most important risks facing the business operations of the Bank. The Bank may be exposed to significant risks when all counterparties are concentrated in a single industry or region. This is mainly because the counterparties' concentration risk are subject to the same impact by the economic development of the region or industry in which they operate.

The Board of Directors of the Bank is responsible for ultimate responsibility for credit risk management and may authorize the Risk Management and Green Finance Committee to execute some of its functions. The Bank continues to improve the credit risk management system, credit risk management policies and tools, and the management process is gradually online and digital. The efficiency of credit approval is further improved, providing strategic support for the business development of the Bank.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 Risk management *(Continued)*

#### (a) Credit risk *(Continued)*

In terms of credit risk capacity building, the Bank implements unified credit management covering all legal clients, strengthens pre-loan access management, builds the mortgage management system, improves the public credit approval system, and promotes online and intelligent approval of retail inclusive business in an orderly manner.

In terms of credit risk system and policy, the Bank focuses on key areas of state support and green finance, develops tiered credit policies of "encourage, maintain, control and compress", and improve regional and industrial credit guidelines.

In terms of credit risk management tools, the Bank set up intelligent risk control decision-making platform and improve the real estate business decision support model and government debt paying ability evaluation model, improve customer rating and debt rating model, and promote risk intelligent risk identification ability including key risk point identification, financial report risk identification, external risk information integration application, customer risk profile and credit structure portfolio view.

#### ***Measurement of credit risk***

##### ***Loans and advances to customers and off-balance sheet credit commitments***

The Risk Management Department, Credit Review Department, Credit Monitoring Department and Retail Risk Management Department are jointly responsible for management of credit risks in various credit exposures, and the credit risk management for financial investments. For corporate credit, the Bank keeps itself closely informed of the clients' credit ratings through credit rating assessment using its client credit rating models and facility rating models, and applies the ratings in its loan reviews. Together with the early warning system which monitors the risk of a customer in real time, they are the basis of credit extension. The Bank uses facility rating to determine the loss given default for each credit facility and help its credit officers to balance the risks and rewards. With respect to retail credit business, the Bank analyses business characteristics and customer structure by the fintech, continuously improving credit scoring models and data mining and risk analysis of the historical performance of the borrowers, so as to gradually improve the effectiveness and efficiency of credit access, asset management, asset classification and impairment provisioning.

##### ***Deposits and placements with banks and other financial institutions and financial assets purchased under resale agreements***

The Bank adopts a centralized underwriting process in relation to approving credit limits for financial institution counterparties engaged in interbank placements, investment securities and securities under repurchase and resale agreements. The Bank assesses the credit risk of these counterparties adopting a quantitative and qualitative approach which collectively involves the assessment and review of their credit rating in the banking industry, customer base and profiles, management capabilities, business prospects, industry position, external environment, regulatory indicators and cooperation with the Bank and financial standing and performance etc.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 Risk management *(Continued)*

#### (a) Credit risk *(Continued)*

##### ***Measurement of credit risk (Continued)***

##### ***Debt investments and derivative financial instruments***

Before making investment in bonds issued by financial institutions or corporate bonds or before any dealing in financial derivatives with clients, the Bank conducts credit assessment on the issuers and the potential clients for dealing in derivative financial instruments. The Bank is also appropriately using external credit rating in assessing risk.

The credit risks in derivatives engaged by the Bank are mitigated mainly through margin deposits and credit facilities from banks.

Prior to approval, the Asset and Liability Management Department assess the potential future exposure ratio for settlement of foreign exchange on behalf of customers which is guaranteed by margin. The Credit Monitor Department is responsible for reviewing the specific business, specific operations are carried out in accordance with the business administrative measures.

##### ***Credit risk limit management***

##### ***Loans and advances to customers and off-balance sheet credit commitments***

The Bank takes effect credit scheme amount for the customers in accordance with the approval opinions. Meanwhile, the Bank reviews the approved conditions for the credit line, and monitors the use of the credit limit. Where clients provide collateral, credit limits shall be frozen or adjusted in a timely manner in responding to the change in value of the collateral in order to meet the approved conditions for the credit lines.

##### ***Debt investment and derivative trading***

The Bank activates credit limits for financial institutions based on credit approvals, and monitors the limits of debt investment and derivative trading of inter-bank or non-inter-bank customer based on relevant information such as bond investment and derivative product credit approvals and risk exposures.

##### ***Credit risk mitigation measures***

##### ***Collateral***

The credit policies of the Bank provide specific requirements on the acceptable collaterals and pledges, and set different rates for different collaterals and pledges based on their nature and extent of realization. The Bank sets out specific requirements for the qualifications of professional evaluation agencies. In addition, through credit risk management system, the Bank implements strict management on the collaterals and pledges and their ownership certificates to prevent the occurrence of operational risks.

If the decrease in value or quantity of collateral makes it insufficient for the actual value of the collateral to meet collateral rate, the Bank shall freeze the underlying credit program amounts, require the client to provide additional collateral or security deposit or return the corresponding credit lines.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 Risk management *(Continued)*

#### (a) Credit risk *(Continued)*

##### *Credit risk mitigation measures (Continued)*

##### *Collateral (Continued)*

In respect of real estate development loans, the Bank, by complying with relevant regulatory requirements, assesses the value of collateralized real estate properties based on their progress of construction, cost to resume and complete construction, expected time of completion, selling prices and reasonable discount rates to prevent over extension of credit. For real estate properties accepted for pledge, the Bank sets the minimum requirements on their completion.

The acceptable collateral includes financial collateral, real estate properties, accounts receivable and other collateral, mainly consisting of the following types:

- Cash and it equivalent
- Bills
- Stock
- State-owned construction land use right
- Residential real estate
- Commercial real estate
- Accounts receivable
- Vehicle
- Mechanical equipment
- Inventory
- Resource assets
- Intellectual property

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 Risk management *(Continued)*

#### (a) Credit risk *(Continued)*

##### *Credit risk mitigation measures (Continued)*

###### **Master netting arrangements**

The Bank and its counterparties enter into master netting arrangements for derivatives transactions to further reduce credit risk. Master netting arrangements may not lead to the offsetting between assets and liabilities on the statement of financial position, because the transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts are terminated and settled on a net basis.

The derivatives are mainly settled in accordance with the provisions of the International Swaps and Derivatives Association and the features of the products, using, in principle, the method that involves the lowest settlement risk.

###### **Credit commitments**

The main objective of credit commitments is to ensure that clients obtain the funds they need. The Bank makes irrevocable guarantee when it issues letters of guarantee, letters of credit and bank's acceptance bill, i.e., the Bank shall make repayments on behalf of the client if the client cannot meet its repayment obligations to a third party, and the Bank assumes the same credit risks as those of a loan, review should be done in strict compliance with the Bank's relevant requirements in conducting such business.

The Bank defines margin deposit as one of the risk mitigations and receives certain margin deposits when conducting relevant credit extension business, with the exception of certain creditworthy clients, to reduce the credit risk involved in providing this service. The margin deposit is collected at a certain percentage of the committed amount based on the credibility of the client.

###### **Impairment and provisioning policies**

Stages of risks in financial instrument

The financial assets are categorized by the Bank into the following stages to manage its financial assets' credit risk:

- Stage 1: Financial assets have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months expected credit losses.
- Stage 2: Financial assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.
- Stage 3: Financial assets that are in default and considered credit-impaired.



## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 Risk management *(Continued)*

#### (a) Credit risk *(Continued)*

##### *Credit risk mitigation measures (Continued)*

##### *Impairment and provisioning policies (Continued)*

Significant increase in credit risk

The Bank evaluates the whether the credit risk of related financial instruments at least on each date of statement of financial position has increased significantly since initial recognition. The Bank makes full use of all reasonable and supportable information, including forward-looking information, to reflect the significant changes in its credit risk when it conducts the classification of losses of financial instruments. Criteria include regulation and operation environment, internal and external credit ratings, solvency, ability to continue as a going concern, provisions of loan contract, and repayment activities etc. Based on a single financial instrument or a combination of financial instruments with similar credit risk characteristics, the Bank compares the risk of default of financial instruments on the date of statement of financial position to determine the change in default risk during the expected duration of financial instruments. The Bank judges whether the credit risk of a financial instrument has significantly increased since initial confirmation from the risk classification, risk overdue days, internal and external ratings, probability of default, and market price etc.

Definition of “default” and “credit-impaired assets”

When a financial asset is impaired, the Bank identifies the financial asset as a default. Generally speaking, if the financial asset is overdue for more than 90 days, it is considered as a default.

At each date of the statement of financial position, the Bank assesses whether financial assets carried at amortised cost and debt instruments at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the borrower’s financial difficulty, the Bank having granted to the borrower a concession that would not otherwise consider;

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 Risk management *(Continued)*

#### (a) Credit risk *(Continued)*

##### *Credit risk mitigation measures (Continued)*

##### *Impairment and provisioning policies (Continued)*

Definition of "default" and "credit-impaired assets" *(Continued)*

- it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties;
- purchase or source a financial asset at significant discount, which reflects that the financial asset is credit-impaired; or
- overdue more than 90 days.

The above criteria apply to all financial assets of the Bank and they are consistent with the definition of "default" adopted by the internal management of credit risk.

Measurement of expected credit losses ("ECL")

The Bank adopts ECL model to measure provision for loss of financial assets based on the stages categorised above.

The ECL is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The definitions of these terms are as follows:

- PD refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan;
- EAD is the amount that the Bank should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan;
- LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Bank. LGD varies according to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 Risk management *(Continued)*

#### (a) Credit risk *(Continued)*

##### *Credit risk mitigation measures (Continued)*

##### *Impairment and provisioning policies (Continued)*

##### Measurement of expected credit losses ("ECL") *(Continued)*

The Bank determines the ECL by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future years. The Bank multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). For the purpose of calculating the lifetime ECL, the Bank calculated the ECL of each period, and the results of calculation are then discounted to the date of statement of financial position and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime PD is deduced from using the maturity model or 12-month probability of default. The maturity model describes the development rule of the defaults of the asset portfolio over its lifetime. The model is developed based on historical observational data and applicable to all assets in the same portfolio with the same credit rating. The above method is supported by empirical analysis.

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different according to different types of products.

- In respect of the financial assets with instalment repayments and bullet repayment, the Bank determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on prediction of overlimit repayment and prepayments/refinancing made by the borrower.
- As to the off-balance sheet credit commitments, the parameter of EAD is calculated using the current exposure method, and obtained from multiplying the nominal amount of the off-balance sheet items on the date of statement of financial position by the credit conversion factor (CCF).
- The Bank determines the 12-month loss given default (LGD) and lifetime LGD based on the factors that affects post-default recovery. LGD for different product types are different.
- As to financial assets classified as guarantees, the Bank determines the loss given default (LGD) according to the types of collaterals and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.
- As to credit-based financial assets, the Bank usually determines loss given default (LGD) in the product level due to the limited differences in recoverable amounts from different borrowers.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 Risk management *(Continued)*

#### (a) Credit risk *(Continued)*

##### *Credit risk mitigation measures (Continued)*

##### *Impairment and provisioning policies (Continued)*

Measurement of expected credit losses ("ECL") *(Continued)*

Forward-looking economic information should be considered when determining the 12-month and lifetime probability of default, exposure at default and loss given default.

The Bank quarterly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the value of collaterals under the different time limits.

Forward-looking information included in the expected credit loss model is as follows:

The calculation of expected credit losses involves forward-looking information. After the historical analysis, the Bank identified the key economic indicators related to expected credit loss, such as gross domestic product (GDP), consumer price index (CPI), Purchasing Managers' index (PMI), Broad money (M2), Industrial Added Value, and Real Estate Climate Index. The Bank carried out regression analysis to determine the relationship between these economic indicators and PD, so as to ascertain the impact of historical changes in these indicators on PD. The Bank forecasts these economic indicators at least annually and provides the best estimates of the economic conditions for the coming year.

The important macroeconomic assumptions used by the Bank in various macroeconomic scenarios include M2, consumer price index, and gross domestic product.

The Bank established measurement models to identify the three risk weights, i.e. positivity, neutrality and negativity. During the years ended 31 December 2021, the Bank's positivity scenario weight is 40%, neutrality scenario weight is 50%, and negativity scenario weight is 10%. The Bank measures allowance for credit losses for the first stage based on the weighted average of the credit losses in the three cases in the next 12 months; and measures allowance for credit losses for the second and third stages based on the weighted average of credit losses in the three cases within the lifetime.

During the years ended 31 December 2021, the Bank has fully considered the impact of the COVID-19 pandemic on the macro economy and banking industry when evaluating the forward-looking information used in the expected credit loss measurement model.

##### **Management Overlay**

Taking into account inherent limitations of ECL model and temporary systematic risk factors, the Bank has additionally accrued loss allowance in response to potential risk and improved its risk compensation capability.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**47 Risk management** (Continued)**(a) Credit risk** (Continued)

## (i) Maximum credit risk exposure

	31 December	
	2021	2020
Credit risk exposures relating to on-balance sheet items:		
Deposits with the central bank	<b>114,700,222</b>	96,115,373
Deposits with banks and other financial institutions	<b>27,730,508</b>	27,805,363
Placements with banks and other financial institutions	<b>9,262,262</b>	6,063,668
Derivative financial assets	<b>676,154</b>	232,498
Loans and advances to customers	<b>937,906,589</b>	867,120,217
Financial investments		
– Financial investments at fair value through profit or loss	<b>102,377,637</b>	72,597,497
– Financial investments at fair value through other comprehensive income	<b>89,218,927</b>	61,813,595
– Financial investments at amortised cost	<b>276,034,540</b>	241,515,654
Other assets	<b>4,642,370</b>	2,190,030
Sub-total	<b>1,562,549,209</b>	1,375,453,895
Credit risk exposures relating to off-balance items:		
Acceptances	<b>208,847,025</b>	194,625,498
Letters of credit	<b>57,334,637</b>	59,117,237
Letters of guarantees	<b>21,141,709</b>	20,647,128
Credit card commitment	<b>11,039,187</b>	7,491,816
Loan commitments	<b>415,501</b>	–
Sub-total	<b>298,778,059</b>	281,881,679
Total	<b>1,861,327,268</b>	1,657,335,574

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 47 Risk management (Continued)

## (a) Credit risk (Continued)

(ii) Financial assets (excluded interests accrued) analysed by credit quality

	31 December 2021							
	Balance				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	115,114,981	-	-	115,114,981	-	-	-	-
Deposits with banks and other financial institutions	27,757,635	-	157,747	27,915,382	(39,527)	-	(157,747)	(197,274)
Placements with banks and other financial institutions	9,018,691	-	200,000	9,218,691	(34,888)	-	(60,000)	(94,888)
Loans and advances to customers	831,491,740	29,806,453	16,834,547	878,132,740	(7,834,624)	(4,893,154)	(10,016,933)	(22,744,711)
Financial investments	236,138,906	25,553,695	19,631,881	281,324,482	(742,018)	(5,051,135)	(5,762,126)	(11,555,279)
Other assets*	4,642,370	-	-	4,642,370	-	-	-	-
<b>Total</b>	<b>1,224,164,323</b>	<b>55,360,148</b>	<b>36,824,175</b>	<b>1,316,348,646</b>	<b>(8,651,057)</b>	<b>(9,944,289)</b>	<b>(15,996,806)</b>	<b>(34,592,152)</b>
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	76,698,756	-	-	76,698,756	(87,437)	-	-	(87,437)
Financial investments	88,200,736	-	-	88,200,736	(76,558)	-	(10,000)	(86,558)
<b>Total</b>	<b>164,899,492</b>	<b>-</b>	<b>-</b>	<b>164,899,492</b>	<b>(163,995)</b>	<b>-</b>	<b>(10,000)</b>	<b>(173,995)</b>
Credit commitments	298,766,955	7,927	3,177	298,778,059	(477,637)	(520)	(638)	(478,795)

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 47 Risk management (Continued)

## (a) Credit risk (Continued)

## (ii) Financial assets (excluded interests accrued) analysed by credit quality (Continued)

	31 December 2020							
	Balance				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	96,517,891	-	-	96,517,891	-	-	-	-
Deposits with banks and other financial institutions	27,836,406	-	157,747	27,994,153	(40,471)	-	(157,747)	(198,218)
Placements with banks and other financial institutions	5,892,955	-	200,000	6,092,955	(14,119)	-	(60,000)	(74,119)
Loans and advances to customers	815,010,509	25,692,529	15,713,779	856,416,817	(9,664,387)	(7,228,243)	(7,933,218)	(24,825,848)
Financial investments	220,023,815	14,883,823	11,963,317	246,870,955	(1,247,621)	(3,725,889)	(4,945,739)	(9,919,249)
Other assets*	2,190,030	-	-	2,190,030	-	-	-	-
<b>Total</b>	<b>1,167,471,606</b>	<b>40,576,352</b>	<b>28,034,843</b>	<b>1,236,082,801</b>	<b>(10,966,598)</b>	<b>(10,954,132)</b>	<b>(13,096,704)</b>	<b>(35,017,434)</b>
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	31,046,668	-	-	31,046,668	(127,184)	-	-	(127,184)
Financial investments	60,954,937	-	-	60,954,937	(42,501)	-	(30,000)	(72,501)
<b>Total</b>	<b>92,001,605</b>	<b>-</b>	<b>-</b>	<b>92,001,605</b>	<b>(169,685)</b>	<b>-</b>	<b>(30,000)</b>	<b>(199,685)</b>
Credit commitments	280,872,410	1,005,999	3,270	281,881,679	(861,465)	(144,264)	(658)	(1,006,387)

\* Other comprise interests receivable and other receivables in other assets.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**47 Risk management** (Continued)**(a) Credit risk** (Continued)

- (ii) Financial assets (excluded interests accrued) analysed by credit quality (Continued)

The overall ECL rate for financial assets and credit commitments analysed by credit quality

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	<b>0.71%</b>	<b>17.96%</b>	<b>43.44%</b>	<b>2.63%</b>
Financial assets at fair value through other comprehensive income	<b>0.10%</b>	<b>N/A</b>	<b>100.00%</b>	<b>0.11%</b>
Credit commitments	<b>0.16%</b>	<b>6.56%</b>	<b>20.08%</b>	<b>0.16%</b>

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	0.94%	27.00%	46.72%	2.83%
Financial assets at fair value through other comprehensive income	0.18%	N/A	100.00%	0.22%
Credit commitments	0.31%	14.34%	20.12%	0.36%

As at 31 December 2021 and 2020, the fair value of collaterals held against loans and advances that are not credit-impaired and assessed for lifetime expected credit losses amounted to RMB13,013 million and RMB12,424 million. The fair value of collaterals held against loans and advances that are assessed for lifetime expected credit losses amounted to RMB7,862 million and RMB8,168 million. The collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals were estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

- (iii) Rescheduled loans and advances to customers

Restructured loans refer to those loans that the financial status of the relevant borrowers deteriorate, or that borrowers are not capable of repaying and therefore certain clauses on the loan contract are adjusted. As at 31 December 2021 and 2020, the Bank's restructured loans amounted to RMB1,386 million and RMB4,928 million.

- (iv) Credit rating

The Bank adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments (exclusive interests accrued) analysed by the rating agency designations as at 31 December 2021 and 2020 are as follows:



## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**47 Risk management** (Continued)**(a) Credit risk** (Continued)

## (iv) Credit rating (Continued)

	31 December	
	2021	2020
Neither overdue nor impaired		
<i>Ratings</i>		
– AAA	<b>248,332,539</b>	194,224,076
– AA – to AA+	<b>8,600,956</b>	8,105,742
Sub-total	<b>256,933,495</b>	202,329,818
Overdue and credit-impaired		
<i>Ratings</i>		
– C	–	–
Unrated	<b>1,454,719</b>	715,619
Total	<b>258,388,214</b>	203,045,437

**(b) Market risk (including the interest rate risk in the banking book)**

Market risk refers to the risk of losses to the Bank's on-balance sheet and off-balance sheet activities arising from unfavorable changes in market prices, mainly including interest rates and exchange rates, commodity risk and equity risks. The interest rate risk in the banking book refers to the risk of losses on the economic value and the overall income of the banking book resulted from unfavorable changes in interest rate levels and the maturity structure. The Bank is exposed to market risks in its trading book and banking book. Financial instruments and commodity position recorded in the trading book are those held by the Bank for the purpose of trading or avoiding risks in other items of trading book and which can be traded freely. The assets and liabilities of long-term positions held for the purpose of managing the liquidity of the Bank, regulatory reserve or profit maximization are included in the banking book. Generally, the assets and liabilities recorded in the banking book are mainly held-to-maturity.

The Board is responsible for approving management strategies of market risk (including interest rate risks in the banking book, similarly hereinafter), policy and procedure, determining the level of market risk tolerance, urging senior management to undertake necessary measures to identify, measure, monitor and control market risk, obtaining periodic reports associated with nature and level of market risk, monitoring and evaluating the comprehensiveness, effectiveness of market risk management, and performance of senior management under market risk management. The Bank's senior management has set up the Asset and Liability Management Committee which is in charge of formulating, reviewing and supervising market risk policy and procedure, and process execution. The committee sets market risk limit according to the Board's risk appetite.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 Risk management *(Continued)*

#### (b) Market risk (including the interest rate risk in the banking book) *(Continued)*

The Bank sets up the market risk management team under the Asset and Liability Management Department. The team is independent of trading department, and responsible for market risk identification, measurement, monitoring, and control, ensuring that the market risk of the Bank is in compliance with the requirements of internal limits and external supervision according to Bank's market risk management policies and procedures.

##### *Trading book market risk*

###### *Limits management*

In order to control trading book market risk, the Bank sets Value-at-Risk limits, Basis Point Value limits and stop loss limits.

###### *Stress testing*

Stress testing is used to assess the loss sustainability under extremely adverse conditions when significant market changes take place, including the extreme fluctuations of market risk elements, such as interest rates and exchange rates, unexpected political or economic events, or a combination of the above situations. The market risk of the Bank goes through stress testing on a regular basis.

###### *Assessment of fair value*

Assessment of the fair value of financial instruments is based on the quantitative analysis of the financial products that takes into consideration the specific characteristics of the financial products, market situation of trading strategy, risk factors and the quality and qualification of counterparties. The Bank assesses the fair value of its financial instruments on a regular basis.

##### *Interest rate risk of banking book*

Interest rate risk of the banking book are measured and managed mainly through gap management, sensitivity analysis and duration analysis to ensure the interest rate risk of the banking book are controlled within the scope set by the risk appetite.

The Bank calculates the interest rate sensitivity gap based on repricing cash flow of the interest-earning assets and interest-bearing liabilities, and conducts scenario analysis, to assess the impact on the Bank of changes in interest rates. The impact on the market value of assets or liabilities of one basis point movement in interest rate was assessed through calculation of Basic Point Value.

Interest rate risk of the Bank's banking book goes through stress testing on a regular basis. In such stress testing, basic interest rate and market rate is treated as a prime factor, and other factors such as political and economic contingency or several contingencies happened at the same time are included.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 47 Risk management (Continued)

## (b) Market risk (including the interest rate risk in the banking book) (Continued)

*Interest rate risk*

The Bank operates its business predominantly in Mainland China under the interest rate scheme regulated by PBOC.

The Bank manages its interest rate risks through gap analysis, duration analysis and sensitivity analysis of its assets and liabilities. The Bank has set limits to the rate gap, duration and interest rate sensitivity, and monitors regularly to ensure that the exposures are within the Bank's limit.

(i) The table below summarizes the Bank's exposures to interest rate risks. It presents the Bank's assets and liabilities on the statement of financial position at carrying amounts, by the earlier of the contractual re-pricing date or the maturity date.

	31 December 2021					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Assets</b>						
Cash and deposits with the central bank	115,143,453	471,703	114,671,750	-	-	-
Deposits with banks and other financial institutions	27,730,508	12,400	27,319,847	398,261	-	-
Placements with banks and other financial institutions	9,262,262	138,459	3,985,901	5,137,902	-	-
Derivative financial assets	676,154	676,154	-	-	-	-
Loans and advances to customers (Note (i))	937,906,589	5,296,053	475,663,808	351,020,611	91,665,324	14,260,793
Financial investments (Note (ii))	467,631,104	28,309,297	124,758,220	72,562,952	198,054,930	43,945,705
Other	24,357,528	24,357,528	-	-	-	-
<b>Total assets</b>	<b>1,582,707,598</b>	<b>59,261,594</b>	<b>746,399,526</b>	<b>429,119,726</b>	<b>289,720,254</b>	<b>58,206,498</b>
<b>Liabilities</b>						
Borrowing from the central bank	78,846,876	946,876	17,600,000	60,300,000	-	-
Deposits from banks and other financial Institutions	171,542,080	1,409,805	60,725,875	90,316,400	19,090,000	-
Placements from banks and other financial institutions	60,198,745	326,353	31,612,656	26,952,133	1,307,603	-
Derivative financial liabilities	1,025,842	1,025,842	-	-	-	-
Financial assets sold under repurchase agreements	68,199,110	71,139	68,035,411	92,560	-	-
Deposits from customers	835,920,665	15,422,174	343,932,219	219,867,067	255,452,205	1,247,000
Debt securities issued	242,598,064	1,723,728	73,772,490	103,251,463	63,850,383	-
Other	17,812,139	13,764,575	237,992	713,976	2,368,137	727,459
<b>Total liabilities</b>	<b>1,476,143,521</b>	<b>34,690,492</b>	<b>595,916,643</b>	<b>501,493,599</b>	<b>342,068,328</b>	<b>1,974,459</b>
<b>Asset-liability gap</b>	<b>106,564,077</b>	<b>24,571,102</b>	<b>150,482,883</b>	<b>(72,373,873)</b>	<b>(52,348,074)</b>	<b>56,232,039</b>

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 47 Risk management (Continued)

## (b) Market risk (including the interest rate risk in the banking book) (Continued)

## Interest rate risk (Continued)

## (i) (Continued)

	31 December 2020					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Assets</b>						
Cash and deposits with the central bank	96,548,417	463,570	96,084,847	-	-	-
Deposits with banks and other financial institutions	27,805,363	9,428	27,246,391	549,544	-	-
Placements with banks and other financial institutions	6,063,668	44,832	4,711,098	1,307,738	-	-
Derivative financial assets	232,498	232,498	-	-	-	-
Loans and advances to customers (Note (i))	867,120,217	4,415,017	415,846,854	323,592,494	107,513,563	15,752,289
Financial investments (Note (ii))	375,926,746	21,576,223	85,776,203	44,683,725	192,303,761	31,586,834
Other	19,826,216	19,826,216	-	-	-	-
<b>Total assets</b>	<b>1,393,523,125</b>	<b>46,567,784</b>	<b>629,665,393</b>	<b>370,133,501</b>	<b>299,817,324</b>	<b>47,339,123</b>
<b>Liabilities</b>						
Borrowing from the central bank	71,592,485	992,485	14,100,000	56,500,000	-	-
Deposits from banks and other financial institutions	130,273,359	611,070	59,711,269	69,951,020	-	-
Placements from banks and other financial institutions	31,920,614	188,728	15,540,982	16,190,904	-	-
Derivative financial liabilities	533,164	533,164	-	-	-	-
Financial assets sold under repurchase agreements	52,406,083	68,396	51,621,739	715,948	-	-
Deposits from customers	758,235,794	11,664,700	348,839,868	160,388,452	233,895,774	3,447,000
Debt securities issued	225,154,090	915,021	76,559,617	118,759,098	28,920,354	-
Other	20,161,706	16,025,392	217,904	685,867	2,553,276	679,267
<b>Total liabilities</b>	<b>1,290,277,295</b>	<b>30,998,956</b>	<b>566,591,379</b>	<b>423,191,289</b>	<b>265,369,404</b>	<b>4,126,267</b>
<b>Asset-liability gap</b>	<b>103,245,830</b>	<b>15,568,828</b>	<b>63,074,014</b>	<b>(53,057,788)</b>	<b>34,447,920</b>	<b>43,212,856</b>

## Notes:

- (i) As at 31 December 2021 and 2020, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB26,920 million and RMB16,393 million, respectively.
- (ii) Financial investments include financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income and financial investments measured at amortised cost.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**47 Risk management** *(Continued)***(b) Market risk (including the interest rate risk in the banking book)** *(Continued)***Interest rate risk** *(Continued)***(ii) Interest rate sensitivity analysis**

The Bank uses sensitivity analysis to measure the potential impact of changes in interest rate on the Bank's profit before tax and equity (without tax effect). The following table sets forth the results of the Bank's interest rate sensitivity analysis on profit before tax and equity (without tax effect) with an assumption that all other variables held constant.

	31 December	
	2021 Increase/ (Decrease)	2020 (Decrease)/ Increase
Change in profit before tax		
Up 100 bps parallel shift in yield curves	<b>106,688</b>	(139,458)
Down 100 bps parallel shift in yield curves	<b>(106,688)</b>	139,458

	31 December	
	2021 Increase/ (Decrease)	2020 Increase/ (Decrease)
Change in equity (without tax effect)		
Up 100 bps parallel shift in yield curves	<b>962,025</b>	232,807
Down 100 bps parallel shift in yield curves	<b>(962,025)</b>	(232,807)

The sensitivity analysis above is based on a static interest rate risk profile of the Bank's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized profit before tax and equity (without tax effect) would have been affected by repricing of the Bank's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at 31 December 2021 and 2020 apply to non-derivative financial instruments of the Bank;
- At 31 December 2021 and 2020, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next full year from the end of the period;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account risk management measures taken by the management nor tax effect as a result of such changes.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 Risk management *(Continued)*

#### (b) Market risk (including the interest rate risk in the banking book) *(Continued)*

##### *Interest rate risk (Continued)*

##### *(ii) Interest rate sensitivity analysis (Continued)*

Due to the adoption of the aforementioned assumptions, the actual changes in the Bank's profit before tax and equity (without tax effect) caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

##### *Foreign currency risk*

Foreign exchange risk refers to the risk of losses arising from the negative changes in the rate of exchange. The Bank conducts the majority of its business in RMB, with certain foreign transactions in United States dollars ("USD"), Hong Kong dollars ("HKD") and, to a much lesser extent, other currencies.

The Bank's principle in controlling foreign exchange risk is to match its assets and liabilities by currency and to maintain foreign exchange risk within established limits. The Bank has set foreign exchange risk limits which are consistent with the guidelines established by the Asset and Liability Management Committee of the Bank and are in accordance with relevant regulatory requirements, and reflect management's assessment of current circumstances. The Bank also manages its sources and uses of foreign currencies to minimize potential mismatches.

The Bank monitors its foreign exchange risk. The Bank mainly uses the foreign exchange exposure analysis, scenario analysis and stress testing to measure and analyze the foreign exchange risk. Besides, the Bank monitors and controls the foreign exchange risk through the limit management. The Asset and Liability Management Department's market risk team performs independent monitoring, reporting, and management for the entire bank's foreign exchange risk. Meanwhile, the Bank managed the on-balance sheet foreign exchange risk exposures through derivative financial instruments such as foreign exchange swaps and foreign exchange futures, and kept the Bank's total exposures of on-balance sheet and off-balance sheet to a low level. Therefore, the foreign exchange exposure at the end of the period is not sensitive to exchange rate fluctuations, and the potential impact on the Bank's net profit and shareholders' equity is not significant.

The following table summarizes the Bank's exchange risk of assets and liabilities at reporting date. Included in the table are the carrying value of assets and liabilities, and the off-balance sheet credit commitments in RMB equivalent, categorized by the original currency.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**47 Risk management** (Continued)**(b) Market risk (including the interest rate risk in the banking book)** (Continued)**Foreign currency risk** (Continued)

The Bank's currency exposures as at 31 December 2021 and 2020 are as follows:

	31 December 2021			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>				
Cash and deposits with the central bank	102,147,355	11,884,558	1,111,540	115,143,453
Deposits with banks and other financial institutions	9,252,356	17,169,761	1,308,391	27,730,508
Placements with banks and other financial institutions	8,214,270	1,047,992	–	9,262,262
Derivative financial assets	676,154	–	–	676,154
Loans and advances to customers	860,547,501	74,458,884	2,900,204	937,906,589
Financial investments (Note (i))	448,711,500	18,363,276	556,328	467,631,104
Other	24,252,593	64,656	40,279	24,357,528
<b>Total assets</b>	<b>1,453,801,729</b>	<b>122,989,127</b>	<b>5,916,742</b>	<b>1,582,707,598</b>
<b>Liabilities</b>				
Borrowing from the central bank	78,846,876	–	–	78,846,876
Deposits from banks and other financial institutions	170,401,048	175,433	965,599	171,542,080
Placements from banks and other financial institutions	3,423,312	52,545,828	4,229,605	60,198,745
Derivative financial liabilities	1,025,842	–	–	1,025,842
Financial assets sold under repurchase agreements	68,199,110	–	–	68,199,110
Deposits from customers	707,696,923	126,790,772	1,432,970	835,920,665
Debt securities issued	240,691,553	1,906,511	–	242,598,064
Other	15,603,186	142,238	2,066,715	17,812,139
<b>Total liabilities</b>	<b>1,285,887,850</b>	<b>181,560,782</b>	<b>8,694,889</b>	<b>1,476,143,521</b>
<b>Net position</b>	<b>167,913,879</b>	<b>(58,571,655)</b>	<b>(2,778,147)</b>	<b>106,564,077</b>
<b>Credit commitments</b>	<b>267,242,860</b>	<b>28,320,028</b>	<b>3,215,171</b>	<b>298,778,059</b>

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 47 Risk management (Continued)

## (b) Market risk (including the interest rate risk in the banking book) (Continued)

## Foreign currency risk (Continued)

	31 December 2020			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>				
Cash and deposits with the central bank	91,572,545	4,097,350	878,522	96,548,417
Deposits with banks and other financial institutions	10,435,710	15,019,529	2,350,124	27,805,363
Placements with banks and other financial institutions	3,123,130	2,940,538	–	6,063,668
Derivative financial assets	232,498	–	–	232,498
Loans and advances to customers	820,669,192	45,069,757	1,381,268	867,120,217
Financial investments (Note (i))	360,736,839	14,714,781	475,126	375,926,746
Other	19,766,818	47,427	11,971	19,826,216
<b>Total assets</b>	<b>1,306,536,732</b>	<b>81,889,382</b>	<b>5,097,011</b>	<b>1,393,523,125</b>
<b>Liabilities</b>				
Borrowing from the central bank	71,592,485	–	–	71,592,485
Deposits from banks and other financial institutions	130,273,129	1	229	130,273,359
Placements from banks and other financial institutions	4,473,750	24,325,431	3,121,433	31,920,614
Derivative financial liabilities	528,552	4,612	–	533,164
Financial assets sold under repurchase agreements	52,406,083	–	–	52,406,083
Deposits from customers	674,607,125	82,860,830	767,839	758,235,794
Debt securities issued	225,154,090	–	–	225,154,090
Other	16,013,812	138,632	4,009,262	20,161,706
<b>Total liabilities</b>	<b>1,175,049,026</b>	<b>107,329,506</b>	<b>7,898,763</b>	<b>1,290,277,295</b>
<b>Net position</b>	<b>131,487,706</b>	<b>(25,440,124)</b>	<b>(2,801,752)</b>	<b>103,245,830</b>
<b>Credit commitments</b>	<b>261,730,605</b>	<b>18,045,145</b>	<b>2,105,929</b>	<b>281,881,679</b>

(i) Financial investments include financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income, financial investments measured at amortised cost.



## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 Risk management *(Continued)*

#### (c) Liquidity risk

The Bank adopts a centralized approach with respect to its liquidity risk management, in which the head office centrally manages overall liquidity risk across the Bank under the policies and guidance of the Board of Directors. Liquidity risk is managed on three levels from the Board of Directors, to senior management and down to individual departments, so that all the Bank is involved in the liquidity risk management. The Asset and Liability Management Department is the leading department in managing the liquidity risk, and is responsible for formulating liquidity risk management strategies, policies and procedures, and identifying, measuring, monitoring and controlling liquidity risk, and ensuring the Bank's overall liquidity risk is controlled within the Bank's risk tolerance based on cash flow gap analysis, with the help of intraday position management, early-warning indicators and limit control, among other means and methods, and by conducting stress testing and crisis response exercises, strengthening market judgement and implementing dynamic liquidity risk management when appropriate. The Bank reviews the above practices and means and methods at least once a year. At the same time, the Bank has established and continuously improved a comprehensive and systematic liability business management and risk control system to continuously improve the efficiency and level of financial services to the real economy. The Corporate Banking Department, Retail Banking Department and Financial Market Department, among others at the head office, and the subsidiaries engage in their business activities in compliance with the liquidity risk management policies, appetite, processes, limits and other requirements as set down by the Board of Directors and senior management.

In addition to effectively managing intraday positions, the Bank managed cash flow, balancing liquidity and profitability and ensuring safety payment of the Bank and implementing integration management of local and foreign currency. For medium and long term liquidity risk management, the Bank strengthened management measures on regulatory ratios and internal limit, and timely monitored early warning indicators, implemented initiative supplementing of liabilities, stabilized the source of capital and improved future maturity structure of assets and liabilities. Regulatory indicators mainly including liquidity proportion, liquidity coverage ratio, net stable funding ratio and liquidity matching rate are set to guide business development. Internal limits, primarily on treasury loans, debt securities pledged as security and asset-liability maturity gap, are monitored to manage and adjust mismatches between the duration of assets and liabilities. Enforcing the establishment and analysis of customer behavior models, leveraging liquidity management models that use prudent assumptions on the Bank's cash inflows and outflows from its assets and liabilities, and by monitoring, analyzing and managing its compliance with regulatory indicators and internal limits, the Bank has been able to maintain a sound liquidity position.

In order to cope with its potential impact arising from fluctuation of capital market and changes of macro-economic environment, the Bank regularly implemented the practice of stress testing of them, including the test of cash flow gaps in the future 7 days, 30 days and 90 days and implementation of shortest lifetime management of the Bank by introducing the results of customer behaviors analysis to test the Bank's tolerance of liquidity risks under different stress scenarios through stimulation of decline in the price of marketable securities and outflow of deposits. Also, in consideration of its business size, complexity, level of risk and organizational structure, the Bank has emergency plans in place and explicit internal labor division and emergency procedures to ensure its liquidity under a crisis situation.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 47 Risk management (Continued)

## (c) Liquidity risk (Continued)

The Bank formulates investment guidelines and regularly assesses and adjusts its investment strategies for debt securities in light of actual risk management needs, clearly defines the ceiling for collateral bonds through internal limits. This ensures the availability of sufficient quality liquid assets which are readily realizable, and structurally ensure the potential liquidity needs of the Bank are well taken care of. The bank focuses on the adjustment and optimization of asset structure, establishes a portfolio of liquidity reserve assets, and implements asset planning management, and pay attention to the stable return of funds when business is due. In addition, the Bank continues to expand its various debt channels, actively strengthens the degree of participation in the issuance of financial bonds, inter-bank customer relationship management and open market operations of the PBoC, attempts to expand the Bank's medium and long-term stable sources of liabilities, so as to improve the Bank's financing ability under high liquidity pressure.

**Maturity analysis**

The following tables provide an analysis of non-derivative assets and liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment at 31 December 2021 and 2020:

	31 December 2021							Total
	Indefinite Note (i)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
<b>Assets</b>								
Cash and deposits with the central bank	65,869,888	49,273,565	-	-	-	-	-	115,143,453
Deposit with banks and other financial institutions	-	27,077,130	200,072	49,297	404,009	-	-	27,730,508
Placements with banks and other financial institutions	177,258	444,579	1,609,026	1,842,198	5,189,201	-	-	9,262,262
Loans and advances to customers	12,933,724	4,339,909	77,398,039	105,845,584	330,560,020	232,892,985	173,936,328	937,906,589
Financial investments (ii)	42,860,811	29,449,079	18,196,118	30,056,586	84,491,933	214,837,880	47,738,697	467,631,104
Other	24,357,528	-	-	-	-	-	-	24,357,528
<b>Total assets</b>	<b>146,199,209</b>	<b>110,584,262</b>	<b>97,403,255</b>	<b>137,793,665</b>	<b>420,645,163</b>	<b>447,730,865</b>	<b>221,675,025</b>	<b>1,582,031,444</b>
<b>Liabilities</b>								
Borrowing from the central bank	-	-	14,711,304	3,382,035	60,753,537	-	-	78,846,876
Deposits from banks and other financial Institutions	-	108,320	40,431,521	20,573,028	90,891,508	19,537,703	-	171,542,080
Placements from banks and other financial institutions	-	-	15,219,659	16,623,697	27,047,786	1,307,603	-	60,198,745
Financial assets sold under repurchase agreements	-	-	57,596,429	10,509,747	92,934	-	-	68,199,110
Deposit from customers	-	220,109,553	64,479,607	63,040,040	222,361,627	264,651,887	1,277,951	835,920,665
Debt securities issued	-	-	10,603,838	64,103,217	104,040,626	63,850,383	-	242,598,064
Other	13,764,575	-	79,331	158,661	713,976	2,368,137	727,459	17,812,139
<b>Total liabilities</b>	<b>13,764,575</b>	<b>220,217,873</b>	<b>203,121,689</b>	<b>178,390,425</b>	<b>505,901,994</b>	<b>351,715,713</b>	<b>2,005,410</b>	<b>1,475,117,679</b>
<b>Net position</b>	<b>132,434,634</b>	<b>(109,633,611)</b>	<b>(105,718,434)</b>	<b>(40,596,760)</b>	<b>(85,256,831)</b>	<b>96,015,152</b>	<b>219,669,615</b>	<b>106,913,765</b>

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 47 Risk management (Continued)

## (c) Liquidity risk (Continued)

## Maturity analysis (Continued)

	31 December 2020							
	Indefinite Note (i)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
<b>Assets</b>								
Cash and deposits with the central bank	63,018,716	33,529,701	-	-	-	-	-	96,548,417
Deposit with banks and other financial institutions	-	27,250,767	-	-	554,596	-	-	27,805,363
Placements with banks and other financial institutions	-	2,629,311	1,914,133	205,989	1,314,235	-	-	6,063,668
Loans and advances to customers	11,090,114	5,658,777	64,713,005	82,859,214	278,962,810	267,715,556	156,120,741	867,120,217
Financial investments (ii)	18,711,973	29,172,970	11,219,097	11,672,396	68,616,635	204,477,627	32,056,048	375,926,746
Other	19,826,216	-	-	-	-	-	-	19,826,216
<b>Total assets</b>	<b>112,647,019</b>	<b>98,241,526</b>	<b>77,846,235</b>	<b>94,737,599</b>	<b>349,448,276</b>	<b>472,193,183</b>	<b>188,176,789</b>	<b>1,393,290,627</b>
<b>Liabilities</b>								
Borrowing from the central bank	-	-	11,134,811	3,387,701	57,069,973	-	-	71,592,485
Deposits from banks and other financial institutions	-	27,060,708	11,502,265	20,897,166	70,813,220	-	-	130,273,359
Placements from banks and other financial institutions	-	2,009,666	6,339,951	7,327,414	16,243,583	-	-	31,920,614
Financial assets sold under repurchase agreements	-	15,167,964	29,492,628	7,026,533	718,958	-	-	52,406,083
Deposit from customers	119,108	207,698,503	55,322,139	88,731,884	162,122,294	240,761,577	3,480,289	758,235,794
Debt securities issued	-	-	12,946,723	64,171,119	119,115,894	28,920,354	-	225,154,090
Other	16,025,392	-	72,030	145,874	685,867	2,553,276	679,267	20,161,706
<b>Total liabilities</b>	<b>16,144,500</b>	<b>251,936,841</b>	<b>126,810,547</b>	<b>191,687,691</b>	<b>426,769,789</b>	<b>272,235,207</b>	<b>4,159,556</b>	<b>1,289,744,131</b>
<b>Net position</b>	<b>96,502,519</b>	<b>(153,695,315)</b>	<b>(48,964,312)</b>	<b>(96,950,092)</b>	<b>(77,321,513)</b>	<b>199,957,976</b>	<b>184,017,233</b>	<b>103,546,496</b>

## Note:

- (i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans and advances, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand. Indefinite amount of financial investments represents impaired investments or those overdue more than one month. Equity investments are listed in the category of indefinite.
- (ii) Financial investments include financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income, financial investments measured at amortised cost.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 47 Risk management (Continued)

## (c) Liquidity risk (Continued)

**Analysis on contractual undiscounted cash flows of non-derivative financial liabilities**

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities of the Bank at 31 December 2021 and 2020:

	31 December 2021								
	Carrying amount	Contractual undiscounted cash flow	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Non-derivative financial liabilities</b>									
Borrowing from the central bank	78,846,876	78,846,876	-	-	14,711,304	3,382,035	60,753,537	-	-
Deposits from banks and other financial institutions	171,542,080	175,198,685	-	28,160,230	12,370,796	20,630,707	92,319,978	21,716,974	-
Placements from banks and other financial institutions	60,198,745	60,350,771	-	-	15,225,293	16,647,274	27,160,997	1,317,207	-
Financial assets sold under repurchase agreements	68,199,110	68,268,439	-	-	57,622,786	10,552,133	93,520	-	-
Deposits from customers	835,920,665	856,982,519	-	220,109,553	64,514,635	63,223,329	224,930,303	282,424,919	1,779,780
Debt securities issued	242,598,064	249,285,395	-	-	10,621,126	64,413,375	105,381,805	68,869,089	-
Other	17,812,139	18,296,738	13,764,575	-	80,268	160,537	722,415	2,642,022	926,921
<b>Total non-derivative financial liabilities</b>	<b>1,475,117,679</b>	<b>1,507,229,423</b>	<b>13,764,575</b>	<b>248,269,783</b>	<b>175,146,208</b>	<b>179,009,390</b>	<b>511,362,555</b>	<b>376,970,211</b>	<b>2,706,701</b>
Credit commitments	298,778,059	298,778,059	-	14,424,968	27,669,279	45,822,954	204,346,400	6,514,458	-

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 47 Risk management (Continued)

## (c) Liquidity risk (Continued)

**Analysis on contractual undiscounted cash flows of non-derivative financial liabilities (Continued)**

	31 December 2020								
	Carrying amount	Contractual undiscounted cash flow	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Non-derivative financial liabilities</b>									
Borrowing from the central bank	71,592,485	71,592,485	-	-	11,134,811	3,387,701	57,069,973	-	-
Deposits from banks and other financial institutions	130,273,359	131,711,713	-	27,060,708	11,518,444	21,033,236	72,099,325	-	-
Placements from banks and other financial institutions	31,920,614	32,053,310	-	2,009,667	6,343,579	7,341,607	16,358,457	-	-
Financial assets sold under repurchase agreements	52,406,083	52,435,611	-	15,167,964	29,494,055	7,049,670	723,922	-	-
Deposits from customers	758,235,794	783,206,434	-	207,817,609	55,356,965	89,135,555	163,361,464	263,031,814	4,503,027
Debt securities issued	225,154,090	230,482,753	-	-	12,966,164	64,502,918	121,509,282	31,146,537	357,852
Other	20,161,706	20,525,450	16,025,392	-	73,803	149,421	701,827	2,761,307	813,700
<b>Total non-derivative financial liabilities</b>	<b>1,289,744,131</b>	<b>1,322,007,756</b>	<b>16,025,392</b>	<b>252,055,948</b>	<b>126,887,821</b>	<b>192,600,108</b>	<b>431,824,250</b>	<b>296,939,658</b>	<b>5,674,579</b>
Credit commitments	281,881,679	281,881,679	-	9,763,231	29,058,670	75,137,793	161,443,707	5,798,278	680,000

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**47 Risk management** (Continued)**(c) Liquidity risk** (Continued)**Analysis on contractual undiscounted cash flow of derivative financial instruments**

The Bank's derivative financial instruments that will be settled on a net basis include interest rate swaps and precious metals derivatives. The Bank's derivative financial instruments that will be settled on a gross basis are exchange rate swaps and exchange rate forwards.

The following table analyses the contractual undiscounted cash flow of financial derivatives that will be settled on net amounts and gross amounts basis held by the Bank at the year end. The amounts disclosed are the contractual undiscounted cash flows.

	31 December 2021				
	Within one month	One months to three months	Three months to one year	One year to five years	Total
Derivative financial instruments settled on net basis					
Interest rate swaps	355	4,320	5,352	2,727	12,754
Precious metal swaps	(44,458)	6,134	(39,908)	-	(78,232)
Derivative financial instruments settled on gross basis					
Exchange rate swaps					
- Cash inflow	10,430,732	17,008,092	31,155,201	-	58,594,025
- Cash outflow	(10,558,311)	(17,177,166)	(31,828,304)	-	(59,563,781)

	31 December 2020				
	Within one month	One months to three months	Three months to one year	One year to five years	Total
Derivative financial instruments settled on net basis					
Interest rate swaps	913	88	598	11,343	12,942
Precious metal swaps	-	-	(113,527)	-	(113,527)
Derivative financial instruments settled on gross basis					
Exchange rate swaps					
- Cash inflow	11,122,357	11,758,953	1,314,644	154,386	24,350,340
- Cash outflow	(11,151,098)	(11,947,989)	(1,330,065)	(160,678)	(24,589,830)
Exchange rate forwards					
- Cash inflow	-	-	862,430	-	862,430
- Cash outflow	-	-	(843,600)	-	(843,600)
Total cash inflow	11,122,357	11,758,953	2,177,074	154,386	25,212,770
Total cash outflow	(11,151,098)	(11,947,989)	(2,173,665)	(160,678)	(25,433,430)

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 Risk management *(Continued)*

#### (d) Operational risk

Operational risk is the risk of losses due to inadequate or flawed internal processes, staff and IT systems, and external events. It includes legal risk but excludes strategic risk and reputational risk.

During the Reporting Period, the Bank organized a comprehensive review of operational risk management tools, timely update and improve indicators. To carry out the “Year of Internal Control and Compliance Management Construction” activity, actively promote the supervision, inspection and rectification, and constantly improve the long-term management mechanism. We will launch special actions to address compliance risks, and focus on the problems of repeated investigations and repeated crimes. Continuously improve the operational risk case base, carry out a series of training, and actively create a good operational risk management culture.

### 48 Fair value

#### (a) Methods and assumptions for measurement of fair value

The Bank adopts the following methods and assumptions when evaluating fair values:

##### *(i) Debt securities and equity investments*

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of Reporting Period. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, such as discounted cash flows model.

##### *(ii) Receivables and other non-derivative financial assets*

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of Reporting Period.

##### *(iii) Debt securities issued and other non-derivative financial liabilities*

Fair values of debt securities issued are based on their quoted market prices at the end of Reporting Period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of Reporting Period.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 48 Fair value *(Continued)*

#### (a) Methods and assumptions for measurement of fair value *(Continued)*

##### *(iv) Derivatives*

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, foreign exchange forwards, swaps and options, etc. The most frequently applied valuation techniques include discounted cash flow model and the Garman Kohlhagen model extended from Black Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc.

#### (b) Fair value measurement

##### *(i) Financial assets*

The Bank's financial assets mainly consist of cash and deposits with the central bank, deposit with banks and other financial institutions, placements with banks and other financial institutions, derivative financial assets, financial assets held under resale agreements, loans and advances to customers, and investments.

Deposits with the central bank, deposit with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBoC rates. Accordingly, the carrying amounts approximate the fair values.

Derivative financial assets, financial investments measured at fair value through other comprehensive income ("FVOCI") and financial assets measured at fair value through profit or loss ("FVTPL") are stated at fair value. Financial investments measured at amortised cost are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently.

##### *(ii) Financial liabilities*

The Bank's financial liabilities mainly include deposits from banks and other financial institutions, placements from banks and other financial institutions, derivative financial liabilities, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

Derivative financial liabilities is stated at fair value. The book value and fair value of debt securities issued is presented in Note 33. The carrying amounts of other financial liabilities approximate their fair value.



## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 48 Fair value *(Continued)*

#### (c) Fair value hierarchy

The following table presents the fair value of financial instruments measured at the end of the Reporting Period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for financial instruments that measured at fair value, the fair value of which is based on quoted market prices. When quoted prices on open market are not available, the Banks will determine the fair value of financial instruments by using appropriate valuation model, enquiry or by reference to the valuation results of third-party valuation institution. The Bank selects appropriate models based on the risk characteristics, liquidity, counterparty risk and pricing basis of specific financial instruments or trading strategies to ensure that their fair value are truly and effectively reflected. The Bank selects the quoted prices or refers to the valuation results of third-party valuation agencies for evaluation of the fair value of a financial instrument, and when referring to the valuation results of third-party valuation agencies, the authority, independence and professionalism of the agencies should be assessed.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 48 Fair value (Continued)

## (c) Fair value hierarchy (Continued)

	31 December 2021			
	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurements</b>				
Assets				
Derivative financial assets	-	676,154	-	676,154
Loans and advances to customers measured at fair value through profit or loss				
– Corporate loans and advance	-	523,751	-	523,751
Loans and advances to customers measured at fair value through other comprehensive income				
– Discounted bills	-	76,698,756	-	76,698,756
Financial investments measured at fair value through profit or loss				
– Debt securities	-	12,600,782	567,229	13,168,011
– Interbank deposits	-	1,752,105	-	1,752,105
– Investment funds	-	58,080,079	-	58,080,079
– Trust plans and asset management plans	-	22,379,958	3,183,316	25,563,274
– Equity investments	514,335	-	3,299,833	3,814,168
Financial investments measured at fair value through other comprehensive income				
– Debt securities (exclusive interests accrued)	-	85,390,196	-	85,390,196
– Equity investments	-	2,610,540	200,000	2,810,540
<b>Total</b>	<b>514,335</b>	<b>260,712,321</b>	<b>7,250,378</b>	<b>268,477,034</b>
Liabilities				
Derivative financial liabilities	-	(1,025,842)	-	(1,025,842)
<b>Total</b>	<b>-</b>	<b>(1,025,842)</b>	<b>-</b>	<b>(1,025,842)</b>

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 48 Fair value (Continued)

## (c) Fair value hierarchy (Continued)

	31 December 2020			
	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurements</b>				
Assets				
Derivative financial assets	–	232,498	–	232,498
Loans and advances to customers measured at fair value through profit or loss				
– Corporate loans and advance	–	74,060	–	74,060
Loans and advances to customers measured at fair value through other comprehensive income				
– Discounted bills	–	31,046,668	–	31,046,668
Financial investments measured at fair value through profit or loss				
– Debt securities	–	7,869,297	567,229	8,436,526
– Investment funds	–	44,178,765	–	44,178,765
– Trust plans and asset management plans	–	16,175,017	1,676,276	17,851,293
– Equity investments	298,175	–	1,832,738	2,130,913
Financial investments measured at fair value through other comprehensive income				
– Debt securities (exclusive interests accrued)	–	59,791,966	–	59,791,966
– Equity investments	–	–	200,000	200,000
– Trust plans and asset management plans (exclusive interests accrued)	–	962,971	–	962,971
<b>Total</b>	<b>298,175</b>	<b>160,331,242</b>	<b>4,276,243</b>	<b>164,905,660</b>
Liabilities				
Derivative financial liabilities	–	(533,164)	–	(533,164)
<b>Total</b>	<b>–</b>	<b>(533,164)</b>	<b>–</b>	<b>(533,164)</b>

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 48 Fair value (Continued)

## (c) Fair value hierarchy (Continued)

The movement during the year ended 31 December 2021 in the balance of Level 3 fair value measurements is as follows:

	1 January 2021	Transfer into Level 3 of Level 3	Transfer out of Level 3	Total gains or losses of the year	Recorded in other comprehensive income	Additions	Issues	Sales	Settlements	31 December 2021	Unrealised gains or losses for the year included in profit or loss for assets held at the end of the year
Assets											
Financial assets measured at fair value through profit or loss											
- Debt securities	567,229	-	-	-	-	-	-	-	-	567,229	-
- Trust plans and asset management plans	1,676,276	-	-	-	-	1,517,930	-	-	(10,890)	3,183,316	-
- Equity investments	1,832,738	-	-	299,927	-	1,167,185	-	-	(17)	3,299,833	299,927
Sub-total	4,076,243	-	-	299,927	-	2,685,115	-	-	(10,907)	7,050,378	299,927
Financial assets measured at fair value through other comprehensive income											
- Equity investments	200,000	-	-	-	-	-	-	-	-	200,000	-
Total	4,276,243	-	-	299,927	-	2,685,115	-	-	(10,907)	7,250,378	299,927

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**48 Fair value (Continued)**  
**(c) Fair value hierarchy (Continued)**

The movement during the year ended 31 December 2020 in the balance of Level 3 fair value measurements is as follows:

	1 January 2020	Transfer into Level 3	Transfer out of Level 3	Total gains or losses of the year	Recorded in other comprehensive profit or loss	Additions	Issues	Sales Settlements	31 December 2020	Unrealised gains or losses for the year included in profit or loss for assets held at the end of the year
<b>Assets</b>										
Financial assets measured at fair value through profit or loss										
– Debt securities	–	–	–	–	–	567,229	–	–	567,229	–
– Trust plans and asset management plans	1,848,206	–	–	(161,296)	–	–	–	(10,634)	1,676,276	(161,296)
– Equity investments	1,696,017	–	(104,625)	–	–	241,346	–	–	1,832,738	–
<b>Sub-total</b>	<b>3,544,223</b>	<b>–</b>	<b>(104,625)</b>	<b>(161,296)</b>	<b>–</b>	<b>808,575</b>	<b>–</b>	<b>(10,634)</b>	<b>4,076,243</b>	<b>(161,296)</b>
Financial assets measured at fair value through other comprehensive income										
– Equity investments	200,000	–	–	–	–	–	–	–	200,000	–
<b>Total</b>	<b>3,744,223</b>	<b>–</b>	<b>(104,625)</b>	<b>(161,296)</b>	<b>–</b>	<b>808,575</b>	<b>–</b>	<b>(10,634)</b>	<b>4,276,243</b>	<b>(161,296)</b>

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**48 Fair value** *(Continued)***(c) Fair value hierarchy** *(Continued)*

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorized within Level 3.

Quantitative information of Level 3 fair value measurement is as below:

	Fair value as at 31 December 2021	Valuation techniques	Unobservable input
<b>Financial investments measured at fair value through profit or loss</b>			
– Debt securities	567,229	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Trust plans and asset management plans	3,183,316	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Equity investments	3,299,833	Discounted cash flow	Risk-adjusted discount rate, cash flow
<b>Financial investments measured at fair value through other comprehensive income</b>			
– Equity investments	200,000	Discounted cash flow	Risk-adjusted discount rate, cash flow

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 48 Fair value (Continued)

## (c) Fair value hierarchy (Continued)

	Fair value as at 31 December 2020	Valuation techniques	Unobservable input
<b>Financial investments measured at fair value through profit or loss</b>			
– Debt securities	567,229	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Trust plans and asset management plans	1,676,276	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Equity investments	1,832,738	Discounted cash flow	Risk-adjusted discount rate, cash flow
<b>Financial investments measured at fair value through other comprehensive income</b>			
– Equity investments	200,000	Discounted cash flow	Risk-adjusted discount rate, cash flow

During the Reporting Period, there were no significant change in the valuation techniques.

As at 31 December 2021 and 2020, significant unobservable inputs such as risk-adjusted discount rate and cash flow were used in the valuation of financial assets measured at fair value classified as Level 3, which were mainly equity investments. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs. An increases (decreases) in risk-adjusted discount rate in isolation would result in a lower (higher) fair value measurement, and increases (decreases) in cash flow in isolation would result in a higher (lower) fair value measurement. There are no interrelationships between those inputs

The sensitivity of the fair value on changes in significant unobservable inputs for Level 3 financial instruments is measured at fair value on an ongoing basis.

The fair value of financial instruments is, in certain circumstances, measured using valuation models which incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**48 Fair value** (Continued)**(c) Fair value hierarchy** (Continued)

The following table shows the sensitivity of fair value due to 1% movement (100bps) of risk-adjusted discount rate change to reasonably possible alternative assumptions.

31 December 2021				
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
<b>Financial investments measured at fair value through profit or loss</b>				
– Debt securities	18,586	(17,580)	–	–
– Trust plans and asset management plans	111,696	(105,579)	–	–
– Equity investments	107,571	(101,752)	–	–
<b>Financial investments measured at fair value through other comprehensive income</b>				
– equity investments	–	–	3,857	(3,665)
31 December 2020				
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
<b>Financial investments measured at fair value through profit or loss</b>				
– Debt securities	21,288	(20,110)	–	–
– Trust plans and asset management plans	71,284	(67,259)	–	–
– Equity investments	68,309	(64,533)	–	–
<b>Financial investments measured at fair value through other comprehensive income</b>				
– equity investments	–	–	4,668	(4,429)



## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**48 Fair value** (Continued)**(c) Fair value hierarchy** (Continued)

The following table shows the sensitivity of fair value due to 10% movement of cash flow change to reasonably possible alternative assumptions.

31 December 2021				
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
<b>Financial investments measured at fair value through profit or loss</b>				
– Debt securities	29,958	(29,958)	–	–
– Trust plans and asset management plans	177,833	(177,833)	–	–
– Equity investments	173,637	(173,637)	–	–
<b>Financial investments measured at fair value through other comprehensive income</b>				
– Equity investments	–	–	7,084	(7,084)
31 December 2020				
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
<b>Financial investments measured at fair value through profit or loss</b>				
– Debt securities	23,199	(23,199)	–	–
– Trust plans and asset management plans	76,284	(76,284)	–	–
– Equity investments	74,585	(74,585)	–	–
<b>Financial investments measured at fair value through other comprehensive income</b>				
– Equity investments	–	–	5,624	(5,624)

Base on above sensitivity analysis, changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would not result in a significant change in the fair value of relevant financial instruments.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 49 Entrusted lending business

The Bank provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Bank does not take any credit risk in relation to these transactions. The Bank acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Bank and are not recognised in the statements of financial position. Surplus funding is accounted for as deposits from customers.

	31 December	
	2021	2020
Entrusted loans	<b>29,314,061</b>	36,175,510
Entrusted funds	<b>29,314,061</b>	36,175,510

### 50 Commitments and contingent liabilities

#### (a) Credit commitments

The Bank's credit commitments take the form of approved loans with signed contracts, credit card commitments, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loans commitments represent the amounts should the contracts be fully drawn upon. The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	31 December	
	2021	2020
Loan commitments		
– Original contractual maturity within one year	<b>415,501</b>	–
Credit card commitments	<b>11,039,187</b>	7,491,816
Sub-total	<b>11,454,688</b>	7,491,816
Acceptances	<b>208,847,025</b>	194,625,498
Letters of credit	<b>57,334,637</b>	59,117,237
Letters of guarantees	<b>21,141,709</b>	20,647,128
Total	<b>298,778,059</b>	281,881,679

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

**50 Commitments and contingent liabilities** *(Continued)***(a) Credit commitments** *(Continued)*

The Bank may be exposed to credit risk in all the above credit businesses. Bank Management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows. As at 31 December 2021 and 2020, provisions for credit commitments were RMB479 million and RMB1,006 million.

**(b) Credit risk-weighted amount for credit commitments**

	31 December	
	2021	2020
Credit risk-weighted amounts	<b>52,113,951</b>	60,787,483

The credit risk-weighted amount for credit commitments represents the amount calculated with reference to the guidelines issued by the former CBRC.

**(c) Capital commitments**

As at 31 December 2021 and 2020, the Bank's authorised capital commitments are as follows:

	31 December	
	2021	2020
Contracted but not paid for	<b>502,916</b>	244,073
Authorised but not contracted for	<b>119,279</b>	147,024
Total	<b>622,195</b>	391,097

**(d) Outstanding litigations and disputes**

As at 31 December 2021 and 31 December 2020, the Bank has been involved in certain claims and acting as the defendant in certain outstanding litigations and disputes with an estimated gross amounts of RMB44.63 million and RMB81.30 million, respectively. The Bank has assessed the impact of the above outstanding litigations and disputes that may lead to an outflow of economic benefits. According to the opinion of the Bank's internal department and external lawyers, as at 31 December 2021 and 31 December 2020, the Bank has made provisions of RMB42.24 million and RMB42.24 million regarding such pending litigations and claims arising from normal course of business.

For the year ended 31 December 2021, the Bank had a dispute with individual corporate customers over the business of bank acceptance bills pledged by certificates of deposit. The Bank has reported the case to the security authorities, and as of the approval date of the Bank's financial statements, the investigation is in progress. The outcome of the case is subject to the effective judgement of the court, and the Bank is of the view that the financial impact of the above dispute cannot be reliably measured. As a result, no relevant accrued liabilities were recognised as at 31 December 2021.

## Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50 Commitments and contingent liabilities *(Continued)*

#### (e) Pledged assets

##### *Assets pledged as collateral*

	31 December	
	2021	2020
Debt securities	<b>138,984,213</b>	113,770,120
Discounted bills	<b>11,155,774</b>	11,311,854
Total	<b>150,139,987</b>	125,081,974

Certain assets are pledged as collateral under repurchase agreements, and borrowings from central bank and other banks.

As at 31 December 2021 and 2020, the Bank did not have these discounted bills under resale agreements. As at 31 December 2021 and 2020, the Bank did not sell or repledge any pledged assets which it has an obligation to resale when they are due.

### 51 Subsequent events

#### Special financial bonds for small and micro corporate loans issued

In February 2022, the Bank issued three-year special financial bonds for small and micro corporate loans with face value of RMB10 billion. The fixed coupon interest rate per annum is 2.95%.

Except for the above, the Bank had no other material events for disclosure subsequent to 31 December 2021 and up to the date of this financial statements.

### 52 Comparative figures

For financial statements disclosure purpose, the Bank made reclassification adjustments to some comparative figures.

# Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

In accordance with the Listing Rules and Banking (Disclosure) Rules, the Bank discloses the unaudited supplementary financial information as follows:

## 1 Liquidity coverage ratio and leverage ratio

### (a) Liquidity coverage ratio

	31 December 2021	Average for the year ended 31 December 2021
Liquidity coverage ratio (RMB and foreign currency)	<b>155.13%</b>	<b>127.66%</b>

	31 December 2020	Average for the year ended 31 December 2020
Liquidity coverage ratio (RMB and foreign currency)	109.68%	125.31%

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks, the liquidity coverage ratio of commercial banks shall reach 100%.

### (b) Leverage Ratio

	31 December	
	2021	2020
Leverage Ratio	<b>5.66%</b>	6.32%

Pursuant to the Leverage Ratio Management of Commercial Banks (Revision) issued by the former CBRC and was effective since 1 April 2015, a minimum leverage ratio 4% is required.

## Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

**1 Liquidity coverage ratio and leverage ratio** *(Continued)***(c) Net Stable Funding Ratio**

	31 December	
	2021	2020
Available stable funding	<b>918,302,817</b>	829,018,653
Required stable funding	<b>875,039,639</b>	802,268,848
Net Stable Funding Ratio	<b>104.94%</b>	103.33%

Pursuant to the Administrative Measures on the Liquidity Risk Management of Commercial Banks, a minimum net stable funding ratio 100% is required.

The above liquidity coverage ratio, leverage ratio and net stable funding ratio are calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with PRC GAAP.

**2 Currency concentrations**

	31 December 2021			Total
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	
Spot assets	<b>122,989,127</b>	<b>3,360,449</b>	<b>2,556,293</b>	<b>128,905,869</b>
Spot liabilities	<b>(181,560,782)</b>	<b>(3,394,704)</b>	<b>(5,300,185)</b>	<b>(190,255,671)</b>
Net position	<b>(58,571,655)</b>	<b>(34,255)</b>	<b>(2,743,892)</b>	<b>(61,349,802)</b>

	31 December 2020			Total
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	
Spot assets	81,889,382	2,415,387	2,681,624	86,986,393
Spot liabilities	(107,329,506)	(2,469,775)	(5,428,988)	(115,228,269)
Net position	(25,440,124)	(54,388)	(2,747,364)	(28,241,876)

## Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 International claims

The Bank is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, deposits with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions and financial investments.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

31 December 2021			
	Banks	Non-bank financial institutions	Total
Asia Pacific (excluding North and South America)	3,676,440	20,260,619	23,937,059
Europe	484,378	241,517	725,895
North and South America	14,009,872	23,204	14,033,076
Others	6,796	–	6,796
<b>Total</b>	<b>18,177,486</b>	<b>20,525,340</b>	<b>38,702,826</b>

31 December 2020			
	Banks	Non-bank financial institutions	Total
Asia Pacific (excluding North and South America)	4,213,004	8,968,565	13,181,569
Europe	484,378	–	484,378
North and South America	14,009,872	–	14,009,872
Others	6,796	–	6,796
<b>Total</b>	<b>18,714,050</b>	<b>8,968,565</b>	<b>27,682,615</b>

## Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

**4 Gross amount of overdue loans and advances**

	31 December	
	2021	2020
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	<b>2,745,420</b>	1,565,957
– between 6 months and 1 year (inclusive)	<b>3,541,042</b>	6,704,712
– between 1 year and 3 years (inclusive)	<b>6,256,132</b>	4,069,444
– over 3 years	<b>2,003,029</b>	1,703,509
<b>Total</b>	<b>14,545,623</b>	14,043,622
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	<b>0.29%</b>	0.18%
– between 6 months and 1 year (inclusive)	<b>0.37%</b>	0.75%
– between 1 year and 3 years (inclusive)	<b>0.65%</b>	0.46%
– over 3 years	<b>0.21%</b>	0.19%
<b>Total</b>	<b>1.52%</b>	1.58%



# Organizational Structure Chart

As of the date of this annual report, the principal organizational and management structure of the Bank are as follows:

