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中国农业银行

AGRICULTURAL BANK OF CHINA

AGRICULTURAL BANK OF CHINA LIMITED

中國農業銀行股份有限公司

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

(Stock Code: 1288)

2021 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the “**Board of Directors**”) of Agricultural Bank of China Limited (the “**Bank**”) is pleased to announce the audited results of the Bank and its subsidiaries for the year ended 31 December 2021, which was prepared in accordance with the *International Financial Reporting Standards* promulgated by the International Accounting Standards Board, and the proposed cash dividend for the year of 2021. The annual results have been reviewed by the Audit and Compliance Committee of the Board of Directors. This announcement contains the information required under the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* in relation to the preliminary announcements of annual results. The printed version of the 2021 annual report of the Bank will be despatched to the holders of H Shares of the Bank, and will also be available on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Bank (www.abchina.com) in April 2022.

By Order of the Board
Agricultural Bank of China Limited
HAN Guoqiang
Company Secretary

Beijing, the PRC
30 March 2022

As at the date of this announcement, the executive directors are Mr. GU Shu, Mr. ZHANG Qingsong, Mr. ZHANG Xuguang and Mr. LIN Li; the non-executive directors are Mr. LIAO Luming, Mr. LI Wei, Ms. ZHOU Ji, Mr. LIU Xiaopeng and Mr. XIAO Xiang; and the independent non-executive directors are Mr. WANG Xinxin, Mr. HUANG Zhenzhong, Ms. LEUNG KO May Yee, Margaret, Mr. LIU Shouying and Mr. WU Liansheng.

Profile

The predecessor of the Bank was Agricultural Cooperative Bank established in 1951. Since the resumption of establishment in February 1979, the Bank has evolved from a state-owned specialized bank to a wholly state-owned commercial bank and subsequently a state-controlled commercial bank. The Bank was restructured into a joint stock limited liability company in January 2009. In July 2010, the Bank was listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

The Bank is one of the major integrated financial service providers in China, aiming at high-quality development, highlighting the two positions of “a leading bank serving rural revitalization” and “a major bank serving the real economy”, and fully implementing the three strategies in Sannong and County Areas, green finance and digital operation. Capitalizing on its comprehensive business portfolio, extensive distribution network and advanced IT platform, the Bank provides a diverse portfolio of corporate and retail banking products and services for a broad range of customers and conducts treasury operations and asset management. Our business scope also includes, among other things, investment banking, fund management, financial leasing and life insurance. At the end of 2021, the Bank had total assets of RMB29,069,155 million, loans and advances to customers of RMB17,175,073 million and deposits from customers of RMB21,907,127 million. Our capital adequacy ratio was 17.13%. The Bank achieved a net profit of RMB241,936 million in 2021.

As of the end of 2021, we had 22,807 domestic branch outlets, including the Head Office, Business Department of the Head Office, three specialized institutions managed by the Head Office, four training institutes, 37 tier-1 branches, 402 tier-2 branches, 3,348 tier-1 sub-branches, 18,961 foundation-level branch outlets and 50 other establishments. Our overseas branch outlets consisted of 13 overseas branches and four overseas representative offices. We had 16 major subsidiaries, including 11 domestic subsidiaries and five overseas subsidiaries.

The Financial Stability Board has included the Bank into the list of Global Systemically Important Banks for eight consecutive years since 2014. In 2021, the Bank ranked No. 29 in the Fortune’s Global 500, and ranked No. 3 in *The Banker’s* “Top 1000 World Banks” list in terms of tier 1 capital. At the date of this announcement, Standard & Poor’s affirmed long-/short-term issuer credit ratings of the Bank at A/A-1 with stable outlook. Moody’s affirmed long-/short-term bank deposit ratings of the Bank at A1/P-1 with stable outlook and Fitch Ratings affirmed long-/short-term issuer default ratings of the Bank at A/F1+ with stable outlook.

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Definitions

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

1. ABC/Agricultural Bank of China/
the Bank/the Group/We Agricultural Bank of China Limited, or Agricultural Bank of China Limited and its subsidiaries
2. Articles of Association The *Articles of Association of Agricultural Bank of China Limited* amended pursuant to the *Approval on Change of the Registered Capital of Agricultural Bank of China Limited (Yin Bao Jian Fu [2018] No. 199)* issued by the China Banking and Insurance Regulatory Commission on 25 September 2018
3. A Share(s) Ordinary shares listed domestically which are subscribed and traded in Renminbi
4. CASs/PRC GAAP The Accounting Standards for Enterprises promulgated on 15 February 2006 by the Ministry of Finance of the People's Republic of China and other related rules and regulations subsequently issued
5. CBIRC China Banking and Insurance Regulatory Commission, or its predecessors, the former China Banking Regulatory Commission and/or the former China Insurance Regulatory Commission, where the context requires
6. County Area(s) The county-level regions (excluding the district-level areas in the cities) in the People's Republic of China and the areas under their administration, including counties and county-level cities
7. County Area Banking Business We provide customers in the County Areas with a broad range of financial services through our branch outlets located in counties and county-level cities in the People's Republic of China. We refer to such banking business as the County Area Banking Business or Sannong Banking Business

8.	County Area Banking Division	An internal division with management mechanism adopted by us for specialized operation of financial services provided to Sannong and the County Areas, as required under our restructuring into a joint stock limited liability company, which focuses on the County Area Banking Business with independence in aspects such as governance mechanism, operational decision making, financial accounting as well as incentive and constraint mechanism to a certain extent
9.	CSRC	China Securities Regulatory Commission
10.	ESG	Environment, society and corporate governance
11.	Global Systemically Important Banks	Banks recognized as key players in the financial market with global features as announced by the Financial Stability Board
12.	Green Finance	Economic activities designed to support environmental improvement, respond to climate change and efficient use of resources, that is, financial services provided for project investment and financing, project operation, risk management, etc. in the fields of environmental protection, energy saving, clean energy, green transportation, green building, etc
13.	H Share(s)	Shares listed on The Stock Exchange of Hong Kong Limited and subscribed and traded in Hong Kong Dollars, the nominal value of which are denominated in Renminbi
14.	Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
15.	Hong Kong Listing Rules	<i>The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited</i>
16.	Huijin	Central Huijin Investment Ltd.
17.	MOF	Ministry of Finance of the People’s Republic of China
18.	PBOC	The People’s Bank of China
19.	Sannong	Agriculture, rural areas and rural people
20.	SSF	National Council for Social Security Fund of the People’s Republic of China

Basic Corporate Information and Major Financial Indicators

Basic Corporate Information

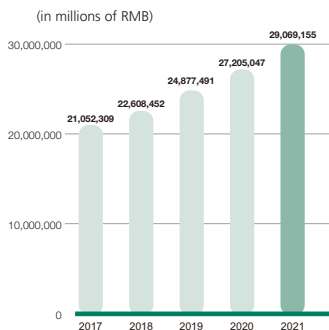
Legal name in Chinese Abbreviation	中國農業銀行股份有限公司 中國農業銀行
Legal name in English Abbreviation	AGRICULTURAL BANK OF CHINA LIMITED AGRICULTURAL BANK OF CHINA (ABC)
Legal representative	GU Shu
Authorized representative	ZHANG Qingsong HAN Guoqiang
Secretary to the Board of Directors and Company Secretary	HAN Guoqiang Address: No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC Tel: 86-10-85109619 (Investors Relations) Fax: 86-10-85126571 E-mail: ir@abchina.com
Registered address and office address	No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC
Postal code	100005
Hotline for customer service and complaint	95599
Internet website	www.abchina.com
Principal place of business in Hong Kong	25/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong, PRC
Selected media and websites for information disclosure	China Securities Journal (www.cs.com.cn), Shanghai Securities News (www.cnstock.com), Securities Times (www.stcn.com) and Securities Daily (www.zqrb.cn)
Website of Shanghai Stock Exchange publishing the annual report (A Shares)	www.sse.com.cn
Website of Hong Kong Stock Exchange publishing the annual report (H Shares)	www.hkexnews.hk
Location where copies of the annual report are kept	Office of the Board of Directors of the Bank

Listing exchange of A Shares	Shanghai Stock Exchange
Stock name	農業銀行
Stock code	601288
Share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: 3/F, China Insurance Building, No. 166 Lujiazui East Road, New Pudong District, Shanghai, PRC)
Listing exchange of H Shares	The Stock Exchange of Hong Kong Limited
Stock name	ABC
Stock code	1288
Share registrar	Computershare Hong Kong Investor Services Limited (Address: Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen’s Road East, Wanchai, Hong Kong, PRC)
Trading exchange and platform of preference shares	The Integrated Business Platform of Shanghai Stock Exchange
Stock name (stock code)	農行優1 (360001), 農行優2 (360009)
Share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: 3/F, China Insurance Building, No. 166 Lujiazui East Road, New Pudong District, Shanghai, PRC)
Legal advisor as to laws of Mainland China	King & Wood Mallesons
Address	17–18/F, East Tower, World Financial Centre 1, No. 1, Dongsanhuan Zhong Road, Chaoyang District, Beijing, PRC
Legal advisor as to laws of Hong Kong	Fangda Partners
Address	26/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong, PRC
Domestic auditor	KPMG Huazhen LLP
Address	8/F, Office Tower E2, Oriental Plaza, 1 East Chang An Avenue, Dongcheng District, Beijing, PRC
Name of the undersigned accountants	SHI Jian, SONG Chenyang
International auditor	KPMG
Address	8/F, Prince’s Building, 10 Chater Road, Central, Hong Kong, PRC

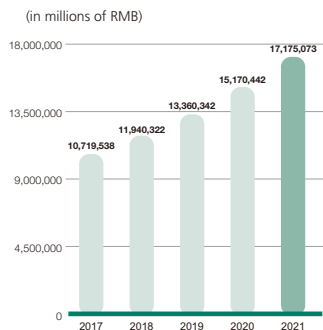
Financial Highlights

(Financial data and indicators recorded in this announcement are prepared in accordance with the International Financial Reporting Standards (the “IFRSs”) and denominated in RMB, unless otherwise stated)

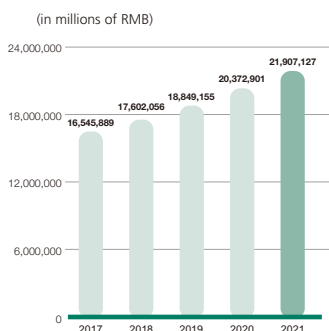
Total assets



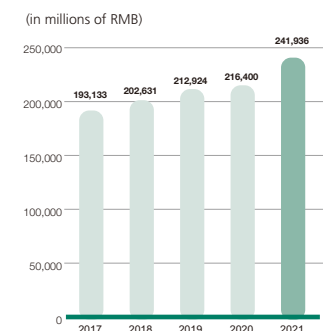
Total loans and advances to customers



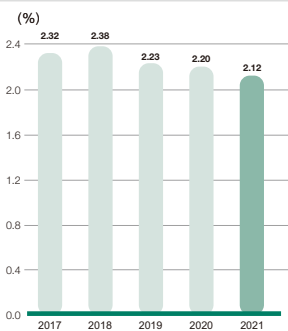
Deposits from customers



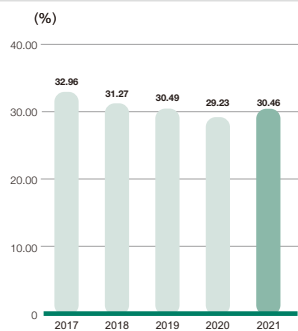
Net profit



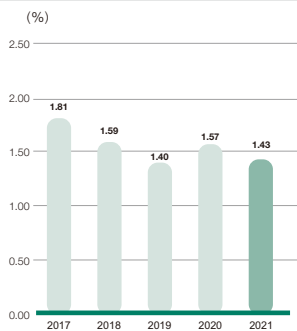
Net interest margin



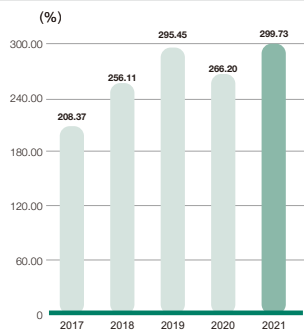
Cost-to-income ratio



Non-performing loan ratio



Allowance to non-performing loans



Major Financial Data

	31 December 2021	31 December 2020	31 December 2019	31 December 2018	31 December 2017
At the end of the reporting period					
(in millions of RMB)					
Total assets	29,069,155	27,205,047	24,877,491	22,608,452	21,052,309
Total loans and advances to customers	17,175,073	15,170,442	13,360,342	11,940,322	10,719,538
Including: Corporate loans	9,168,032	8,134,487	7,095,770	6,514,383	6,147,584
Discounted bills	424,329	389,475	421,390	343,961	187,502
Retail loans	7,117,212	6,198,743	5,391,677	4,664,852	3,999,200
Overseas and others	426,179	413,416	419,913	389,410	385,252
Allowance for impairment losses on loans	720,570	618,009	540,578	479,143	404,300
Loans and advances to customers, net	16,454,503	14,552,433	12,819,764	11,461,179	10,315,238
Financial investments	8,230,043	7,822,659	7,422,930	6,885,075	6,152,743
Cash and balances with central banks	2,321,406	2,437,275	2,699,895	2,805,107	2,896,619
Deposits and placements with and loans to banks and other financial institutions	665,444	981,133	758,925	661,741	635,514
Financial assets held under resale agreements	837,637	816,206	708,551	371,001	540,386
Total liabilities	26,647,796	24,994,301	22,923,630	20,933,665	19,622,912
Deposits from customers	21,907,127	20,372,901	18,849,155	17,602,056	16,545,889
Including: Corporate deposits	8,037,929	7,618,591	7,196,002	6,807,956	6,612,673
Retail deposits	12,934,171	11,926,040	10,904,731	10,076,833	9,405,347
Overseas and others	623,353	562,741	517,440	514,244	527,869
Deposits and placements from banks and other financial institutions	1,913,471	1,785,176	1,829,272	1,449,863	1,254,791
Financial assets sold under repurchase agreements	36,033	109,195	53,197	157,101	319,789
Debt securities issued	1,507,657	1,371,845	1,108,212	780,673	475,017
Equity attributable to equity holders of the Bank	2,414,605	2,204,789	1,948,355	1,670,294	1,426,415
Net capital ¹	3,057,867	2,817,924	2,498,311	2,073,343	1,731,946
Common Equity Tier 1 (CET1) capital, net ¹	2,042,480	1,875,372	1,740,584	1,583,927	1,339,953
Additional Tier 1 capital, net ¹	359,881	319,884	199,894	79,906	79,906
Tier 2 capital, net ¹	655,506	622,668	557,833	409,510	312,087
Risk-weighted assets ¹	17,849,566	16,989,668	15,485,352	13,712,894	12,605,577

	2021	2020	2019	2018	2017
Operating results for the year (in millions of RMB)					
Operating income	721,746	659,332	629,350	602,557	542,898
Net interest income	577,987	545,079	500,870	488,159	449,905
Net fee and commission income	80,329	74,545	72,927	67,742	64,928
Operating expenses	260,275	229,897	224,096	213,963	205,268
Credit impairment losses	165,886	164,699	138,605	136,647	N/A
Impairment losses on assets	N/A	N/A	N/A	N/A	98,166
Total profit before tax	295,880	265,050	266,576	251,674	239,478
Net profit	241,936	216,400	212,924	202,631	193,133
Net profit attributable to equity holders of the Bank	241,183	215,925	212,098	202,783	192,962
Net cash generated from operating activities	239,615	(60,936)	358,396	105,927	633,417

Financial Indicators

	2021	2020	2019	2018	2017
Profitability (%)					
Return on average total assets ²	0.86	0.83	0.90	0.93	0.95
Return on weighted average net assets ³	11.57	11.35	12.43	13.66	14.57
Net interest margin ⁴	2.12	2.20	2.23	2.38	2.32
Net interest spread ⁵	1.96	2.04	2.09	2.25	2.20
Return on risk-weighted assets ^{1,6}	1.36	1.27	1.38	1.48	1.53
Net fee and commission income to operating income	11.13	11.31	11.59	11.24	11.96
Cost-to-income ratio ⁷	30.46	29.23	30.49	31.27	32.96
Data per share (RMB Yuan)					
Basic earnings per share ³	0.65	0.59	0.59	0.59	0.58
Diluted earnings per share ³	0.65	0.59	0.59	0.59	0.58
Net cash flows per share generated from operating activities	0.68	(0.17)	1.02	0.30	1.95

31 December 31 December 31 December 31 December 31 December
2021 2020 2019 2018 2017

Asset Quality (%)

Non-performing loan ratio ⁸	1.43	1.57	1.40	1.59	1.81
Allowance to non-performing loans ⁹	299.73	266.20	295.45	256.11	208.37
Allowance to loan ratio ¹⁰	4.30	4.17	4.15	4.08	3.77

Capital adequacy (%)

Common Equity Tier 1 (CET1) capital adequacy ratio ¹	11.44	11.04	11.24	11.55	10.63
Tier 1 capital adequacy ratio ¹	13.46	12.92	12.53	12.13	11.26
Capital adequacy ratio ¹	17.13	16.59	16.13	15.12	13.74
Risk-weighted assets to total assets ratio ¹	61.40	62.45	62.25	60.65	59.88
Total equity to total assets ratio	8.33	8.13	7.85	7.41	6.79

Data per share (RMB Yuan)

Net assets per ordinary share ¹¹	5.87	5.39	5.00	4.54	4.15
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- Notes: 1. Figures were calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and other relevant regulations.
2. Calculated by dividing net profit by the average balances of total assets at the beginning and the end of the period.
3. Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Computation and Disclosure of Return on Net Assets and Earnings per Share (2010 Revision) issued by the CSRC and International Accounting Standard 33 — Earnings per share.
4. Calculated by dividing net interest income by the average balances of interest-earning assets.
5. Calculated as the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
6. Calculated by dividing net profit by risk-weighted assets at the end of the period. The risk-weighted assets are calculated in accordance with the relevant regulations of the CBIRC.
7. Calculated by dividing operating and administrative expenses by operating income in accordance with CASs, which is consistent with the corresponding figures as stated in the financial report of the Bank prepared in accordance with CASs.
8. Calculated by dividing the balance of non-performing loans (excluding accrued interest) by the balance of total loans and advances to customers (excluding accrued interest).
9. Calculated by dividing the balance of allowance for impairment losses on loans by the balance of non-performing loans (excluding accrued interest), among which, the balance of allowance for impairment losses on loans includes the allowance for impairment losses on bills and forfeiting recognized in other comprehensive income. The data in the comparative periods were adjusted according to the caliber.
10. Calculated by dividing the balance of allowance for impairment losses on loans by the balance of total loans and advances to customers (excluding accrued interest), among which, the balance of allowance for impairment losses on loans includes the allowance for impairment losses on bills and forfeiting recognized in other comprehensive income. The data in the comparative periods were adjusted according to the caliber.
11. Calculated by dividing equity attributable to ordinary equity holders of the Bank (excluding other equity instruments) at the end of the reporting period by the total number of ordinary shares at the end of reporting period.

Other Financial Indicators

		Regulatory Standard	31 December 2021	31 December 2020	31 December 2019	31 December 2018	31 December 2017
Liquidity ratio ¹ (%)	RMB	≥25	62.01	59.15	57.74	55.17	50.95
	Foreign Currency	≥25	138.94	122.98	112.07	101.77	106.74
Percentage of loans to the largest single customer ² (%)		≤10	2.44	4.07	4.68	5.53	7.26
Percentage of loans to the top ten customers ³ (%)			11.67	12.58	13.83	15.25	18.27
Loan migration ratio ⁴ (%)	Normal		1.13	3.19	1.54	1.72	2.13
	Special mention		18.04	30.55	15.90	16.93	18.70
	Substandard		84.10	83.79	47.10	61.48	71.48
	Doubtful		20.99	20.46	8.82	8.91	6.94

- Notes: 1. Calculated by dividing current assets by current liabilities in accordance with the relevant regulations of the CBIRC.
2. Calculated by dividing total loans to the largest single customer (excluding accrued interest) by net capital.
3. Calculated by dividing total loans to the top ten customers (excluding accrued interest) by net capital.
4. Calculated in accordance with the relevant regulations of the CBIRC, reflecting domestic data only.

Quarterly Data

2021 (in millions of RMB)	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	194,499	171,755	179,627	175,865
Net profit attributable to equity holders of the Bank	65,861	56,417	64,431	54,474
Net cash flows generated from/ (used in) operating activities	382,770	(221,605)	(8,609)	87,059

Chairman's Statement

2021 was a milestone in China's history and also a year in which Agricultural Bank of China made new achievements in its high-quality development. In the face of the combined impact of major global changes and the pandemic, both unseen in a century, we followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and conscientiously implemented the decisions and plans of the Central Committee of the Communist Party of China (the "CPC") and the State Council. We implemented the new development philosophy in full, in the right way, and in all fields of endeavor, and adhered to the general principle of pursuing progress while ensuring stability. We stayed true to the original aspiration and the mission of serving Sannong and the real economy, responded to COVID-19 and worked on business operations in a well-coordinated way, accelerated the reforms in key areas and the digital transformation, and took solid measures on risk control. We successfully accomplished the targets and tasks set by the Board of Directors and all these endeavors made a good start on the 14th Five-Year Plan of the Bank.

During this year, we have persistently upheld the Party leadership, integrated it throughout the entire process of our corporate governance, and demonstrated it in our concrete actions serving the high-quality development and national strategies. We always bore in mind the country's most fundamental interests, steadfastly followed the path of financial development with Chinese characteristics, resonated with the pulse of the times, flourished with the real economy and grew alongside our customers. We further deepened the understanding of the duties and mission of a large state-owned commercial bank as well as the law of modern finance. All of these ensured we were developing in the right direction.

We adhered to high-quality development. Following the requirements of the new development stage and serving the creation of a new pattern of development, we persisted in our primary responsibilities and core businesses, carried on our essence of tradition while pursuing innovation, and steadfastly stayed on the path of high-quality development, which enabled us to achieve a balanced and coordinated development in scale, quality and efficiency. As of the end of 2021, our total assets exceeded RMB29 trillion; the balance of loans and advances to customers increased by RMB2 trillion compared to the end of the previous year, reaching RMB17.2 trillion to the highest record of new loans; and the balance of deposits from customers was RMB21.9 trillion, representing an increase of RMB1.5 trillion compared to the end of the previous year, of which an increase in deposits from retail banking customers exceeded RMB1 trillion. We achieved steady growth in operating performance with an operating income of RMB721.7 billion and a net profit of RMB241.9 billion, having a year-on-year growth rate of 9.5% and 11.8%, respectively. Our asset quality remained stable with our non-performing loan ratio decreasing by 0.14 percentage point to 1.43% and our allowance to non-performing loans increasing by 33.53 percentage points to 299.73%, compared to the end of the previous year. Our capital adequacy level was improved with a capital adequacy ratio of 17.13%, representing an increase of 54 basis points compared to the end of the previous year. Our business innovation was accelerated, diversified income structure was more stable, and the capabilities of overall service and value creation were further enhanced.

We prominently positioned the Bank in two aspects as "a leading bank serving rural revitalization" and "a major bank serving the real economy". Actively responding to the national strategy of promoting rural revitalization on all fronts, we leveraged our advantages in

channels, capital, products and technology to keep being a “vanguard” in the financial sector to serve rural revitalization. As of the end of 2021, the balance of our loans and advances to customers in County Areas was RMB6.2 trillion, and the increase in such loans and its proportion in our total loans both reached their highest levels since our conversion into a joint-stock bank. We increased the support in serving the key fields in the rural revitalization and consolidating the achievements of poverty alleviation. Our loans for food security, rural industries and rural construction increased by 17.0%, 20.6% and 14.8%, respectively, compared to the end of the previous year. The loans to the 832 counties lifted out of poverty and 160 key counties receiving assistance in pursuing rural revitalization increased by 14.2% and 15.0%, respectively, compared to the end of the previous year, both higher than the average growth rate of loans across the Bank. We strengthened the technological empowerment and launched a management platform for rural collective capitals, assets and resources in 908 counties. The balance of Huinong E-loan (an online loan to rural households) amounted to RMB544.7 billion, representing an increase of 54.1% compared to the end of the previous year, which served 3.68 million rural households.

We made an all-out effort to serve the real economy, and contribute to ensuring stability on six key fronts, maintaining security in six key areas and creating a new pattern of development by continuously improving our financial service system with high adaptability, competitiveness and inclusiveness. Regarding the national major regional strategies and key engineering and major projects under the 14th Five-Year Plan, we strengthened our comprehensive financial services, granting RMB673.8 billion of new loans in major projects and RMB516 billion of new investment in local government bonds in 2021. We proactively adjusted our credit structure and prioritized credit resources to the key areas such as manufacturing, scientific and technological innovation, green and low-carbon development, inclusive finance, and people’s livelihood. The balance of loans to manufacturing amounted to RMB1.7 trillion, representing an increase of 18.5% compared to the end of the previous year. We established partnerships with 2,853 specialized and sophisticated “little giant” enterprises that produce new and unique products, of which 1,251 enterprises had outstanding loans with a balance of RMB19.7 billion, representing an increase of 33.1% compared to the end of the previous year. The balance of our inclusive loans to small and micro enterprises increased by 38.8% to RMB1.3 trillion, the number of small and micro enterprises with outstanding inclusive loans increased by 0.35 million. The loans to private enterprises increased by 21.5%.

We have always practiced the “people-centered” development philosophy. Adhering to the principle of people first and customers first, we continued to make our service accessible to customers and optimize our service system to better meet the diversified financial needs of the people and the real economy. We continuously extended the service coverage to County Areas; 65% of our relocated branch outlets in 2021 were deployed to rural-urban fringe, County Areas and towns. We strengthened the supply of financial services related to people’s livelihood, such as housing, education, medical care and pensions, so as to solve their problems by means of finance. We implemented layered management for customers and classified management for customer managers, launched the rural version and large-font version of our mobile banking APP, and built senior-friendly and barrier-free service facilities, so as to provide customers with inclusive, fast and more considerate financial services. We strengthened the protection of consumers’ rights and interests, improved the related systems, further smoothed customer complaint channels and responded proactively to customers’ demands so as to increase their satisfaction and sense of benefit.

We actively supported the green and low-carbon transformation of the economy and society. We carried out conscientiously the deployment of peak carbon emissions and carbon neutrality and identified green finance as one of the Bank's development strategies in the 14th Five-Year Plan. We implemented green development concepts throughout our operation and management process, improved the institutional system and innovated products and service models, through which to grow our green finance. As of the end of 2021, our green credit balance was RMB1.98 trillion, representing an increase of 30.6%, and the balance of green bond investment was RMB88.3 billion, representing an increase of 35.0%, both compared to the end of the previous year. We actively used the carbon-reduction supporting instruments launched by the PBOC and supported various projects with significant carbon emission reduction effect in the key areas of carbon emission reduction. We conscientiously implemented our responsibilities for environmental, social and corporate governance, and actively demonstrated the image of China with green development.

We promoted digital transformation to achieve landmark application results. Amid the rapid changes brought about by the digital wave, we implemented the Ten Projects of digital transformation in four key areas, namely technology support, smart channel construction, enterprise-level architecture and big data application. During this year, we continuously advanced the construction of the basic framework of digital transformation, achieving a series of landmark application results. As of the end of 2021, the number of customers registered for our mobile banking exceeded 0.4 billion, and the monthly active users exceeded 0.15 billion, ranking the first among peers. The balance of the online loan "ABC E-loan" exceeded RMB2 trillion, an increase of 63.0% compared to the end of the previous year, and online supply chain financing exceeded RMB100 billion. The projects, such as smart marketing, smart risk control, and the middle-end data platform, were promoted smoothly, solidifying foundational support for our digital transformation.

We made our effort to strictly control major financial risk in our operations and development. Proactively responding to the risks and challenges due to increasing unstable and uncertain factors, we strengthened the construction of a comprehensive risk management system, and enhanced the risk scanning and alert and foresighted resolution. We optimized the credit risk management mechanism, implemented the centralized management and the whole-process management for credit risk, and improved the system of principal responsible persons for loans and the mechanism of accountability evaluation and determination to strengthen their responsibility for loan management. The integrated management of market risk across the Group and look-through management of assets relating to financial market businesses were strengthened to effectively prevent market risks. We paid close attention to cyber and information security management, strengthened the building of disaster recovery capabilities and cyber security protection system, and further enhanced capabilities to guarantee our business continuity.

Looking back on 2021, we could not have achieved these results without the strong support of our shareholders, customers and all sectors of society, as well as our 0.46 million employees' intense and concrete efforts. On behalf of the Board of Directors, I would like to extend my sincerest gratitude to all of these people.

Looking forward to 2022, though China's economy is under the triple pressure of shrinking demand, disrupted supply and weakening expectations, the fundamentals of its strong development resilience, large potential and sound growth in the long run remain unchanged, the trend of sustained and stable recovery remains unchanged, and the conditions for promoting high-quality development remain unchanged. Agricultural Bank of China will ground our efforts in the new development stage, apply the new development philosophy, fully implement the decisions and plans of the CPC Central Committee and the State Council and adhere to the general principle of pursuing progress while ensuring stability. We will continuously strengthen the financial service for rural revitalization and the real economy, maintain stable growth in our credit supply and continuous optimization of our credit structure, pursue development and prevent and control risks in a well-coordinated way, continuously enhance the modernization of our governance system and capabilities, make a greater contribution to consolidating the achievements of poverty alleviation and maintaining stable macroeconomic performance, and play a more significant role in serving the creation of a new pattern of development and achieving high-quality development, so as to make new breakthroughs in building Agricultural Bank of China into an international first-class commercial banking group.

GU Shu

Chairman of the Board of Directors

30 March 2022

President's Statement

2021 was the 100th anniversary of the founding of the Communist Party of China and the 70th anniversary of the establishment of Agricultural Bank of China. Over the past year, we firmly implemented the decisions and plans of the CPC Central Committee and the State Council. We focused on strengthening financial services for Sannong and the real economy, continued to deepen the system and mechanism reforms, dealt with all risks and challenges, and forged ahead and worked hard, thus achieving simultaneous enhancement in the scale, quality and efficiency of our business operations.

As of the end of 2021, our total assets reached RMB29.1 trillion, representing an increase of 6.9%; the balance of loans reached RMB17.2 trillion, representing an increase of 13.2%; and the balance of deposits reached RMB21.9 trillion, representing an increase of 7.5%, compared to the end of the previous year. Our non-performing loan ratio was 1.43%, representing a decrease of 0.14 percentage point compared to the end of the previous year. We recorded an operating income of RMB721.7 billion for 2021, representing an increase of 9.5% compared to the previous year. Our net profit amounted to RMB241.9 billion, representing an increase of 11.8% compared to the previous year. The capital adequacy ratio was 17.13%, representing an increase of 54 basis points compared to the end of the previous year.

Adhering to our primary responsibilities and core businesses, we effectively served Sannong and the real economy. Focusing on serving the creation of a new pattern of development, we effectively increased our financing supply and prioritized more financial resources to key sectors and weak links in the real economy, to provide more targeted and suitable financial services. Adhering to our positioning of serving Sannong, we increased resources invested in County Areas and strengthened our financial support for key fields in rural revitalization such as food security, rural industries and rural construction. Our loans in County Areas increased by RMB913.0 billion or 17.2% compared to the end of the previous year. The solid progress was made in serving for consolidating the achievements of poverty alleviation, that the respective growth rates of loans to 832 counties lifted out of poverty and 160 key counties receiving assistance in pursuing rural revitalization were both higher than the average growth rate of loans across the Bank. By comprehensively implementing the policies in securing the operation of market entities, we promoted the increment, coverage expansion and cost reduction of inclusive loans. Our inclusive loans to small and micro enterprises increased by RMB369.3 billion, with a growth rate of over 30% for three consecutive years, and the number of small and micro enterprises with outstanding inclusive loans increased by 0.35 million over the end of the previous year to 1.92 million. Focusing on serving the national strategy of building China into a manufacturer of quality, we increased loans to manufacturing by RMB272.4 billion or 18.5% compared to the end of the previous year, of which medium and long-term loans to manufacturing and the loans to high-tech manufacturing grew by 39% and 26%, respectively. We also focused on the construction of the national scientific and technological innovation system, improved our financial service system, and continuously expanded the coverage for specialized and sophisticated “little giant” enterprises that produce new and unique products. Putting the green development concept into our practice actively, we vigorously implemented the green finance strategy, with the green credit balance of RMB1.98 trillion and a growth rate of over 30%.

We put customers first and focused on improving our customer service capabilities. We continued to expand the customer base and improve our service quality, and further solidified our customer base by obtaining customers from the source of businesses and in batches as well as based on scenes. The number of our retail banking customers remained ahead among peers, and the number of private banking customers increased by 20.2% compared to the end of the previous year. The number of our corporate banking customers increased by 0.61 million over the end of the previous year, reaching 8.60 million. To satisfy diversified demands of retail banking customers in asset allocation in the new era, we accelerated the improvement of the broad wealth management system, constantly enriched the supply of products and services in funds, insurance, wealth management and family trusts so as to create more value for our customers. We deepened the integrated management of domestic and foreign currency businesses and the integrated operation of our group, and improved the synergistic marketing mechanism of the corporate business. In the areas of financial markets, investment banking, custody and cross-border, our businesses maintained a good development trend, and our international and integrated service capabilities continued to grow. We created a smooth end-to-end digital journey to improve customer experience by applying scene-based thinking. The process optimization projects such as paperless transactions at branch outlets and intelligent account management were steadily advancing, and the scope of the remote interviews and remote “cloud expert” services continued to expand.

We deepened reform and innovation to further enhance the effectiveness of operation and management. With the goal of improving our digital operation capability, we actively promoted digital transformation in four aspects: channel construction, big data application, business foundation and IT foundation. As of the end of 2021, our online loan “ABC E-loan” balance increased by 63% to RMB2.14 trillion compared to the end of the previous year, and monthly active users of our mobile banking exceeded 0.15 billion. Regarding smart government affairs, we had cooperation with all provincial-level government affairs platforms. Nearly RMB4 trillion of financial products were sold through our retail digital marketing platform. In line with the national regional development strategies and based on the local resource endowment and basic conditions, we implemented classified management for the branches, and promoted the development of differentiation through the adaptive allocation of resources and differentiated assessments and incentives. In response to changes in the development pattern of urban and rural areas, we adjusted and optimized the distribution of our branch outlets, improving customers’ access to our services and increasing more branch outlets in new urban areas, urban-rural fringe, key towns and other areas with strong potential, to improve their output efficiency. For the purpose of capital saving and value creation, we strengthened our sophisticated management of capital by significantly reducing businesses with high capital consumption and removing inefficient and ineffective capital occupation through multiple channels. Our Common Equity Tier 1 (“**CET1**”) capital adequacy ratio increased by 40 basis points compared to the end of the previous year. We advanced the development of an intelligent operation system in an orderly manner, and effectively relieved burdens of foundation-level branches via RPA technology while improving the level of intelligent and intensive operation.

We strengthened bottom line thinking and adhered to a strict approach to risk limitation and compliance limitation. In the face of the complex and severe risk situation, we continued to strengthen the construction of a comprehensive risk management system, enabling us to respond to low-probability events with a high-probability mind-set, and resolutely adhered to the bottom line of no systemic risk. Focusing on improving data authenticity, model accuracy and system effectiveness, we actively promoted the development of a digital risk control system. Our credit risk management mechanism was improved, the system of principal responsible person for loans was implemented, the risk control in key areas such as large-value group customers and real estate industry was strengthened, and the disposal of non-performing loans was increased, so that our asset quality remained stable overall. We strengthened the tracking and judgement of the market situation, promoted the integrated management and control of market risk across the Group and implemented the look-through management for market-based business assets, to ensure the market risk was visible and under control. The building of the compliance system was comprehensively deepened, through carrying out the activities of Year of Establishment of Internal Control and Compliance and Year of Establishment of System and Compliance, and strengthening anti-money laundering and sanctions risk management, so that the effectiveness of our internal control was further enhanced. We continued to optimize the IT technical architecture, strengthened the development of a disaster recovery system, upgraded the cyber security and data security defence system, and conducted regular emergency disaster recovery and cyber-attack and defence drills, so that our capabilities to guarantee our business continuity and protect our information security were significantly strengthened.

2022 is an important year to start a new journey towards the second centenary goal of building a modern socialist country in all respects. In this year, we will adhere to the general principle of pursuing progress while ensuring stability, and apply the new development philosophy in full, in the right way, and in all fields of endeavor. Full of pride and invigorating spirit, we will seek development, promote reform, strengthen management, and control risks with greater effort and more practical measures, so as to write a new chapter of high-quality development and set the stage for 20th National Congress of the CPC with concrete actions.

ZHANG Qingsong
President
30 March 2022

Discussion and Analysis

Environment and Prospects

In 2021, China maintained its global leadership in economic development and pandemic prevention and control with its GDP at a growth rate of 8.1% and a two-year average growth rate of 5.1%. The policies of expanding domestic demand and promoting consumption continued to play a strong role, with a steady increase in contribution of consumption to economic growth and total retail sales of consumer goods growing by 12.5%. Fixed asset investment maintained a recovery trend, with an annual growth rate of 4.9%, in which manufacturing investment grew at a fast rebound of 13.5%. Taking advantages of China's complete industrial chain and the recovery of external demand, exports maintained a high growth rate, with an annual growth rate of 21.2% (denominated in RMB). The global supply-demand mismatch led to a sharp rise in industrial prices, with the PPI rising 8.1% year-on-year, while the consumer price index (CPI) remained low, rising 0.9% year-on-year. The annual growth rate of broad money (M2) was 9%, and the aggregate financing to the real economy (flow) was RMB31.35 trillion, which was RMB3.44 trillion less than the previous year.

In 2021, adhering to the general principle of pursuing progress while ensuring stability, the Chinese government focused on cross-cyclical adjustments of macro-policies. The quality and efficiency of proactive fiscal policies were enhanced, the growth of fiscal expenditure slowed, and local governments' hidden liabilities were strictly controlled. The sound monetary policy remained flexible, targeted, reasonable and appropriate, the growth in broad money and aggregate financing to the real economy were basically in line with that of nominal GDP, and the macro leverage ratio was basically stable. The structural policies made our industrial chains and supply chains more independent and controllable, and the green transformation of industries under the peak carbon emissions and carbon neutrality ("Double Carbon") goal was accelerated. The financial reforms continued to advance, with the policies on cross-border RMB were optimized, the Cross-border Wealth Management Connect pilot scheme and the Southbound Bond Connect were launched, and the pace of two-way opening-up of the bond market was accelerated.

In 2022, China's economic development is expected to face the triple pressures of shrinking demand, disrupted supply and weakening expectations, yet its advantages and resilience as an enormous economy remain obvious, its characteristics of high-quality economic development will be more distinct, and the fundamentals for sound growth in the long run remain unchanged. Green transformation investment, manufacturing investment with high prosperity and appropriate advance investment in infrastructure will expand the effective investment demand. The exports are expected to face certain uncertainties but will remain resilient. Transformation of consumption patterns is anticipated to accelerate, and the policy of common prosperity will be conducive to improving the structure of income distribution and further releasing consumption potential. The overall degree of supply-demand mismatch is expected to ease, the growth rate of PPI is expected to fall, and CPI may pick up due to upstream commodity price transmission.

In 2022, the overall economic policy will give top priority to “stability”, attaching more importance to steady growth. The fiscal policy will continue to be proactive, with more emphasis on precision and sustainability, ensuring the intensity of fiscal spending, accelerating the progress of spending through pre-arrangement, and strengthening support for medium, small and micro enterprises and other economic entities through the implementation of new policies to reduce taxes and fees. The monetary policy will place more emphasis on flexibility and appropriateness, which maintains the liquidity at a proper and adequate level by leveraging a variety of monetary policy instruments, promotes a steady decline in costs of overall financing for enterprises, and guides financial institutions to increase their support for the real economy, especially for small and micro enterprises, scientific and technological innovations, and green development. The industrial policies will place more emphasis on the green transformation and upgrading of traditional industries under the “Double Carbon” goal, promoting the enhancement of core competitiveness of the manufacturing industry, and facilitating the virtuous cycle and healthy development of the real estate sector.

The changes in macro environment and policies will bring more opportunities to the banking industry, and also put forward higher requirements for its transformation and development. On the one hand, the development in key areas such as green transformation and upgrading, advanced manufacturing industry and infrastructure investment related to steady growth will bring opportunities for the banking industry to expand its customers and optimize its credit structure; and accelerated development of digital economy led by the pandemic and emergence of new business forms and modes will bring broader space for the banks’ digital transformation. On the other hand, the decline in economic inertia and shift in economic cycle will bring new challenges to its asset quality, the changes in corporate financing mode will put forward higher requirements for its innovative services, and the faster growth rate of loans compared to that of deposits will bring more difficulties in its asset-liability matching and liquidity management.

In 2022, we will seize opportunities and face challenges, adhere to Party Leadership in the financial work in a centralized and unified manner and the general principle of pursuing progress while ensuring stability, implement the new development philosophy in full, in the right way, and in all fields of endeavor, contribute to creating a new pattern of development, and coordinate the development and the risk prevention. First, we will continue to promote our financial services for rural revitalization, strengthen our financial support for the key counties receiving assistance in pursuing rural revitalization, and expand the credit to the key fields such as food security, rural industry and rural construction, accelerate the digital village project, so as to play the role as a leading bank serving rural revitalization. Second, we will follow the requirements of ensuring stability on six key fronts and maintaining security in six key areas, and actively provide our financial support for the major projects that aim at “steady growth”, manufacturing, technological innovation, small and micro enterprises, green development, and the stable and healthy development of the real estate sector, to play the role as a major bank serving the real economy. Third, we will deepen the reform and transformation of the key areas, accelerate the implementation of digital transformation applications, business process improvement and optimization of labor at the branch outlets to further enhance our development vitality. Fourth, we will comprehensively strengthen our risk management, further specify the risk management responsibilities, execute forward-looking prevention and accurate disposal of risks in key areas, and continue to promote our capability of disaster tolerance and the construction of the network security protection system, so as to strictly hold our risk limitations.

Formulation and Implementation of Strategy

Closely aligning with China's 14th Five-Year Plan and scientifically benchmarking with the development trend of the banking industry, we have formulated our 14th Five-Year Plan based on our own realities, solid advantages and shortcomings and inputs of all employees. The plan focuses on One Theme, Two Positionings and Three Major Strategies, stipulates the guiding ideology and main objectives of the Bank's reform and development in the next five years, and specifies the development direction, strategic themes and key initiatives, in order to guide and accelerate the Bank-wide transformation of our business operations, consolidate and enhance our comprehensive competitiveness and better serve the national strategies.

Adhering to the One Theme of high-quality development: During the 14th Five-Year Plan period, we will ground our efforts in the new development stage, apply the new development philosophy, and serve the construction of a new pattern of development. We will also promote the high-quality development of the economy and society through providing our high-quality financial services, and together pursue our own high-quality development.

Emphasizing the Two Positionings: During the 14th Five-Year Plan period, we will emphasize our two positioning as a leading bank serving rural revitalization and a major bank serving the real economy. We will continue to implement our Sannong and County Area strategy deeply and promote sustainable development of our County Area Banking Business in serving the national rural revitalization strategy, securing leading roles in terms of market share, Fin-Tech and service means, risk control and brand image, to become a leading bank serving rural revitalization. Insisting on serving the real economy as the starting point and foothold of our work, we will accelerate the innovation of service modes and management methods, comprehensively enhance the efficiency and standard of our service, and continuously improve our financial service system for a modern commercial bank with characters of high adaptability, competitiveness and inclusiveness, aiming to promote the high-quality development of the economy and society with our high-quality financial services and acting as a major bank serving the real economy.

Implementing the Three Major Strategies: During the 14th Five-Year Plan period, we will fully implement the three major strategies of Sannong and County Areas, green finance and digital operation. Firstly, we will fully implement the strategic plan of the CPC Central Committee on rural revitalization. Focusing on the quality service, risk control and business sustainability, we will fully promote the transformations in respect of our service channels, service modes and risk control for the County Area Banking Business. We will strive to develop the business with its own features, competitive edges and advantages by our concentrated attention and efforts, so as to enhance our competitiveness in the County Area market and our capability of commercially sustainable development and well play our role as a national team and a main force in serving Sannong. Secondly, we will earnestly implement the strategic deployment of the CPC Central Committee on peak carbon emissions and carbon neutrality. We will incorporate the green development concept into the whole process of our management based on the comprehensive green transformation of economic and social development. We will also improve the working mechanism for green finance and promote diversified innovation of our green financial products, striving to build a distinctive, widely recognized and dominant brand in green finance. Thirdly, we will strive to fully integrate the Bank into the digitalization of China. Aiming to build our new competitive edges in the digital era, we will drive changes in the modes of work, service and governance across the Group through digital transformation. We will promote the construction of our Ten Projects of digital transformation according to the principle of urgent use first in order to accelerate the forming

of a new model of smart banking featuring technology guidance, data empowerment and digital operation.

In 2021, we made a good start on our 14th Five-Year Plan by pushing forward the implementation of the key tasks thereunder in an orderly manner, leading to a significant enhancement in our business vitality, continual improvement in our asset quality, steadily strengthened competitiveness, and good performance in our operations and management. The implementation of “Three Major Strategies” was accelerated. All our regulatory indicators for rural revitalization were met, and loans to Sannong and County Areas achieved the goals of “two higher-than, two improvements and one stability”; our system for green finance business continued to be built and improved and our green credit led the industry; all tasks under the Ten Projects of digital transformation achieved phased results, and our digital operating capacities were further improved. While our main business achieved high-quality development, our customer management capability was significantly enhanced, our capability in serving new drivers of economic growth was continuously improved, the allocation of large categories of assets and investment portfolios were constantly optimized, and the working mechanisms for strengthening synergies among regions, businesses, and between the Group and its subsidiaries as well as the domestic and overseas institutions were further improved. The key tasks of reform and development were carried out in an orderly manner, the level of risk control and case prevention was effectively improved, the resource allocation model and the incentive and restraint mechanisms were continuously optimized, and the integration of the Party leadership into corporate governance was further systematized, standardized and proceduralized.

Financial Statement Analysis

Income Statement Analysis

In 2021, the Bank achieved a net profit of RMB241,936 million for the year, representing an increase of RMB25,536 million, or 11.8%.

Changes of Significant Income Statement Items

In millions of RMB, except for percentages

Item	2021	2020	Increase/ (decrease)	Growth rate (%)
Net interest income	577,987	545,079	32,908	6.0
Net fee and commission income	80,329	74,545	5,784	7.8
Other non-interest income	63,430	39,708	23,722	59.7
Operating income	721,746	659,332	62,414	9.5
Less: Operating expenses	260,275	229,897	30,378	13.2
Credit impairment losses	165,886	164,699	1,187	0.7
Impairment losses on other assets	114	204	(90)	-44.1
Operating profit	295,471	264,532	30,939	11.7
Share of result of associates and joint ventures	409	518	(109)	-21.0
Profit before tax	295,880	265,050	30,830	11.6
Less: Income tax expense	53,944	48,650	5,294	10.9
Net profit	241,936	216,400	25,536	11.8
Attributable to:				
Equity holders of the Bank	241,183	215,925	25,258	11.7
Non-controlling interests	753	475	278	58.5

Net interest income

Net interest income was the largest component of our operating income, accounting for 80.08% of the operating income in 2021. Our net interest income was RMB577,987 million in 2021, representing an increase of RMB32,908 million as compared to the previous year, among which, the increase in volume and changes in interest rates resulted in an increase of RMB61,422 million and a decrease of RMB28,514 million in net interest income, respectively. Our net interest margin and net interest spread were 2.12% and 1.96%, both representing decreases of eight basis points, primarily due to: (1) a decrease in average yields of loans and advances to customers as a result of factors such as the implementation of national policies on interest concession and loan repricing; (2) an increase in the deposit cost due to the market environment.

The table below presents the average balance, interest income/expense, and average yield/cost of interest-earning assets and interest-bearing liabilities.

In millions of RMB, except for percentages

Item	2021			2020		
	Average balance	Interest income/expense	Average yield/cost (%)	Average balance	Interest income/expense	Average yield/cost (%)
Assets						
Loans and advances to customers	16,396,903	694,009	4.23	14,419,902	631,753	4.38
Debt securities investments ¹	7,283,225	252,804	3.47	6,812,831	238,995	3.51
Non-restructuring-related debt securities	6,898,990	242,742	3.52	6,428,590	227,963	3.55
Restructuring-related debt securities ²	384,235	10,062	2.62	384,241	11,032	2.87
Balances with central banks	2,230,582	34,726	1.56	2,234,121	34,271	1.53
Amounts due from banks and other financial institutions ³	1,326,895	26,475	2.00	1,363,938	25,913	1.90
Total interest-earning assets	27,237,605	1,008,014	3.70	24,830,792	930,932	3.75
Allowance for impairment losses ⁴	(719,063)			(619,089)		
Non-interest-earning assets ⁴	1,538,232			1,651,501		
Total assets	28,056,774			25,863,204		
Liabilities						
Deposits from customers	20,482,267	329,593	1.61	18,611,986	284,552	1.53
Amounts due to banks and other financial institutions ⁵	2,045,524	40,727	1.99	2,039,180	45,131	2.21
Other interest-bearing liabilities ⁶	2,148,719	59,707	2.78	1,876,373	56,170	2.99
Total interest-bearing liabilities	24,676,510	430,027	1.74	22,527,539	385,853	1.71
Non-interest-bearing liabilities ⁴	1,223,364			1,152,232		
Total liabilities	25,899,874			23,679,771		
Net interest income		577,987			545,079	
Net interest spread			1.96			2.04
Net interest margin			2.12			2.20

- Notes: 1. Debt securities investments include debt securities investments at fair value through other comprehensive income and debt securities investments at amortized cost.
2. Restructuring-related debt securities include the receivable from the MOF and the special government bond.
3. Amounts due from banks and other financial institutions primarily include deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.
4. The average balances of non-interest-earning assets, non-interest-bearing liabilities and allowance for impairment losses are the average of their respective balances at the beginning and the end of the period.
5. Amounts due to banks and other financial institutions primarily include deposits from banks and other financial institutions, placements from banks and other financial institutions as well as financial assets sold under repurchase agreements.
6. Other interest-bearing liabilities primarily include debt securities issued and borrowings from central banks.

The table below presents the changes in net interest income due to changes in volume and interest rate.

In millions of RMB

	<u>Increase/(decrease) due to</u>		Net increase/ (decrease)
	Volume	Interest rate	
Assets			
Loans and advances to customers	83,678	(21,422)	62,256
Debt securities investments	16,328	(2,519)	13,809
Balances with central banks	(55)	510	455
Amounts due from banks and other financial institutions	(739)	1,301	562
Changes in interest income	99,212	(22,130)	77,082
Liabilities			
Deposits from customers	30,096	14,945	45,041
Amounts due to banks and other financial institutions	126	(4,530)	(4,404)
Other interest-bearing liabilities	7,568	(4,031)	3,537
Changes in interest expense	37,790	6,384	44,174
Changes in net interest income	61,422	(28,514)	32,908

Note: Changes caused by both volume and interest rate have been allocated to changes in volume.

Interest income

We achieved interest income of RMB1,008,014 million in 2021, representing an increase of RMB77,082 million as compared to the previous year, which was primarily due to an increase of RMB2,406,813 million in the average balance of interest-earning assets.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers increased by RMB62,256 million, or 9.9%, to RMB694,009 million, which was primarily due to an increase in the scale of loans and advances to customers.

The table below presents the average balances, interest income and average yield of loans and advances to customers by business type.

In millions of RMB, except for percentages

Item	2021			2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	8,919,710	364,488	4.09	7,806,885	332,975	4.27
Short-term corporate loans	2,633,532	95,786	3.64	2,472,008	95,512	3.86
Medium- and long-term corporate loans	6,286,178	268,702	4.27	5,334,877	237,463	4.45
Discounted bills	300,719	7,584	2.52	366,195	9,201	2.51
Retail loans	6,709,545	313,225	4.67	5,799,734	279,369	4.82
Overseas and others	466,929	8,712	1.87	447,088	10,208	2.28
Total loans and advances to customers	16,396,903	694,009	4.23	14,419,902	631,753	4.38

Interest Income from Debt Securities Investments

Interest income from debt securities investments was the second largest component of interest income. In 2021, the interest income from debt securities investments increased by RMB13,809 million to RMB252,804 million as compared to the previous year, which was primarily due to an increase in the scale of debt securities investments.

Interest Income from Balances with Central Banks

Interest income from balances with central banks increased by RMB455 million to RMB34,726 million as compared to the previous year, which was primarily due to the increased average yield of balances with central banks resulting from a decrease in the proportion of excess deposits reserves with a low yield.

Interest Income from Amounts Due from Banks and Other Financial Institutions

Interest income from amounts due from banks and other financial institutions rose by RMB562 million to RMB26,475 million as compared to the previous year, which was primarily due to the year-on-year increase in the average yield of amounts due from banks and other financial institutions.

Interest Expense

Interest expense increased by RMB44,174 million to RMB430,027 million as compared to the previous year, which was mainly due to an increase of RMB2,148,971 million in the average balance of interest-bearing liabilities.

Interest Expense on Deposits from Customers

Interest expense on deposits from customers increased by RMB45,041 million to RMB329,593 million as compared to the previous year, which was primarily due to an increase in the scale of deposits from customers.

Analysis of Average Cost of Deposits by Product Type

In millions of RMB, except for percentages

Item	Average balance	2021	Average cost (%)	Average balance	2020	Average cost (%)
		Interest expense			Interest expense	
Corporate deposits						
Time	2,833,037	68,774	2.43	2,414,982	60,775	2.52
Demand	5,280,911	50,222	0.95	4,969,048	43,014	0.87
Sub-Total	8,113,948	118,996	1.47	7,384,030	103,789	1.41
Retail deposits						
Time	6,624,035	189,467	2.86	5,642,490	156,281	2.77
Demand	5,744,284	21,130	0.37	5,585,466	24,482	0.44
Sub-Total	12,368,319	210,597	1.70	11,227,956	180,763	1.61
Total deposits from customers	20,482,267	329,593	1.61	18,611,986	284,552	1.53

Interest Expense on Amounts Due to Banks and Other Financial Institutions

Interest expense on amounts due to banks and other financial institutions decreased by RMB4,404 million to RMB40,727 million, which was primarily due to a decrease in the average cost of placements from overseas banks and other financial institutions.

Interest Expense on Other Interest-bearing Liabilities

Interest expense on other interest-bearing liabilities increased by RMB3,537 million to RMB59,707 million as compared to the previous year, which was primarily due to an increase in the scale of interbank certificate of deposit.

Net Fee and Commission Income

In 2021, we generated net fee and commission income of RMB80,329 million, representing an increase of RMB5,784 million, or 7.8%, as compared to the previous year. In particular, electronic banking service fees increased by 16.5%, mainly because we further deepened the digital transformation and strengthened product research and development as well as marketing and promotion, which increased the electronic business income; and agency commissions increased by 12.5%, mainly due to the increase in commissions generated from the agency fund and wealth management business.

Composition of Net Fee and Commission Income

In millions of RMB, except for percentages

Item	2021	2020	Increase/ (decrease)	Growth rate (%)
Settlement and clearing fees	11,094	11,129	(35)	-0.3
Consultancy and advisory fees	11,644	11,174	470	4.2
Agency commissions	23,677	21,043	2,634	12.5
Bank card fees	15,435	14,702	733	5.0
Electronic banking service fees	30,476	26,169	4,307	16.5
Credit commitment fees	1,980	1,875	105	5.6
Custodian and other fiduciary service fees	3,832	4,435	(603)	-13.6
Others	583	639	(56)	-8.8
Fee and commission income	98,721	91,166	7,555	8.3
Less: Fee and commission expenses	18,392	16,621	1,771	10.7
Net Fee and Commission Income	80,329	74,545	5,784	7.8

Other Non-interest Income

In 2021, other non-interest income amounted to RMB63,430 million, representing an increase of RMB23,722 million as compared to the previous year. In particular, net gain on financial investments rose by RMB22,347 million, which was primarily due to an increase in net gain on other debts instruments at fair value through profit or loss; and other operating income rose by RMB3,529 million, which was primarily due to an increase in the premium income of subsidiaries.

Composition of Other Non-interest Income

In millions of RMB

Item	2021	2020
Net trading gain	14,241	16,405
Net gain /(loss) on financial investments	15,035	(7,312)
Net gain on derecognition of financial assets measured at amortized cost	11	1
Other operating income	34,143	30,614
Total	63,430	39,708

Operating expenses

In 2021, our operating expenses increased by RMB30,378 million to RMB260,275 million as compared to the previous year; cost-to-income ratio increased by 1.23 percentage points to 30.46% as compared to the previous year.

Composition of operating expenses

In millions of RMB, except for percentages

Item	2021	2020	Increase/ (decrease)	Growth rate (%)
Staff costs	137,953	123,345	14,608	11.8
General operating and administrative expenses	61,558	49,452	12,106	24.5
Insurance benefits and claims	30,988	27,873	3,115	11.2
Depreciation and amortization	19,797	19,551	246	1.3
Taxes and surcharges	6,606	5,813	793	13.6
Others	3,373	3,863	(490)	-12.7
Total	260,275	229,897	30,378	13.2

Credit Impairment Losses

In 2021, our credit impairment losses were RMB165,886 million, among which impairment losses on loans increased by RMB30,011 million to RMB168,999 million as compared to the previous year, primarily because we made the allowance for impairment losses on loans with a prudent approach.

Income Tax Expense

In 2021, our income tax expense rose by RMB5,294 million, or 10.9%, to RMB53,944 million as compared to the previous year. The effective tax rate was 18.23%, which was lower than the statutory tax rate. This was primarily because the interest income from the PRC treasury bonds and local government bonds held by the Bank was exempted from enterprise income tax by the relevant tax laws.

Segment Reports

We assessed our performance and determined the allocation of resources based on the segment reports. Segment information had been presented in the same manner with that of internal management and reporting. At present, we manage our segments from the aspects of business lines, geographical regions and the County Area Banking Business.

The table below presents our operating income by business segment during the periods indicated.

In millions of RMB, except for percentages

Item	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking business	269,899	37.4	260,853	39.6
Retail banking business	318,402	44.1	277,603	42.1
Treasury operations	85,942	11.9	77,179	11.7
Other business	47,503	6.6	43,697	6.6
Total operating income	<u>721,746</u>	<u>100.0</u>	<u>659,332</u>	<u>100.0</u>

The table below presents our operating income by geographic segment during the periods indicated.

In millions of RMB, except for percentages

Item	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	35,518	4.9	37,034	5.6
Yangtze River Delta	144,528	20.0	128,436	19.5
Pearl River Delta	107,394	14.9	97,061	14.7
Bohai Rim	98,191	13.6	90,921	13.8
Central China	107,196	14.9	98,993	15.0
Western China	154,202	21.3	139,762	21.2
Northeastern China	24,413	3.4	22,928	3.5
Overseas and others	50,304	7.0	44,197	6.7
Total operating income	721,746	100.0	659,332	100.0

Note: Please refer to “Note IV. 39 Geographical Operating Segments to the Consolidated Financial Statements” for details of geographic segments.

The table below presents our operating income from the County Area Banking Business and Urban Area Banking Business during the periods indicated.

In millions of RMB, except for percentages

Item	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
County Area Banking Business	294,995	40.9	261,794	39.7
Urban Area Banking Business	426,751	59.1	397,538	60.3
Total operating income	721,746	100.0	659,332	100.0

Balance Sheet Analysis

Assets

At 31 December 2021, our total assets amounted to RMB29,069,155 million, representing an increase of RMB1,864,108 million, or 6.9%, as compared to the end of the previous year. In particular, net loans and advances to customers increased by RMB1,902,070 million, or 13.1%; financial investments increased by RMB407,384 million, or 5.2%; cash and balances with central banks decreased by RMB115,869 million, or 4.8%; deposits and placements with and loans to banks and other financial institutions decreased by RMB315,689 million, or 32.2%, which was primarily due to a decrease in cooperative deposits with banks and other financial institutions; financial assets held under resale agreements increased by RMB21,431 million, or 2.6%, which was primarily due to an increase in debt securities held under resale agreements.

Key Items of Assets

In millions of RMB, except for percentages

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	17,175,073	—	15,170,442	—
Less: Allowance for impairment losses on loans	720,570	—	618,009	—
Loans and advances to customers, net	16,454,503	56.6	14,552,433	53.5
Financial investments	8,230,043	28.3	7,822,659	28.8
Cash and balances with central banks	2,321,406	8.0	2,437,275	9.0
Deposits and placements with and loans to banks and other financial institutions	665,444	2.3	981,133	3.6
Financial assets held under resale agreements	837,637	2.9	816,206	3.0
Others	560,122	1.9	595,341	2.1
Total assets	<u>29,069,155</u>	<u>100.0</u>	<u>27,205,047</u>	<u>100.0</u>

Loans and Advances to Customers

At 31 December 2021, our total loans and advances to customers amounted to RMB17,175,073 million, representing an increase of RMB2,004,631 million, or 13.2%, as compared to the end of the previous year.

Distribution of Loans and Advances to Customers by Business Type

In millions of RMB, except for percentages

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans granted by domestic branches	16,709,573	97.5	14,722,705	97.3
Corporate loans	9,168,032	53.5	8,134,487	53.7
Discounted bills	424,329	2.5	389,475	2.6
Retail loans	7,117,212	41.5	6,198,743	41.0
Overseas and others	426,179	2.5	413,416	2.7
Sub-Total	17,135,752	100.0	15,136,121	100.0
Accrued interest	39,321	—	34,321	—
Total	17,175,073	—	15,170,442	—

Distribution of Corporate Loans by Maturity

In millions of RMB, except for percentages

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Short-term corporate loans	2,613,749	28.5	2,471,235	30.4
Medium- and long-term corporate loans	6,554,283	71.5	5,663,252	69.6
Total	9,168,032	100.0	8,134,487	100.0

Distribution of Corporate Loans by Industry

In millions of RMB, except for percentages

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Manufacturing	1,497,847	16.3	1,329,190	16.3
Production and supply of electricity, heating, gas and water	1,017,210	11.1	924,078	11.4
Real estate ¹	830,457	9.1	786,673	9.7
Transportation, storage and postal services	2,092,461	22.8	1,860,488	22.9
Wholesale and retail	493,538	5.4	408,879	5.0
Water, environment and public utilities management	716,090	7.8	611,925	7.5
Construction	291,573	3.2	213,961	2.6
Mining	193,539	2.1	191,659	2.3
Leasing and commercial services	1,494,187	16.3	1,259,179	15.5
Finance	153,577	1.7	232,833	2.9
Information transmission, software and IT services	58,283	0.6	38,716	0.5
Others ²	329,270	3.6	276,906	3.4
Total	<u>9,168,032</u>	<u>100.0</u>	<u>8,134,487</u>	<u>100.0</u>

- Notes: 1. Classification of the loans in the above table is based on the industries in which the borrowers operate. Real estate loans include real estate development loans granted to enterprises mainly engaged in the real estate industry, mortgage loans for operating properties and other non-real estate loans granted to enterprises in the real estate industry. At the end of 2021, the balance of real estate loans to corporate customers amounted to RMB430,310 million, representing an increase of RMB51,777 million as compared to the end of the previous year.
2. Others mainly include agriculture, forestry, animal husbandry, fishery, public health, and social work.

At 31 December 2021, the top five major industries for our corporate loans include: (1) transportation, storage and postal services; (2) manufacturing; (3) leasing and commercial services; (4) production and supply of electricity, heating, gas and water; and (5) real estate. Aggregate loan balance of the top five major industries accounted for 75.6% of our total corporate loans, representing a decrease of 0.2 percentage point as compared to the end of the previous year.

Distribution of Retail Loans by Product Type

At 31 December 2021, our retail loans increased by RMB918,469 million, or 14.8%, as compared to the end of the previous year. Among which, residential mortgage loans increased by 12.4%, primarily because we carried out the regulatory requirements and supported customers to purchase their residential properties for non-investment purpose; loans to private business increased by 23.5%, primarily because we vigorously developed inclusive finance; credit card balances increased by 15.5%, primarily due to the rapid increase in credit card installment business; loans to rural households increased by 38.6%, primarily due to the rapid increase in Huinong E-loan.

In millions of RMB, except for percentages

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Residential mortgage loans	5,242,288	73.6	4,662,119	75.2
Personal consumption loans	175,770	2.5	178,559	2.9
Loans to private business	468,688	6.6	379,554	6.1
Credit card balances	626,783	8.8	542,563	8.8
Loans to rural households	603,392	8.5	435,267	7.0
Others	291	—	681	—
Total	7,117,212	100.0	6,198,743	100.0

Distribution of Loans and Advances to Customers by Geographic Region

In millions of RMB, except for percentages

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	313,295	1.8	350,729	2.3
Yangtze River Delta	4,088,464	23.8	3,480,092	23.0
Pearl River Delta	2,839,822	16.6	2,470,677	16.3
Bohai Rim	2,461,253	14.4	2,214,679	14.6
Central China	2,664,937	15.6	2,300,770	15.2
Northeastern China	592,710	3.5	551,938	3.7
Western China	3,749,092	21.8	3,353,820	22.2
Overseas and others	426,179	2.5	413,416	2.7
Sub-Total	17,135,752	100.0	15,136,121	100.0
Accrued interest	39,321	—	34,321	—
Total	17,175,073	—	15,170,442	—

Financial Investments

At 31 December 2021, our financial investments amounted to RMB8,230,043 million, representing an increase of RMB407,384 million, or 5.2%, as compared to the end of the previous year. In particular, investments in non-restructuring-related debt securities increased by RMB426,401 million, as compared to the end of the previous year, which was primarily due to an increase in investment in local government bonds and policy bank bonds.

Distribution of Financial Investments by Product Type

In millions of RMB, except for percentages

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Non-restructuring-related debt securities	7,500,443	92.7	7,074,042	91.9
Restructuring-related debt securities	384,231	4.7	384,239	5.0
Equity instruments	114,544	1.4	106,276	1.4
Others	93,794	1.2	132,155	1.7
Sub-Total	8,093,012	100.0	7,696,712	100.0
Accrued interest	137,031	—	125,947	—
Total	8,230,043	—	7,822,659	—

Distribution of Non-restructuring-related Debt Securities Investments by Issuer

In millions of RMB, except for percentages

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	4,760,965	63.4	4,253,736	60.2
Bonds issued by policy banks	1,557,354	20.8	1,427,871	20.2
Bonds issued by other banks and financial institutions	710,759	9.5	873,119	12.3
Bonds issued by entities in public sectors	238,604	3.2	220,866	3.1
Corporate bonds	232,761	3.1	298,450	4.2
Total	7,500,443	100.0	7,074,042	100.0

Distribution of Non-restructuring-related Debt Securities Investments by Remaining Maturity

In millions of RMB, except for percentages

Remaining Maturity	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Overdue	32	—	—	—
Less than 3 months	255,381	3.4	298,062	4.2
3–12 months	900,411	12.0	937,124	13.2
1–5 years	2,952,095	39.4	3,156,436	44.7
More than 5 years	3,392,524	45.2	2,682,420	37.9
Total	7,500,443	100.0	7,074,042	100.0

Distribution of Non-restructuring-related Debt Securities Investments by Currency

In millions of RMB, except for percentages

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
RMB	7,190,104	95.9	6,756,711	95.5
USD	249,096	3.3	264,207	3.7
Other foreign currencies	61,243	0.8	53,124	0.8
Total	7,500,443	100.0	7,074,042	100.0

Distribution of Financial Investments by Business Models and Characteristics of Contractual Cash Flows

In millions of RMB, except for percentages

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value				
through profit or loss	460,241	5.7	583,069	7.6
Debt investments at amortized cost	6,249,598	77.2	5,574,008	72.4
Other debts and other equity instruments investments at fair value through other comprehensive income	1,383,173	17.1	1,539,635	20.0
Sub-Total	8,093,012	100.0	7,696,712	100.0
Accrued interest	137,031	—	125,947	—
Total	8,230,043	—	7,822,659	—

Investment in Financial Bonds

Financial bonds refer to securities issued by policy banks, commercial banks and financial institutions, the principals and interests of which are to be repaid pursuant to a pre-determined schedule. At 31 December 2021, the balance of financial bonds held by the Bank was RMB2,268,113 million, including bonds of RMB1,557,354 million issued by policy banks and bonds of RMB710,759 million issued by commercial banks and other financial institutions.

The table below presents the top ten financial bonds held by the Bank in terms of face value at 31 December 2021.

In millions of RMB, except for percentages

Bond	Face value	Annual interest rate	Maturity date	Allowance ¹
2020 policy bank bond	50,571	3.74%	2030/11/16	—
2020 policy bank bond	48,775	3.79%	2030/10/26	—
2021 policy bank bond	41,632	3.52%	2031/05/24	—
2021 policy bank bond	37,971	3.22%	2026/05/14	—
2021 policy bank bond	34,080	3.48%	2028/02/04	—
2017 policy bank bond	33,133	3.85%	2027/01/06	—
2021 policy bank bond	32,311	3.38%	2031/07/16	—
2020 policy bank bond	29,340	3.43%	2025/10/23	—
2017 policy bank bond	29,210	4.39%	2027/09/08	—
2019 policy bank bond	27,546	3.28%	2024/02/11	—

Note: 1. Allowance in this table refers to allowance for impairment losses in stage II and stage III, not including allowance for impairment losses in stage I.

Liabilities

At 31 December 2021, our total liabilities increased by RMB1,653,495 million, or 6.6%, to RMB26,647,796 million as compared to the end of the previous year. In particular, deposits from customers increased by RMB1,534,226 million, or 7.5%; deposits and placements from banks and other financial institutions increased by RMB128,295 million, or 7.2%, mainly due to an increase in deposits from other domestic financial institutions; financial assets sold under repurchase agreements decreased by RMB73,162 million, or 67.0%, which was primarily due to a decrease in bonds sold under repurchase agreements; debt securities issued increased by RMB135,812 million, or 9.9%, which was primarily due to the increase in issuance of interbank certificates of deposit.

Key Items of Liabilities

In millions of RMB, except for percentages

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Deposits from customers	21,907,127	82.2	20,372,901	81.5
Deposits and placements from banks and other financial institutions	1,913,471	7.2	1,785,176	7.1
Financial assets sold under repurchase agreements	36,033	0.1	109,195	0.4
Debt securities issued	1,507,657	5.7	1,371,845	5.5
Other liabilities	1,283,508	4.8	1,355,184	5.5
Total liabilities	<u>26,647,796</u>	<u>100.0</u>	<u>24,994,301</u>	<u>100.0</u>

Deposits from Customers

At 31 December 2021, the balance of deposits from customers of the Bank increased by RMB1,534,226 million, or 7.5%, as compared to the end of the previous year to RMB21,907,127 million. In terms of customer structure, the proportion of retail deposits increased by 0.6 percentage point to 59.9%. In terms of maturity structure, the proportion of demand deposits decreased by 2.8 percentage points to 52.4%.

Distribution of Deposits from Customers by Business Type

In millions of RMB, except for percentages

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic deposits	21,479,255	99.5	20,002,156	99.5
Corporate deposits	8,037,929	37.3	7,618,591	37.9
Time	2,667,190	12.4	2,390,431	11.9
Demand	5,370,739	24.9	5,228,160	26.0
Retail deposits	12,934,171	59.9	11,926,040	59.3
Time	6,993,575	32.4	6,054,657	30.1
Demand	5,940,596	27.5	5,871,383	29.2
Other deposits ¹	507,155	2.3	457,525	2.3
Overseas and others	116,198	0.5	105,216	0.5
Sub-Total	21,595,453	100.0	20,107,372	100.0
Accrued interest	311,674	—	265,529	—
Total	21,907,127	—	20,372,901	—

Note: 1. Including margin deposits, remittance payables and outward remittance.

Distribution of Deposits from Customers by Geographic Region

In millions of RMB, except for percentages

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	99,289	0.5	146,231	0.7
Yangtze River Delta	5,228,107	24.2	4,802,096	23.9
Pearl River Delta	3,023,021	14.0	2,818,551	14.0
Bohai Rim	3,787,784	17.5	3,493,789	17.4
Central China	3,676,925	17.0	3,394,921	16.9
Northeastern China	1,094,526	5.1	1,004,778	5.0
Western China	4,569,603	21.2	4,341,790	21.6
Overseas and others	116,198	0.5	105,216	0.5
Sub-Total	21,595,453	100.0	20,107,372	100.0
Accrued interest	311,674	—	265,529	—
Total	21,907,127	—	20,372,901	—

Distribution of Deposits from Customers by Remaining Maturity

In millions of RMB, except for percentages

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand	12,380,970	57.4	11,908,631	59.2
Less than 3 months	1,838,380	8.5	1,755,619	8.7
3–12 months	3,120,029	14.4	2,875,558	14.3
1–5 years	4,240,028	19.6	3,555,435	17.7
More than 5 years	16,046	0.1	12,129	0.1
Sub-Total	21,595,453	100.0	20,107,372	100.0
Accrued interest	311,674	—	265,529	—
Total	21,907,127	—	20,372,901	—

Quality of Liabilities

The Bank built the liability quality management system that adapted to the operating strategy, risk appetite and overall business characteristics. According to the *Management Measurement on Asset and Liability* of the Bank, we defined the responsibilities for liability quality management in the principle of function separation, and devised the mechanism where the Asset & Liability Management Department plays a leading role and various front office departments are responsible for respective business lines and they collaborate to manage the liability business lines of the Bank. Under the comprehensive risk management system, we forged the monitoring, evaluation, reporting and control systems for specific risks such as liquidity risk, interest rate risk and exchange rate risk.

During the reporting period, the related liability management indicators and limits complied with the requirements of current internal and external rules and regulations. Deposits from customers kept growing stably, laying a solid foundation for liability sources. We continuously developed innovative products based on market demands and business needs in order to diversify the liability structure and continuously improve the competitiveness of products in the market. We continuously encouraged the absorption of general deposits and broadened the sources of active liabilities. We kept strengthening the initiative to obtain liabilities in such manners as coordinating and organizing placements from banks and other financial institutions, issuing debt securities and borrowing from the central bank. We established a scientific internal and external fund pricing mechanism and timely monitored and warned the changes of liability cost. We introduced scientific risk management technologies and methods, carried out regulatory requirements in a comprehensive manner and assured the authenticity of liability projects.

Please see related chapters for details of the net stable funding ratio, liquidity coverage ratio, liquidity ratio of important currency (RMB), net interest margin and average cost of total interest-bearing liabilities of the Bank.

Shareholders' Equity

At 31 December 2021, our shareholders' equity amounted to RMB2,421,359 million, representing an increase of RMB210,613 million, or 9.5%, as compared to the end of the previous year. Net assets per ordinary share were RMB5.87, representing an increase of RMB0.48 as compared to the end of the previous year.

The table below presents the composition of shareholders' equity at the dates indicated.

In millions of RMB, except for percentages

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Ordinary shares	349,983	14.5	349,983	15.8
Other equity instruments	359,872	14.9	319,875	14.5
Capital reserve	173,556	7.2	173,556	7.9
Investment revaluation reserve	34,927	1.4	25,987	1.2
Surplus reserve	220,792	9.1	196,071	8.8
General reserve	351,616	14.5	311,449	14.1
Retained earnings	925,955	38.2	828,240	37.4
Foreign currency translation reserve	(2,096)	(0.1)	(372)	—
Non-controlling interests	6,754	0.3	5,957	0.3
Total	<u>2,421,359</u>	<u>100.0</u>	<u>2,210,746</u>	<u>100.0</u>

Off-balance Sheet Items

Off-balance sheet items primarily include derivative financial instruments, contingent liabilities and commitments. The Bank enters into derivative transactions related to exchange rates, interest rates and precious metals for the purposes of trading, assets and liabilities management and business on behalf of customers. The Bank's contingent liabilities and commitments include credit commitments, capital expenditure commitments, bond underwriting and redemption commitments, mortgaged and pledged assets, legal proceedings and other contingencies. Credit commitments are the major components of off-balance sheet items and comprise loan commitments, bank acceptances, guarantees and letters of guarantee, letters of credit and credit card commitments.

Composition of Credit Commitments

In millions of RMB, except for percentages

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Loan commitments	459,900	22.0	1,617,278	51.0
Bank acceptances	414,934	19.9	429,841	13.6
Guarantees and letters of guarantee	304,238	14.6	264,646	8.4
Letters of credit	165,639	7.9	162,356	5.1
Credit card commitments	743,594	35.6	695,183	21.9
Total	<u>2,088,305</u>	<u>100.0</u>	<u>3,169,304</u>	<u>100.0</u>

Other Financial Information

Changes in Accounting Policies

There were no significant changes in accounting policies during the reporting period.

Differences between the Consolidated Financial Statements Prepared under IFRSs and those Prepared under CASs

There were no differences between the net profit or shareholders' equity in the Consolidated Financial Statements of the Bank prepared under IFRSs and the corresponding figures prepared in accordance with CASs.

Business Review

Corporate Banking

During the reporting period, we actively served the major national strategies and key areas of the real economy, fostered new growth drivers through promoting digital transformation, established a new integrated service model, and improved our comprehensive financial service capability and customer satisfaction, so as to promote the high-quality development of our corporate banking business. At the end of 2021, the balance of domestic corporate deposits amounted to RMB8,037,929 million, representing an increase of RMB419,338 million compared to the end of the previous year. The balance of domestic corporate loans and discounted bills amounted to RMB9,592,361 million, representing an increase of RMB1,068,399 million as compared to the end of the previous year. The loans newly granted to projects included in our major marketing project pool amounted to RMB673.8 billion. At the end of 2021, we had 8.5963 million corporate banking customers, among which 360.6 thousand customers had outstanding loan balances, representing an increase of 32.7 thousand customers as compared to the end of the previous year.

- We provided services to support major national strategies. By capitalizing our advantages of omni-channel, full range of products and multiple licenses, we comprehensively supported major regional development strategies, such as Beijing-Tianjin-Hebei Region, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, and Chengdu-Chongqing Region.
- We provided services to support key areas of the real economy. We supported the cluster development of advanced manufacturing sector, innovated financial service models for the manufacturing sector, and accelerated the construction of key customer pool and key project pool for the manufacturing sector. The number of customers with outstanding loan balances and the balance of loans in manufacturing (based on the use of loans) increased by 81.7 thousand and RMB272.4 billion as compared to the end of the previous year, respectively. We supported new economy and new growth drivers, expanded our key customer base of the new economy, accelerated the building of a financial service system for science and technology startups, and maintained our first-mover advantage in the marketing to specialized and sophisticated “small giant” enterprises that produce new and unique products. The balance of our loans for strategic emerging industries exceeded RMB850 billion.
- We supported the development of private enterprises. We introduced policies to break hidden barriers of “difficult financing and expensive financing” in private enterprises, enhanced resource allocation, innovated service modes, and strengthened marketing effort to high-quality private enterprises, through which the quality and efficiency of financial services for private enterprises were improved. At the end of 2021, the number of private enterprises with outstanding loan balances reached 338.4 thousand, representing an increase of 32.7 thousand customers as compared to the end of the previous year. The balance of loans was RMB2,467,651 million, representing an increase of RMB436,238 million as compared to the end of the previous year.
- We promoted digital transformation. We established a series of digital marketing management tools based on the middle-end marketing platform for corporate banking (CMM system), focusing on major projects, the closed-loop management of funds and customer manager empowerment. We accelerated the layout of scenes in transportation, tourism, industrial chain and pension finance, and enriched the application of online credit, transaction banking, pension and other products. At the end of 2021, we had 50 thousand Internet high-frequency scenes for corporate business, representing an increase of 85.7% as compared to the end of the previous year and the number of active customers for corporate Internet banking and corporate mobile banking increased by 1,066.3 thousand and 864 thousand, respectively.

Transaction Banking

We continued to improve the transaction banking system based on accounts and payment settlement. We comprehensively pushed forward the construction of the “Smart Payment+” platform, accelerated the layout of our online products, through which we promoted the high-quality development of our transaction banking business.

- We innovated the process of cross-branch collaboration in due diligence for the opening of corporate accounts and optimized account opening services to improve customer experience. At the end of 2021, we had 8.9983 million corporate RMB-denominated settlement accounts.
- We promoted E-guarantee to implement the entire electronic process in terms of guarantees for the bidding and tendering of the public resources center. We expanded the service coverage of Gongxin Bao and realized online supervision on the wages of migrant rural workers. We enhanced our service for smart supervision to safeguard the capitals of major construction projects. We iteratively upgraded our smart guaranteed payment and refined it by industries and application scenes, to provide comprehensive financial service for multiple types of customers, such as E-commerce platform. At the end of 2021, we had 4.1627 million active transaction banking customers.

Institutional Banking

We promoted the construction of Smart Customer and continuously improved our comprehensive service capabilities in institutional banking business. At the end of 2021, we had 559.8 thousand institutional customers, representing an increase of 11.3% as compared to the end of the previous year.

- Regarding financial services provided to governments, our coverage on cooperation with provincial-level service platforms and prefecture-level service platforms for government affairs reached 100% and 79%, respectively. We upgraded the convenient personal and corporate service functions of “iXiangyang” APP, and enriched pandemic prevention and control, rural revitalization and other special features. We promoted smart government affair to cover County Areas and empowered smart governance of County Areas.
- Regarding fiscal and social security, the special project for serving the integration of national fiscal budget management had covered 30 provinces, autonomous regions and municipalities. The number of customers with electronic certificates for medical insurance applied through our mobile banking channel exceeded 36 million.
- Regarding financial services for people’s livelihood, we cooperated with over 30 thousand schools on our smart campus, and over 3,000 hospitals on our smart hospital.
- Regarding services to financial institutions, the contracted customers for third-party depository services amounted to 56.7526 million at the end of 2021, representing an increase of 7.9311 million as compared to the end of the previous year.

Investment Banking

Focusing on serving the real economy, we accelerated product innovation and continued to improve the “financing + financing intelligence” service solutions to meet the diversified financing needs of customers. In 2021, the income from our investment banking business was RMB9,385 million.

- We actively served the real economy. We were fully committed to serving the national strategies of rural revitalization and regional strategies such as Beijing-Tianjin-Hebei Region, Guangdong-Hong Kong-Macao Greater Bay Area, and Yangtze River Delta, assisted in achieving the goal of peak carbon emissions and carbon neutrality, and fully supported the development of new infrastructure, new urbanization initiatives and major projects. We met large financing needs of our customers and projects through syndicated loans, with the balance exceeding RMB1.8 trillion, maintaining our leading position in the market. We acted as a financial advisor in helping enterprises in M&A and restructuring, as well as in improving industrial structure, with our balance of M&A loans ranking among the top in the industry.
- We promoted business innovation continuously. The Shenzhen Fund for Science and Technology Startups was set up, and a financial service model with multi-drivers of “stock option arrangement, fund for science and technology startups and loans for science and technology startups” was established. We underwrote all the six types of innovative bonds introduced by the National Association of Financial Market Institutional Investors (NAFMII), including the first batch of carbon neutrality bonds and the first batch of rural revitalization bonds in the market, demonstrating our leading role in the market.
- We continued to enhance our market influence. We won a total of 13 honors and awards, including, Best Syndicated Project Award by Hong Kong magazine *The Asset*, Market Innovation Award by National Interbank Funding Center, Best Bond Underwriter and Best Financial Bond Underwriter — Excellence Bank Award by Wind Information.

Retail Banking

In 2021, adhering to the customers-centered principle, we implemented the development strategy of one main body with two wings (namely, with customer construction as the main body, promoting broad wealth management and digital transformation as the two wings). We continued to enhance customer service capabilities, strengthened broad wealth management and digital transformation, and served rural revitalization, supported common prosperity, through which the capabilities of retail banking operation, business innovation and value creation were comprehensively improved. At the end of 2021, the total number of our retail banking customers reached 878 million.

- We strengthened customer construction by refining customer services. To satisfy customers’ comprehensive financial needs, we improved our customer service system and the interests system, achieving unified classification and interests management for all retail banking customers. We provided targeted financial solutions for different customer groups based on the common characteristics of customers and the differentiated needs of major customer groups.

- We developed broad wealth management to help customers with achieving wealth growth. Adhering to the strategy of selecting premium products, we strengthened cooperation with high-quality companies in wealth management, fund, insurance, precious metals and other industries to provide customers with more high-quality products. Focusing on the whole life cycle of customers, we provide them with “one-stop” and whole-process wealth management services to assist them in the preservation and appreciation of their wealth.
- We promoted digital transformation to provide smart experience for customers. We implemented the strategies of technology guidance, data empowerment and digital operation, and made full use of “smart brain of retail business” and digital tools including “smart customer reception”, “smart customer holding” and “digital person” to provide customers with products and services in a precise and smart manner.
- We focused on customers’ concerns and served the people’s livelihood. We continued to promote the comprehensive marketing service of “serving the market of rural areas”, and provided rural customers with products such as rural revitalization card, Huinong wealth management, specialized Yinliduo and Huinong E-loan, so as to comprehensively improve the financial services for rural customers. We standardized the management of special wage accounts for rural migrant workers, enhanced the issuance of ABC Zhufu card and promoted the supervision platform of Gongxin Bao to effectively satisfy the needs of enterprises and rural migrant workers.

Retail Loans

- By strictly implementing national control policies and regulatory requirements and actively implementing differentiated housing credit policies, we focused on supporting the rational demand such as residents’ purchasing and improvement demand for housing for non-investment purpose, and demand for urban housing of people migrating from rural to urban. The granting of our retail residential mortgage loans conformed to the regulatory requirements, and the concentration indicator continued to meet the regulatory requirements. At the end of 2021, the balance of retail residential mortgage loans reached RMB5.24 trillion, representing an increase of RMB580,169 million as compared to the end of the previous year.
- We comprehensively sorted out and optimized personal consumption loan products and launched batch marketing for retail banking customers of high-quality groups, through which we effectively raised our competitiveness in personal consumption loan market. At the end of 2021, the balance of online consumption loans exceeded RMB100 billion.
- We focused on enhancing financial services to individual industrial and commercial households, vigorously developed inclusive finance for small and micro enterprises, and implemented the policies of fee reduction and interest concession. As a result, significant progress was made in stabilizing and relieving enterprises. At the end of 2021, the balance of loans to private business exceeded RMB400 billion, of which a total of RMB270 billion was granted to 1.10 million individual industrial and commercial households.

Retail Deposits

- We continued to enrich our product system and optimize the service processes to meet customers' diversified wealth management needs such as savings, investment and wealth management, and achieved sustained and steady growth in retail deposits.
- At the end of 2021, the balance of domestic retail deposits reached RMB12,934,171 million, representing an increase of RMB1,008,131 million as compared to the end of the previous year, maintaining a leading position in the industry.

Bank Card Business

- We enhanced the innovation of debit cards. We continued to enrich categories of debit card, and specifically promoted exclusive cards such as campus card, rural revitalization card, and ABC Zhufu card targeting students, county and rural customers, rural migrant workers and other different customer groups. We launched a variety of debit card marketing activities, and jointly organized a number of consumption promotion activities with UnionPay, involving catering, convenience stores and other venues for the convenience and benefit of the people. We fully implemented the policies of fee reduction and interest concession and waived inter-bank ATM cash withdrawal fees for all debit cards. At the end of 2021, we cumulatively issued 1,125 million debit cards, representing an increase of 26.9792 million as compared to the end of the previous year.
- We deepened the digital transformation of credit cards. We improved instant card issuing mode and launched DIY functions for card number and card design. We rolled out new products such as the Winter Olympic card, the Constellation card, the private bank credit card (Yunzuan Version) and famous series cards, promoted preferential point exchange, point consumption, star membership and other services, built preferential scenes such as bus, subway and movie watching, and set up a business circle of preferential food. We continuously organized promotional activities of the brand of Jinsui credit cards such as Affectionate Companion, Auto Festival, and Home Decoration Festival and optimized installment products including Lefenyi, bill, automobile and home decoration, so as to improve customer experience and support consumption upgrade. The transaction volume of credit card for the year amounted to RMB2,276.29 billion.

Private Banking Business

- We strengthened the marketing to private banking customers, and organized marketing activities such as "Harvest Action". We established a batch of private banking centers at Head Office Level and strengthened the professional team construction such as wealth consultants and investment and research team to continuously improve our service system and professional services capabilities for private banking customers. The "Yi Private Banking" public welfare finance laboratory was established to provide public welfare financial services, with charitable trusts introduced in several branches. We accelerated the development of high-end wealth management for private banking customers, vigorously promoted asset allocation and insurance planning services based on our capabilities of investment and research, innovatively launched comprehensive capital market services, and proactively provided integrated services for families and enterprises, resulting in a rapid growth in agency sales of asset management products and family trust business.

- At the end of 2021, the number of our private banking customers reached 170 thousand and the balance of assets under management amounted to RMB1,846.5 billion.

Treasury Operations

The treasury operations of the Bank include money market activities and investment portfolio management. We adhered to serving the real economy and the transformation of the economy, and vigorously supported the green and low-carbon development. We flexibly adjusted investment strategies and strengthened flow operations on the basis of ensuring the security of bank-wide liquidity. Our investment return on assets remained at a relatively high level among the peers.

Money Market Activities

- We strengthened our research on monetary policies and forecasts of market liquidity, comprehensively used various financial instruments such as placement and lending, repurchases, certificates of deposit and deposits to smoothen liquidity fluctuations and reasonably allocated maturing funds to improve the efficiency of fund utilization on the basis of ensuring the security of our liquidity.
- In 2021, our RMB-denominated financing transactions amounted to RMB53,038,597 million, including RMB52,400,030 million in lending and RMB638,567 million in borrowing.

Investment Portfolio Management

At 31 December 2021, our financial investments amounted to RMB8,230,043 million, representing an increase of RMB407,384 million or 5.2% as compared to the end of the previous year.

Trading Book Activities

- We maintained a leading position among the peers in respect of both the bond market-making business and the bond trading business in the inter-bank market, with our market share in bond trading increasing steadily. We proactively expanded the scale of market-making for green bonds to support green development. We focused on serving the opening-up of the bond market, and our market-making transaction volume of Bond Connect increased by 23.4% on a year-on-year basis.
- We continuously improved the management of bond trading portfolio. In 2021, as the yields of domestic bond market were range-bound with a downward trend, we dynamically adjusted the positions of portfolio following the market trend, and reasonably used certain derivatives to hedge risks.

Banking Book Activities

- The quality and effectiveness of bond investment to serve the real economy continued to be enhanced. We maintained our investment in local government bonds and optimized the investment structure of credit bonds to support the national and regional strategies and local economic development. We supported infrastructure construction in electricity, transportation, energy and other sectors, and industries of the real economy such as public utilities, manufacturing, science and technology and consumption.
- We increased our investment in green bonds, focusing on key industries such as clean energy and green transportation to help in achieving the goals of peak carbon emissions and carbon neutrality.
- We reasonably seized the investment opportunities and dynamically adjusted the structures of investment portfolios by considering the market rate trend and profiles of bond supply, through which we reduced portfolio risks and achieved high returns.

Asset Management

Wealth Management

In 2021, by implementing a series of regulatory requirements under *Guiding Opinions regarding Asset Management Business of Financial Institutions*, we speeded up our net worth transformation and basically completed the rectification tasks of the transition period. At the end of 2021, the balance of the Group's wealth management products reached RMB2,072,533 million, of which RMB249,322 million was generated from the Bank and RMB1,823,211 million was generated from Agricultural Bank of China Wealth Management Co., Ltd.

Wealth Management Products of the Bank

At the end of 2021, the balance of wealth management products of the Bank amounted to RMB249,322 million. In terms of income type, the balance of principal guaranteed wealth management products amounted to RMB0, representing a decrease of RMB72,313 million as compared to the end of the previous year; the balance of non-principal guaranteed wealth management products amounted to RMB249,322 million, representing a decrease of RMB756,278 million. In terms of offering approach, the balance of publicly offered wealth management products reached RMB248,216 million, accounting for 99.6% of the total and representing a decrease of RMB814,738 million as compared to the end of the previous year; the balance of privately offered wealth management products amounted to RMB1,106 million, accounting for 0.4% of the total and representing a decrease of RMB13,853 million.

The table below presents the issuance, maturity and duration of our wealth management products during the reporting period.

In 100 million of RMB, except for tranches

Item	31 December 2020		Issuance		Maturity		31 December 2021	
	Tranche	Amount	Tranche	Amount	Tranche	Amount	Tranche	Amount
Principal guaranteed wealth management	2	723.13	0	1,771.95	2	2,495.08	0	0.00
Non-principal guaranteed wealth management	403	10,056.00	217	107,082.44	566	114,645.22	54	2,493.22
Total	405	10,779.13	217	108,854.39	568	117,140.30	54	2,493.22

Note: The amount of issuance includes the total amount of initial issuance of wealth management products and the total amount of subscription during the opening period of open-ended wealth management products; and the amount of maturity includes redemption and maturity amount of wealth management products during the reporting period.

The table below presents the balances of direct and indirect investment assets under the Bank's wealth management as of the date indicated.

In 100 million of RMB, except for percentages

Item	31 December 2021	
	Amount	Percentage (%)
Cash, deposits and interbank certificates of deposit	748.13	28.8
Placements with and loans to banks and financial assets held under resale agreements	—	—
Debt securities	1,058.08	40.7
Non-standardized debt assets	770.36	29.6
Other assets	22.11	0.9
Total	2,598.68	100.0

Wealth Management Products of Agricultural Bank of China Wealth Management Co., Ltd.

At the end of 2021, the balance of the wealth management products of Agricultural Bank of China Wealth Management Co., Ltd. amounted to RMB1,823,211 million. These wealth management products were all net worth ones, among which publicly offered wealth management products accounted for 99.6% while privately offered wealth management products accounted for 0.4%.

The table below presents the issuance, maturity and duration of the wealth management products of Agricultural Bank of China Wealth Management Co., Ltd. during the reporting period.

In 100 million of RMB, except for tranches

Product category	31 December 2020		Issuance		Maturity		31 December 2021		
	Tranche	Amount	Tranche	Amount	Tranche	Amount	Tranche	Amount	
By offering approach	Publicly offered products	173	9,230.56	149	57,734.55	14	49,053.55	308	18,168.23
	Privately offered products	43	267.58	16	94.04	51	307.43	8	63.88
	Total	216	9,498.14	165	57,828.59	65	49,360.98	316	18,232.11
By nature of investment	Fixed income	135	8,566.86	128	55,410.14	43	48,117.44	220	16,052.97
	Mixed	81	931.28	37	2,418.45	22	1,243.54	96	2,179.14
	Total	216	9,498.14	165	57,828.59	65	49,360.98	316	18,232.11

Note: The amount of issuance includes the total amount of initial issuance of wealth management products and the total amount of subscription during the opening period of open-ended wealth management products; and the amount of maturity includes redemption and maturity amount of wealth management products during the reporting period.

The table below presents the balances of direct and indirect investment assets under the wealth management of Agricultural Bank of China Wealth Management Co., Ltd. as of the date indicated.

In 100 million of RMB, except for percentages

Item	31 December 2021	
	Amount	Percentage (%)
Cash, deposits and interbank certificates of deposit	8,432.30	44.6
Placements with and loans to banks and financial assets held under resale agreements	578.40	3.1
Debt securities	7,429.38	39.3
Non-standardized debt assets	1,103.10	5.8
Other assets	1,370.70	7.2
Total	18,913.88	100.0

Custody Service

- The number of initial offering of public funds under our custody reached a record high, and new breakthroughs were made in cooperation with leading fund companies. We achieved full coverage of central and local occupational annuity custodianship and successfully achieved several insurance and enterprise annuity custodianship projects, through which our market competitiveness was effectively improved.

- At the end of 2021, our assets under custody amounted to RMB12,454,663 million, representing an increase of 23.3% as compared to the end of the previous year, of which the pension funds under custody amounted to RMB941,572 million, representing an increase of 37.2% as compared to the end of the previous year. The income from custodian and other fiduciary service amounted to RMB3,832 million.

Pension

- To proactively serve the national strategy of rigorously coping with aging population and contribute to the building of a multi-layered and multi-pillar social pension insurance system, we formulated an action plan of promoting high-quality development of pension financial services (2021–2023) to carry out the overall layout of pension financial services. The increase and growth rate of entrusted management customers of enterprise annuity both ranked first in the domestic banking industry. We were committed to providing annuity asset management services to various types of institutions including small and micro enterprises and individual customers, and our pension assets under entrusted management achieved steady appreciation.
- At the end of 2021, our pension funds under entrusted management¹ amounted to RMB170,897 million, representing an increase of RMB53,374 million, or 45.4%, as compared to the end of the previous year.

Precious Metals

- In 2021, we traded 4,454.7 tons of gold and 51,980.01 tons of silver for our own account as well as on behalf of customers and maintained the leading position in the industry in terms of transaction volume.
- We steadily developed the precious metal leasing and lending businesses and strengthened the support for entity customers of the precious metal industry chain. We integrated ESG factors into the evaluation system of precious metal leasing customers, strengthened due diligence on green and low-carbon, and actively served green transformation enterprises. In 2021, we leased 32.15 tons of gold to enterprises on the “green mine” list of the Ministry of Natural Resources, equivalent to RMB11.854 billion.

Treasury Transactions on Behalf of Customers

- We continued to improve exchange rate risk management services for customers by optimizing processes, innovating products and improving online service experience. In 2021, the transaction volume of foreign exchange sales and settlements as well as foreign exchange trading on behalf of customers amounted to USD476.9 billion, representing a year-on-year increase of 21.3%.
- The counter bond (Zhaishibao) business developed steadily, with our business scale maintaining a leading position in the market and the amount of counter distribution of bonds exceeding RMB30 billion in 2021. We actively served the opening-up of China’s bond market. In 2021, the transaction volume of Bond Connect exceeded RMB600 billion, with our business scale maintaining a leading position in the market.

¹ Including occupational annuity, enterprise annuity and other pension assets under entrusted management.

Agency Insurance Business

Our agency insurance premium reached RMB115.2 billion in 2021, maintaining a leading position among the peers. The agency regular insurance premium increased by 11.0% year-on-year, and the business structure continued to be optimized.

Agency Distribution of Fund Products

- We further deepened cooperation with high-quality companies, created the “Jiang Xin” series products brand and actively explored new service areas, through which our market competitiveness was significantly enhanced. In 2021, the number of funds distributed by the Bank amounted to 2,330, with sales volume amounting to RMB344,448 million.
- We launched the automatic investment plan zone for mobile banking, improved the comprehensive service system of mobile banking wealth management and optimized the smart customer service system of wealth management.

Agency Sales of PRC Government Bonds

In 2021, we, as an agent, distributed 18 tranches of savings PRC government bonds with the actual sales amount of RMB39,561 million, including 8 tranches of savings PRC government bonds (in certificate form) of RMB15,317 million and 10 tranches of savings PRC government bonds (in electronic form) of RMB24,244 million.

Internet Finance

We focused on creating an omni-channel, all-scenario, all-link online operation system, and comprehensively enhanced the value creation and market competitiveness of online channels.

Smart Mobile Banking

We continued to strengthen the construction of our online financial service platform and product innovation with mobile banking as the core, accelerated the iterative version upgrade of our mobile banking platform, and improved the intelligent and exclusive service capabilities of mobile banking.

- The level of intelligence was improved. We launched services such as details of revenue and expenditure and bank card management, and optimized functions such as asset and liability view and transfer inquiry. The wealth diagnosis and asset allocation services were upgraded to enhance our wealth management and credit financing services. The voice assistant service was launched and the function of intelligent search was optimized to improve our customers’ interactive experience. We upgraded our online customer service by launching innovative video customer service. At the end of 2021, we had more than 150 million of monthly active users (MAU) of mobile banking.

- The “Rural Version” mobile banking was launched. We launched the “Rural Version” mobile banking based on the preference of customers in County Areas and added exclusive services such as Huinong wealth management and Huinong E-loan. We carried out special marketing activities with the theme of “Revitalizing Villages and Benefiting Rural People with Mobile Banking” and established an activity brand of “Huinong Service Day”.
- The large font version of mobile banking was launched. Focusing on pain points of the elderly customers, we completed the transformation for accommodating the needs of elderly customers, which enlarged page display, simplified service function, optimized transaction process and provided one-click direct staff customer service.
- The multilingual services were enriched. We launched services in Tibetan and Uighur languages, which provided basic functions such as account inquiry and transaction details to meet the needs of financial services in ethnic minority areas.

Online Corporate Banking

The bank highlighted the two major functions of serving inclusive finance and Sannong, enhanced the three capabilities of foundation support, scenario services and open integration, and realized the comprehensive upgrade of online corporate banking.

- The Enterprise Platform Version 5.0 was released. We enhanced the capability of providing customized services, that we launched special editions of corporate e-banking for different customer groups, such as for payroll for rural migrant workers, for rural funds, resources and assets management, and for inquiry. We enriched and improved the functions of corporate mobile banking, that we released investment and financing service channels, and launched international business, e-bills and other functions. We also integrated and launched the Agricultural Bank of China Enterprise WeChat Bank.
- The “Salary Manager” was launched. We innovatively launched the “Salary Manager”, an exclusive service platform, to provide one-stop digital management services such as human resources, salary and finance for payroll customers.
- The enterprise scene-based services were expanded. We developed solutions for supervising payroll for rural migrant workers and supervising rural funds, resources and assets. We established a third-party application market for our online corporate banking, introducing management tools including “Good Accountant” and “Yidaizhang”.

Smart Scene-based Finance

- High-frequency scene-based industry applications were innovated. In terms of campuses, we launched the K12 smart campus application to provide financial and non-financial services. In terms of canteens, we rolled out the smart canteen App with the function of one-click sharing. In terms of government affairs, we launched a dedicated zone for government affairs on mobile banking and accelerated its alignment with administrative platforms of provinces and municipalities to extend financial services centering on “benefiting people, enterprises, farmers and government affairs”. In terms of healthcare, we promoted electronic certificates for medical insurance and developed pilot mobile payment for medical insurance. In terms of travel, we built the “car owner service platform” to integrate the products, services, rights and interests related to the owner and realized “sharing and cooperation of external services and the seamless integration of bank products”. In terms of daily life, we improved the interactive experience of mobile banking, simplified payment classification and optimized convenient payment service.
- We deepened the cooperation of open banking. We enriched our system of open banking products, realizing 41 open banking products output in six categories including user authentication, account services, payment and settlement, investment and wealth management, financing services and information services. We consolidated foundation of our open banking platform by improving the outputs of API, H5, SDK and other interfaces and offering multi-channel accesses through APP, WeChat official account, applet and web page, so as to improve user experience and connecting efficiency of our partners.

Digital RMB

- We consolidated the foundation for the development of digital RMB. As one of the first batch of designated digital RMB operating institutions, we took the lead in successfully exchanging digital RMB in the production environment, built a core system of digital RMB, and promoted the deep integration of digital RMB into our traditional businesses.
- We comprehensively promoted the digital RMB pilot project. We expanded scene-based projects related to public transportation, hospital payment, campus life, offline retail and other fields, with the number of pilot scenes and merchants ranking among top in the industry. We fully supported the opening and using of wallets via e-banking, mobile banking, branch outlets and portable smart terminals in pilot areas. We promoted the research and development of innovative products such as dual-offline digital wallet and intelligent contract, and realized the targeted distribution and use of government funds related to agriculture by using intelligent contract.

Cross-border Financial Service

We actively provided services to support the development of the export-oriented economy and high-quality opening up, and supported the Belt and Road Initiative, RMB internationalization and the establishment of pilot free trade zone and Hainan Free Trade Port, the transformation and upgrading of foreign trade and foreign investment. At the end of 2021, the total assets of our overseas branches and subsidiaries reached USD152.67 billion, and their net profit for 2021 amounted to USD0.77 billion. In 2021, the volume of international settlement by domestic branches reached USD1,441.97 billion and the volume of international trade financing (including financing with domestic letters of credit) reached USD123,391 million.

- We steadily promoted the layout of overseas institutions. We established Dushanbe representative office in Tajikistan, and now have 22 overseas institutions and a joint-venture bank in 18 countries and regions, initially forming the cross-border financial service network covering major international and regional financial centers and countries (regions) with close bilateral exchanges.
- We optimized our cross-border integrated financial service system. We implemented integrated operation of RMB and foreign currency businesses to enhance our cross-border financial service. We accelerated product innovation and digital transformation, and supported trade facilitation and development of new business models. Online brands for cross-border businesses, such as ABC Cross-border E-Remittance, ABC Cross-border E-Certificate and ABC Cross-border E-Finance, were built up with our further enhanced customer service capabilities.
- We supported the Belt and Road Initiative and enterprises' financial demands of "going global". Responding to the foreign trade situation, the customer demands and new development pattern of "double cycle", we effectively marketed and provided services for "going global" projects, focusing on the support for overseas project contracting and equipment export by Chinese enterprises. In 2021, the volume of loans, letters of guarantee and overseas bond issuance related to enterprises "going global" amounted to USD52,166 million, among others, businesses in countries along the Belt and Road Initiative amounted to USD3,216 million.
- We supported the development of Hainan Free Trade Port. As the global strategic partner of the first China International Consumer Products Expo, we successfully held the "Forum on Serving Hainan Free Trade Port and Cross-border Finance". In 2021, the Hainan Free Trade Port accounts featuring separate accounting increased by 1,599, representing a year-on-year increase of 180.9%.
- The cross-border RMB business achieved rapid development, with a total volume of RMB2.11 trillion in 2021. Actively playing its role as an RMB clearing bank, Dubai Branch handled RMB clearing business amounting to RMB35.8 billion in 2021.

Overseas Subsidiary Banks

Agricultural Bank of China (Luxembourg) Limited

Agricultural Bank of China (Luxembourg) Limited is a wholly-owned subsidiary of the Bank incorporated in Luxembourg, with a registered capital of EUR20 million. Its scope of business includes wholesale banking business such as international settlement, corporate deposits, syndicated loans, bilateral loans, trade financing and foreign exchange trading. At the end of 2021, the total assets and net assets of Agricultural Bank of China (Luxembourg) Limited accounted to USD47 million and USD25 million, respectively. It recorded a net profit of USD1.39 million for 2021.

Agricultural Bank of China (Moscow) Limited

Agricultural Bank of China (Moscow) Limited is a wholly-owned subsidiary of the Bank incorporated in Russia, with a registered capital of RUB7,556 million. Its scope of business includes wholesale banking business such as international settlement, corporate deposits, syndicated loans, bilateral loans, trade financing and foreign exchange trading. At the end of 2021, the total assets and net assets of Agricultural Bank of China (Moscow) Limited amounted to USD157 million and USD112 million, respectively.

In addition, we own Agricultural Bank of China (UK) Limited in the United Kingdom, with a share capital of USD100 million. According to our overseas business development strategy, after the opening of the London branch of the Bank, the financial license of Agricultural Bank of China (UK) Limited was revoked, and we have been undertaking the procedures needed to dissolve Agricultural Bank of China (UK) Limited.

Integrated Operation

We have established an integrated operation platform covering fund management, securities and investment banking, financial leasing, life insurance, debt-to-equity swap and wealth management businesses. In 2021, our six subsidiaries of integrated operation (namely ABC-CA Fund Management Co., Ltd., ABC International Holdings Limited, ABC Financial Leasing Co., Ltd., ABC Life Insurance Co., Ltd., ABC Financial Asset Investment Co., Ltd. and Agricultural Bank of China Wealth Management Co., Ltd.) focused on the Group's overall development strategy, continued to perfect the corporate governance, strengthened risk prevention and control, and deepened the synergies of the bank and subsidiaries, with their continuously improved business performance and ability of value creation and serving the Group.

ABC-CA Fund Management Co., Ltd.

ABC-CA Fund Management Co., Ltd. was established in March 2008 with a registered capital of RMB1.75 billion, 51.67% of which was held by the Bank. Its businesses include fund-raising, sales of fund and asset management and its major fund products include stock funds, mixed funds, index funds, bond funds, monetary funds and FOF funds. At 31 December 2021, its total assets and net assets amounted to RMB4,438 million and RMB4,043 million, respectively. It recorded a net profit of RMB648 million for 2021.

ABC-CA continuously improved the layout of its products, enhanced its investment and research capacity, consolidated the foundation of risk control and compliance management, with its asset management structure continuously optimized, and its profitability significantly enhanced. At the end of the reporting period, it had 66 publicly offered funds and 92 privately offered funds. The scale of the publicly offered fund reached RMB205.6 billion, including RMB74.3 billion of equity funds, representing an increase 54% as compared to the end of the previous year. Its investment performance remained the leading position in the market and the annual yield rate of equity funds was 31.24%, ranking 8th among 149 fund companies. It has successively won three awards: “Golden Bull Fund Management Company” by *China Securities Journal*, “Star Fund Company Growth Award” by *Securities Times*, and “Golden Fund • TOP Company Award” by *Shanghai Securities News*.

ABC International Holdings Limited

ABC International Holdings Limited was established in Hong Kong SAR in November 2009 with a share capital of HKD4,113 million, 100% of which was held by the Bank. ABC International Holdings Limited is eligible to engage in providing comprehensive and integrated financial services in Hong Kong SAR, including sponsor and underwriter for listing, issuance and underwriting of bonds, financial consultation, asset management, direct investment, institutional sales, securities brokerage and securities consultation, and is also eligible to engage in businesses in mainland China, including private fund management, financial consultation and investment. At 31 December 2021, its total assets and net assets amounted to HKD46,075 million and HKD11,113 million, respectively. It recorded a net profit of HKD1,023 million for 2021.

ABC International Holdings Limited maintained its leading position among its comparable peers in terms of core indicators of investment banking business. In 2021, it completed 4 IPO sponsorship projects and 22 underwriting projects, ranking 5th among all domestic and foreign investment banks in Hong Kong SAR in terms of the number of underwriting. It participated in 5 of the top 10 Hong Kong IPO projects in terms of fundraising size, basically covering the leading enterprises in which the Chinese concept stocks returned to the Hong Kong market for listing. It completed 98 overseas bond issuance, reaching its highest record in terms of the number of underwriting.

ABC Financial Leasing Co., Ltd.

ABC Financial Leasing Co., Ltd. was established in September 2010 with a registered capital of RMB9.5 billion, 100% of which was held by the Bank. Its principal scope of business includes financial leasing, transfer and acceptance of financial leasing assets, fixed-income securities investment business, acceptance of leasing deposits from lessees, absorbing time deposit with a maturity of three months or above from non-bank shareholders, inter-bank lending, borrowing from financial institutions, overseas borrowings, selling and disposal of leased items, economic consultation, establishment of project companies in domestic bonded zones to carry out financial leasing business, provision of guarantee for external financing of controlled subsidiaries and project companies, and other businesses approved by the CBIRC. At 31 December 2021, its total assets and net assets amounted to RMB76,742 million and RMB10,424 million, respectively. It recorded a net profit of RMB464 million for 2021.

Closely focusing on serving Sannong and County Areas, the national strategy and the real economy, ABC Financial Leasing Co., Ltd. adhered to the risk limitations, and insisted on professional operation, and its business development has stepped onto a new level. At the end of 2021, the balance of its leasing assets amounted to RMB75,503 million, increased by 22.1% as compared to the end of the previous year. With its distinctive features of green leasing and focus on clean energy, green transportation, energy-saving and environmental protections, the proportion of green leasing in its annual investment accounted for 80.88%.

ABC Life Insurance Co., Ltd.

The registered capital of ABC Life Insurance Co., Ltd. was RMB2.95 billion, 51% of which was held by the Bank. Its principal scope of business includes various types of personal insurance such as life insurance, health insurance and accident insurance; reinsurance business for the abovementioned businesses; businesses with the application of insurance funds as permitted by the laws and regulations of the PRC; and other businesses approved by the CBIRC. At 31 December 2021, its total assets and net assets amounted to RMB125,579 million and RMB8,735 million, respectively. It recorded a net profit¹ of RMB884 million for 2021.

The business scale of ABC Life Insurance grew steadily, the business value continuously increased, and its high-quality development showed a good trend. In 2021, the total premium income of ABC Life Insurance reached RMB30,118 million, representing a year-on-year increase of 11.32%. It was awarded seven honors including the Class A in the Evaluation of Business Operation of Insurance Companies for 2020 by the IAC, the 2021 Best Value Transformation Life Insurance Company by *Financial Times* and the 2021 High Quality Development Insurance Company Award by hexun.com.

ABC Financial Asset Investment Co., Ltd.

The registered capital of ABC Financial Asset Investment Co., Ltd. was RMB20.0 billion, 100% of which was held by the Bank. Its principal scope of business includes focusing on debt-to-equity and ancillary supporting business, conducting fund raising from qualified public investors for debt-to-equity in accordance with relevant laws and regulations, issuance of financial bonds for debt-to-equity, as well as other businesses as approved by the CBIRC. At 31 December 2021, its total assets and net assets amounted to RMB120,185 million and RMB24,719 million, respectively. It recorded a net profit of RMB2,805 million for 2021.

ABC Financial Asset Investment served the supply-side structural reform and the high-quality development of the economy, focused on its major business of market-oriented debt-to-equity swaps, and made important arrangements in the fields such as rural revitalization, green and clean energy, scientific and technological innovation, and risk mitigation of distressed assets, through which it achieved positive results. At the end of 2021, it completed a total of 214 debt-to-equity swap projects cumulatively, amounting to RMB260.0 billion. It held a leading position among comparable peers both in terms of the cumulative number and the amount of completed debt-to-equity swap projects.

¹ In order to be consistent with the Group's disclosure standards, the data is in accordance with the new financial instrument standard (IFRS 9), which is different from the data is in accordance with the financial instrument standard (IAS 39) currently adopted by the insurance industry.

Agricultural Bank of China Wealth Management Co., Ltd. was established in July 2019 with a registered capital of RMB12.0 billion, 100% of which was held by the Bank. Its principal scope of business includes public offering of wealth management products to the general public, investment and management of the above properties entrusted by the investors; private placement of wealth management products to qualified investors, investment and management of the above properties entrusted by the investors; wealth management advisory and consulting services; and other businesses approved by the CBIRC. At 31 December 2021, its total assets and net assets amounted to RMB15,238 million and RMB15,061 million, respectively. It recorded a net profit of RMB1,721 million for 2021.

ABC Wealth Management steadily promoted the transformation and development of wealth management business in accordance with the requirements of the new asset management regulations, and its brand influence and product awareness were continuously improved. In 2021, it won 15 major awards, such as Excellent Wealth Management Subsidiary in 2021, Golden Bull Innovation Award for Wealth Management Companies of Banks, and Excellent Wealth Management Institution of Banks of the Year held by media such as *21st Century Economic Report*, *China Securities Journal*, and *the Economic Observer*.

- Steadily improving its research and investment capabilities. It established a research system covering macro strategy, industry, equity, fund and quantification, improving the research framework of macro strategy, basically realizing the full coverage of primary industries, and strengthening the supporting of quantitative and fund research on investment.
- Featured products were well developed. It continued to enrich its “6+N” product system. It strengthened the supporting role of six major wealth management products including cash management, fixed income, hybrid investment, equity, commodity and foreign exchange derivatives and alternative investments, and improved rural revitalization products benefiting farmers, FOF products and other featured products.
- Constantly improving its risk management. It continued to improve the embedded risk management and control mechanism applying to all types of products and processes, comprehensively improved its capability of credit rating and refined its market risk management and control system, and enhanced quantitative evaluation of regional risk.
- Empowering its business development by technology and backstage. It completed the launch of the new-generation asset management platform (A+) system and the switch of back office systems such as the accounting system for wealth management product, which realized the flow-oriented, integrated and systematic management and control, and formed a background supporting system for high-quality development of its wealth management business.

Besides, we own Agricultural Finance Co., Ltd. in Hong Kong SAR, with a share capital of HKD589 million, 100% of which is held by the Bank.

FinTech

During the reporting period, we continued to deepen the application of frontier technologies related to FinTech, further promoted the implementation of our “iABC” strategy in information technology, and continued to improve the scientific and technological support and empowerment level. Mr. XU Han, Vice President of the Bank, was appointed as Chief Information Officer of the Bank. In 2021, the total investment in information technology amounted to RMB20,532 million.

Focusing on FinTech Innovation

The Bank set up a FinTech innovation center in Xiong’an New Area and built an innovation incubation center and a pilot field for innovation achievements. We strengthened the construction of basic capabilities of financial technology, deepened the application of FinTech, and empowered the high-quality development of business operations.

- Regarding the application of Big Data technology, we promoted in-depth data integration and common data accumulation, and the big data platform provided one-stop exclusive data services. At the end of 2021, the total data exceeded 19PB.
- Regarding the application of cloud computing technology, we promoted the construction of an integrated cloud platform and initially built the basic environment for technology stack of “one cloud with multiple cores”. The physical nodes of the cloud platform of the Head Office reached 11,000. All new production and test resources were integrated into the cloud platform, the self-service rate of development and test resources was 100%, and the cloudification rate reached 88%.
- Regarding the application of AI technology, we constructed a knowledge graph network of ten-billion-level relationship to provide graph support for chain marketing and the special governance of telecom fraud, promoted the pilot of privacy computing technology in marketing, risk control and other fields, applied edge AI technology to serve smart branches, and applied satellite remote sensing and image recognition technology to serve the credit management of Sannong. We promoted the construction of smart mobile banking, including releasing five milestone versions of mobile banking, and completing the basic infrastructure upgrade.
- Regarding the application of distributed architecture, we promoted the transformation of core system to distributed architecture, and the distributed core system accounted for 62% of the trading volume on peak trading day.
- Regarding the application of block chain technology, we promoted the construction of BaaS (Blockchain as a Service) system, launched support services such as intelligent research and development, typical scenarios template, output block chain product view, and applied block chain technology to pension management, credit risk control and other fields.
- Regarding the application of information security technology, we persistently promoted the construction of the new generation of enterprise-level network information Security Operation Center (SOC), and completed the deployment in the Head Office and four pilot branches. We optimized the automation of security technology defense system, achieving an automatic monitoring rate of cyber security alarm of 100%, and an automated disposal rate over 97%.

- Regarding the application of network technology, we strengthened the deployment of IPv6. Based on the IPv6 section routing technology, we completed the optimization and upgrade of the backbone network structure of all branches.
- Regarding the application of 5G technology, we launched pilot for 5G messaging application, through which customers can conduct credit cards application, daily life payment, financial product purchase and other services through the SMS entry, providing the brand new experience.

Improving the Level of Guarantee of Our Business Continuity

We focused on constructing a disaster recovery system, improved the high availability of local dual-active and the take-over scope of the remote disaster recovery business, improved the coverage and complexity of emergency drills, and comprehensively improved the guarantee level of business continuity.

- The construction of disaster recovery was promoted. 22 systems/modules such as quick payment system, personal mobile banking and personal online banking completed local dual-active construction, and online retail business was comprehensively dual-active; 154 systems/modules completed deployment for local or remote disaster recovery, and system data backup met regulatory requirements.
- Disaster recovery drills were carried out. We implemented the remote switching drill of the core system cross-data center, completed the batch remote operation drill in three stages, and comprehensively inspected the batch and online transaction operation capabilities of Beijing, greatly improving the guarantee capability of round-the-clock business continuity.
- We fully launched the integrated production, operation and maintenance platform, established the closed-loop of “monitoring-management-operation-allocation-analysis” linkage, and the instrumentalization and automation level of production, operation and maintenance was greatly improved.
- The transaction volume of production and operation grew rapidly, with the daily average transactions handled by the core system reaching 1,020 million, representing a year-on-year increase of 22.0%; the daily transaction peak volume reached 1,278 million. The availability rate during major business hours of the core system was 99.99%.

Strengthening Cyber Security Protection System

We set up a network security operation center (secondary department) in data center. We carried out network security attack and defense technology capacity building, and implemented integrated security operation and protection of the Group.

- We established an “attack and defense” mechanism, and carried out regular drills to improve the practical ability of cyberattack and defense.
- We strengthened the governance and control of cyber security vulnerabilities, reducing the number of basic software and hardware vulnerabilities by 58%, and controlling 100% of service domain and channel domain vulnerabilities.

Human Resources Management and Institution Management

Human Resources and Institutional Reform

During the reporting period, the Bank continued to innovate its organizational structure based on the strategies of serving rural revitalization, promoting digital transformation and preventing and mitigating financial risk.

- We set up rural revitalization finance departments at the head office, branches and sub-branches to enrich the functions of financial services on rural revitalization.
- We established a FinTech innovation center in Xiong'an New Area to carry out research and application promotion in the FinTech's frontier fields. We set up a digital RMB office to strengthen professional capability of digital RMB research and development and application. We optimized the establishment of digital risk control center to enhance the sustainable operation capability of online credit products of the Bank.
- We optimized the risk management functional system in key fields such as credit risk and market risk to strengthen the overall management capability of special risks. We set up a network security operation center to improve the network security risk control level of the Bank.
- We strengthened and refined the establishment of consumer rights and interests protection organizations, and set up a Consumer Rights and Interests Protection Department (secondary department), so as to accelerate the implementation of the *Personal Information Protection Law* in the Bank.

Management of Remuneration

During the reporting period, we formulated and adjusted our remuneration policy in strict compliance with relevant laws, regulatory requirements and corporate governance requirements of the Bank. Our overall remuneration level was determined by factors including the efficiency of the Bank, and the total annual remuneration was reviewed and approved by the Board of Directors of the Bank, as required by relevant national regulations. We formulated the annual remuneration plan in strict compliance with regulatory requirements and corporate governance requirements, according to which we managed and allocated the total remuneration of institutions at all levels under the Bank and remuneration of employees.

- The total remuneration allocated to institutions at all levels under the Bank was determined based on their operating efficiency, performance assessment result and completion status of key tasks according to our management system for total remuneration. Performance assessment indicators included efficiency, risk and other sustainable development indicators, which comprehensively reflected their long-term performance and risk profiles.

- Our employee remuneration policy was applied to all contracted employees. The employee remuneration primarily comprised basic salary, position salary and performance salary, which was linked to position value, employee performance assessment results, etc.
- We continued to deepen the reform of the remuneration allocation mechanism, optimize resource allocation and improve internal allocation structure, taking into account both efficiency and fairness. We promoted targeted incentives and enhanced compliance management. Our remuneration allocation strengthened incentives for strategy implementation, reforms in key areas, development of major businesses and profit-generating institutions, and encouraged value creation and high-quality development. At the same time, Our remuneration allocation prioritized the frontline staffs at foundation-level branch outlets, consolidated our achievements in poverty alleviation, and supported rural revitalization. We continued to improve the long-term incentives and constraints through preferential incentives for key positions, skeleton talents and professional talents, to effectively promote the Bank-wide talent development.

Please refer to “Corporate Governance Report — Operation of Corporate Governance — Board of Directors” for the composition and authority of the nomination and remuneration committee of the Board of Directors. Please refer to “Note IV. 31 Other Liabilities (1) Staff costs payable and 6. Operating Expenses (1) Staff costs to the Consolidated Financial Statements” for the total annual remuneration and the remuneration distribution structure. Please refer to “Corporate Governance Report — Directors, Supervisors and Senior Management — Remuneration of Directors, Supervisors and Senior Management” for details of the remuneration of the Board of Directors, the senior management and employees on positions that have a significant impact on the risks of the Bank.

Information on Employees

We had a total of 455,174 in-service employees at the end of 2021. Among them, 726 employees were employed by our overseas branches, subsidiary banks and representative offices, and 8,945 employees were employed by the subsidiaries of integrated operations and the rural banks.

Distribution of Employees by Regions

	31 December 2021	
	Number of Employees	Percentage (%)
Head Office	12,763	2.8
Yangtze River Delta	63,390	13.9
Pearl River Delta	50,032	11.0
Bohai Rim	64,785	14.2
Central China	93,521	20.6
Northeastern China	42,937	9.4
Western China	118,075	25.9
Overseas Branches, Subsidiaries and Representative Offices	726	0.2
Subsidiaries with Integrated Operations and Rural Banks	8,945	2.0
Total	455,174	100.0

Distribution of Employees by Education Background

	31 December 2021	
	Number of Employees	Percentage (%)
Doctorate Degree	568	0.1
Master's Degree	34,341	7.6
Bachelor's Degree	251,405	55.2
College and Vocational School	137,757	30.3
Below College	31,103	6.8
Total	455,174	100.0

Distribution of Employees by Departments

	31 December 2021	
	Number of Employees	Percentage (%)
Management	120,497	26.5
Risk Management	15,853	3.5
Finance	18,890	4.2
Administration	16,540	3.6
Sales/Marketing	143,014	31.4
Trading	414	0.1
Information Technology	9,059	2.0
Tellers/Counter Staff	74,281	16.3
Technicians	24,831	5.5
Others	31,795	6.9
Total	455,174	100.0

Note: The number of risk management, finance, administration, sales/marketing, trading, information technology employees did not include the management in related departments.

Distribution of Employees by Age

	31 December 2021	
	Number of Employees	Percentage (%)
30 or below	87,633	19.3
31–40	105,613	23.2
41–50	121,928	26.8
51 or above	140,000	30.7
Total	455,174	100.0

Distribution of Employees by Gender

	31 December 2021	
	Number of Employees	Percentage (%)
Male	250,747	55.1
Female	204,427	44.9
Total	455,174	100.0

Information on Institutions

At the end of 2021, we had 22,807 domestic branch outlets, including the Head Office, Business Department of the Head Office, three specialized institutions managed by the Head Office, four training institutes, 37 tier-1 branches (including five branches directly managed by the Head Office), 402 tier-2 branches (including business departments of branches in capital cities of provinces and business departments of provincial branches), 3,348 tier-1 sub-branches (including business departments in municipalities, business departments of branches directly managed by the Head Office and business departments of tier-2 branches), 18,961 foundation-level branch outlets and 50 other establishments. We had a total of 13 overseas branches and four overseas representative offices, including branches in Hong Kong, Singapore, Seoul, New York, Dubai International Financial Centre (DIFC), Tokyo, Frankfurt, Sydney, Luxemburg, Dubai, London, Macao and Hanoi, and representative offices in Vancouver, Taipei, Sao Paulo and Dushanbe. Besides, we had 16 major controlled subsidiaries, including subsidiaries of integrated operation, overseas subsidiary banks and rural banks. Details referred to “Business Review — Integrated Operation”, “Business Review — Cross-border Financial Service” and “County Area Banking Business — Rural Banks” under “Discussion and Analysis”.

Number of Domestic Branch Outlets by Regions

	31 December 2021	
	Number of Domestic Branch Outlets	Percentage (%)
Head Office ¹	9	—
Yangtze River Delta	3,010	13.2
Pearl River Delta	2,384	10.5
Bohai Rim	3,281	14.4
Central China	5,148	22.6
Northeastern China	2,199	9.6
Western China	6,776	29.7
Total	22,807	100.0

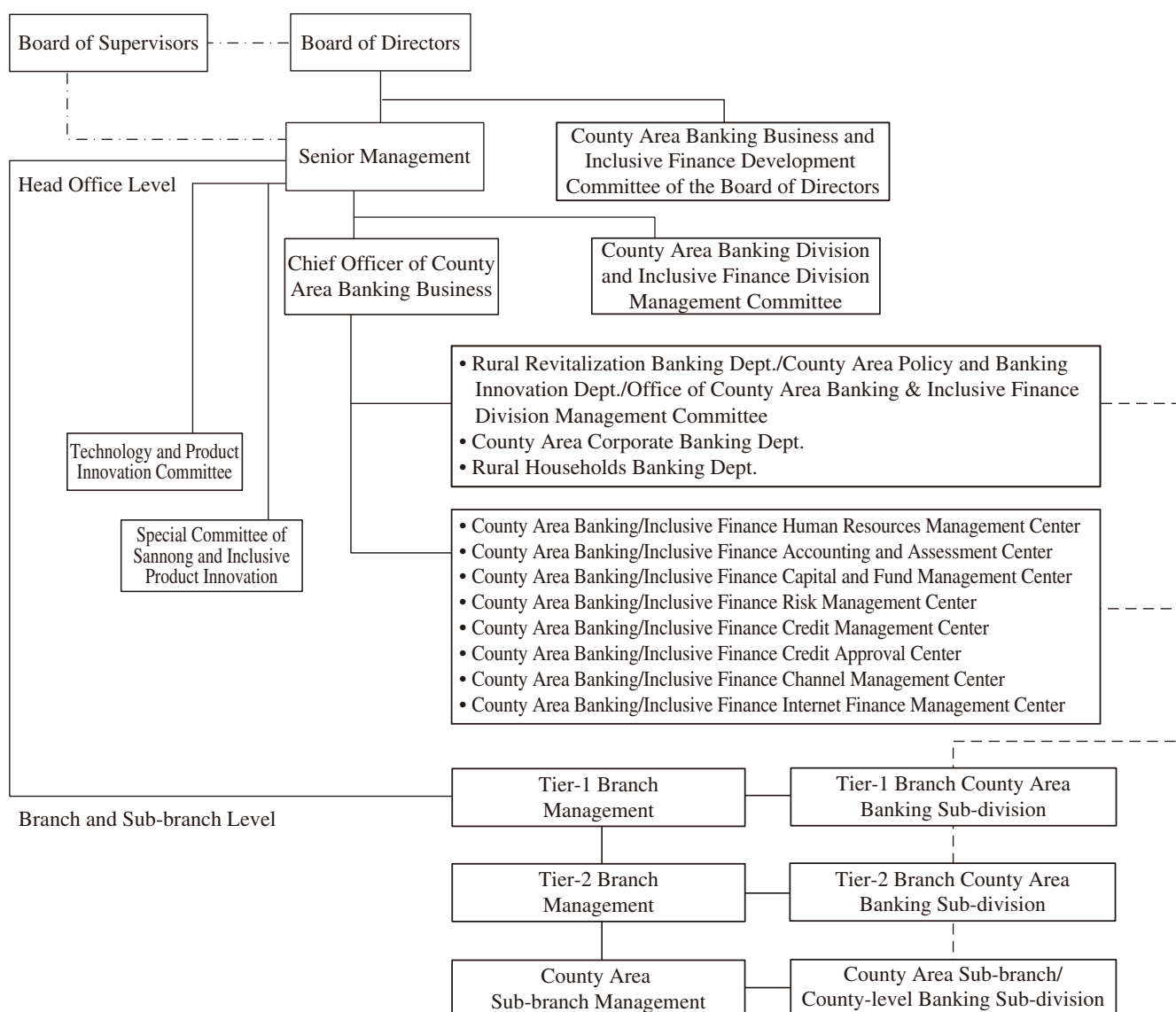
Note: 1. Organizations of the Head Office include the Head Office, Business Department of the Head Office, Private Banking Department, Credit Card Centre, Bills Business Department, Beijing Advanced-Level Training Institute, Tianjin Financial Training Institute, Changchun Financial Training Institute and Wuhan Financial Training Institute.

County Area Banking Business

Management Structure and Management Mechanism

We provide customers in County Areas with comprehensive financial services through all our branch outlets in counties and county-level cities (i.e. County Areas) in China. We refer to such business as the County Area Banking Business or Sannong Banking Business. During the reporting period, focusing on our strategic positioning of building “a leading bank serving rural revitalization”, we steadily promoted financial services to key areas relating to the consolidation and expansion of poverty alleviation achievements and rural revitalization, continuously improved the operation mechanism and policy system of County Area Banking Division, and enhanced the product innovation and digital transformation of Sannong, with our service capabilities and market competitiveness steadily enhanced.

Management Structure



Management Structure Chart of County Area Banking Division

Management Mechanism

During the reporting period, we earnestly implemented the national strategic arrangement of consolidating and expanding achievements in poverty alleviation and comprehensively promoting rural revitalization, and continued to strengthen related financial services. The mechanism of County Area Banking Division was in good operation and with strong support, and the development of County Area Banking Business remained stable with a favorable trend.

- We improved the system and mechanism of serving rural revitalization. A leading group for financial services to rural revitalization was set up in the Head Office, promotion groups for financial services to rural revitalization were set up in each of our tier-1 branches analogously, and rural revitalization banking departments at all levels were established. We established and improved the system and mechanism of financial services for rural revitalization with overall planning by the Head Office, promotion by provincial and municipal branches, and implementation by County Area sub-branches.
- We introduced differentiated supporting policies. We introduced policies to support the services to rural revitalization and the development of County Area Banking Business for 2021, and optimized and improved the performance appraisal plan of County Area Banking Division. We adopted preferential policies to allocate the credit resources in County Areas, and separately allocated the economic capital, fixed assets, financial expenses, wages and other resources in County Areas. The Head Office arranged for the replenishment of the excess portion of the economic capital occupied by the loans granted in County Areas with the strategic economic capital.
- We deepened the human resources reform in County Areas. We issued recruitment plan in County Areas with the proportion of not less than 50%, and continued to carry out special recruitment program for college students from registered poor families. We pushed forward the Double One Hundred Plan to help cadres and talents, with the number of pairs participating in the Plan increased from 100 to 110. We enhanced special trainings for rural revitalization, and conducted rotation trainings for vice presidents of tier-1 branches in charge of County Area Banking Business, presidents of County Area sub-branches, and chief officers of 1,000 demonstration branch outlets.
- We optimized the credit policies for Sannong and County Areas. We formulated the *Sannong Credit Policy Guideline for 2021*, revised credit policies for agriculture-related industries such as liquor, animal husbandry, slaughtering and meat processing, and formulated special supporting policies for the seed and potato industries. We incorporated the business in those former areas with deep poverty, counties lifted out of poverty and key counties receiving assistance in pursuing rural revitalization as well as the loans for food security, modern seed industry and high-standard farmland construction into the scope of preferred settlement.

County Area Corporate Banking Business

Actively implementing the national rural revitalization strategy, we strengthened product innovation and digital transformation to develop our County Area Corporate Banking Business up to a new level. At the end of 2021, loans to corporate customers in County Areas (excluding discount bills) amounted to RMB3,368.4 billion, representing an increase of RMB452.8 billion as compared to the end of the previous year.

- We continued to increase loans to key areas relating to rural revitalization. At the end of 2021, the balance of corporate loans relating to key areas of food amounted to RMB137.8 billion, increased by RMB20.5 billion as compared to the end of the previous year. The balance of loans relating to pig production increased by RMB13.1 billion to RMB68.6 billion. The balance of loans to industries in rural areas increased by RMB194.6 billion to RMB1,139.2 billion¹; and the balance of loans for rural construction increased by RMB165.2 billion to RMB1,280.3 billion.
- We accelerated to promote the digital transformation of County Area Corporate Banking Business. At the end of 2021, the balance of the online loans to corporate customers in County Areas increased by RMB71.5 billion to RMB184.4 billion as compared to the end of the previous year. We had 5.03 million high-frequency Internet customers in County Areas, representing an increase of 3.63 million as compared to the end of the previous year.
- We continued to innovate featured financial products in County Areas. We moderately delegated the authority for product innovation in key areas such as agriculture, forestry, animal husbandry and fishery, county tourism, and counties lifted out of poverty, so as to support branches to carry out Sannong product innovation.

County Area Retail Banking Business

Keeping close to the financial needs of customers in County Areas, we continuously strengthened the innovation of products, channels and models. Our service capability of County Area Retail Banking Business was improved steadily. At the end of 2021, the balance of loans to retail customers in County Areas amounted to RMB2,679.3 billion, representing an increase of RMB413.6 billion as compared to the end of the previous year.

- We increased the supply of Huinong E-loan. We vigorously promoted online financial services. In addition to providing financial services for planting and breeding industries, we strengthened credit support for merchants, rural residences, family inns, farm complexes and other fields in tourism and scenic spots. At the end of 2021, the balance of Huinong E-loan amounted to RMB544.7 billion, representing an increase of RMB191.3 billion as compared to the end of the previous year. The number of rural households with credit lines amounted to 3.68 million, representing an increase of 0.92 million as compared to the end of the previous year.

¹ At the end of 2021, the Bank optimized and adjusted the calculation method of rural industry loans in accordance with the *Guidance Catalog of National Key Rural Industries (2021 Edition)* issued by the national rural industry authority.

- We continued to push forward the innovation of products and service models. We continued to optimize the business processes of Huinong E-loan via Fin Tech such as Internet and big data to enable farmers to apply for loans through WeChat banking, mobile banking and other channels whenever they need, significantly improving customer experience. We adjusted petty loans for poverty alleviation to petty loans for people out of poverty, increased the amount of credit limit and extended the term of loan to better meet the needs of people lifted out of poverty.
- We strengthened the construction of online and offline service channels in County Areas. We deeply implemented the Jinsui Huinongtong Project, and increased machinery and tools in the regions lifted out of poverty and the rural areas in the central and western regions. We developed and launched the county version of mobile banking, which provides Huinong financial products that are exclusively available for customers in County Areas. At the end of 2021, the number of registered customers of personal mobile banking in County Areas amounted to 186 million, representing an increase of 21 million as compared to the end of the previous year; and the number of monthly active users of mobile banking amounted to 63.54 million, representing an increase of 16.65 million as compared to the end of the previous year.

Financial Services for Rural Revitalization

Serving the Consolidation and Expansion of Poverty Alleviation Achievements

The Bank implemented the policy requirement of the CPC Central Committee to effectively combine the consolidation and expansion of poverty alleviation achievements with rural revitalization, focused on areas lifted out of poverty and key counties receiving assistance in pursuing rural revitalization. We insisted on no overall change in financial support policies, no deviation in target and no reduction in effort.

- We connected policies for poverty alleviation with policies for rural revitalization. We formulated 11 special documents including the *Opinions on Vigorously Providing Financial Services for Connecting Consolidation and Expansion of Poverty Alleviation Achievements with Rural Revitalization*, the *Opinions on Enhancing Designated Poverty Alleviation*, and the *Implementation Plan of Supporting Key Counties Receiving Assistance in Pursuing Rural Revitalization* with 158 financial assistance policies and measures.
- We maintained steady growth in loans to the areas lifted out of poverty. At the end of 2021, the balance of loans in 832 counties lifted out of poverty was RMB1.47 trillion, representing an increase of RMB182.6 billion or 14.2% as compared to the end of the previous year, which was 1.0 percentage point higher than the growth rate of that of the Bank.
- We expanded the credit extension to key counties receiving assistance in pursuing rural revitalization. At the end of 2021, the balance of loans to key counties receiving assistance in pursuing rural revitalization was RMB266.0 billion, representing an increase of RMB34.7 billion or 15.0% as compared to the end of the previous year, which was 1.8 percentage points higher than the growth rate of that of the Bank.

Serving the Rural Revitalization Strategy

The Bank implemented the national strategic arrangement for rural revitalization, continuously pushed forward mechanism innovation, service upgrading and model transformation, and actively provided financial services for rural revitalization.

- We increased credit support for rural revitalization. We devoted full efforts in providing financial services for consolidating the achievements of poverty alleviation, national food security, rural industrial development, rural construction and other key areas for rural revitalization. At the end of 2021, the balance of loans in County Areas was RMB6,218.3 billion, representing an increase of RMB913.0 billion as compared to the end of the previous year.
- We strengthened innovation of products and service models. We formulated *Guidelines on Developing Flagship Products for Serving Rural Revitalization* for 2021, and identified 19 flagship products for promotion across the Bank. We optimized and adjusted product innovation bases for Sannong, and set up 70 such bases. In collaboration with the National Rural Revitalization Administration, we launched a pilot product “Fumin Loan”. We jointly built a financial innovation demonstration zone of rural revitalization with the National Rural Revitalization Administration and the Sichuan Provincial Government.
- We accelerated the digital transformation of Sannong and County Area Banking Business. At the end of 2021, the total number of featured financial scenes in County Areas reached 12 thousand, representing an increase of 7,537 as compared to the end of the previous year. 1,275 counties were contracted at a management platform for collectively-owned funds, resources and assets in rural areas, and 908 counties launched this platform, covering 123 thousand administrative villages. We initially built a smart rural comprehensive service cloud platform, with 61 scene functions of 3 categories.

Rural Banks

ABC Hubei Hanchuan Rural Bank Limited Liability Company

ABC Hubei Hanchuan Rural Bank Limited Liability Company was established in August 2008 in Hanchuan, Hubei Province, with a registered capital of RMB31.00 million, 50% of which was held by the Bank. At 31 December 2021, the total assets and net assets of ABC Hubei Hanchuan Rural Bank Limited Liability Company amounted to RMB362 million and RMB63 million, respectively. It recorded a net profit of RMB3.7608 million for 2021.

ABC Hexigten Rural Bank Limited Liability Company

ABC Hexigten Rural Bank Limited Liability Company was established in August 2008 in Hexigten Banner, Chifeng City, Inner Mongolia Autonomous Region, with a registered capital of RMB19.60 million, 51.02% of which was held by the Bank. At 31 December 2021, the total assets and net assets of ABC Hexigten Rural Bank Limited Liability Company amounted to RMB217 million and RMB43 million, respectively. It recorded a net profit of RMB3.2420 million for 2021.

ABC Ansai Rural Bank Limited Liability Company

ABC Ansai Rural Bank Limited Liability Company was established in March 2010 in Ansai District, Yan'an City, Shaanxi Province, with a registered capital of RMB40 million, 51% of which was held by the Bank. At 31 December 2021, the total assets and net assets of ABC Ansai Rural Bank Limited Liability Company amounted to RMB547 million and RMB57 million, respectively. It recorded a net profit of RMB0.4247 million for 2021.

ABC Jixi Rural Bank Limited Liability Company

ABC Jixi Rural Bank Limited Liability Company was established in May 2010 in Jixi County, Xuancheng City, Anhui Province, with a registered capital of RMB29.40 million, 51.02% of which was held by the Bank. At 31 December 2021, the total assets and net assets of ABC Jixi Rural Bank Limited Liability Company amounted to RMB382 million and RMB43 million, respectively. It recorded a net profit of RMB0.2418 million for 2021.

ABC Zhejiang Yongkang Rural Bank Limited Liability Company

ABC Zhejiang Yongkang Rural Bank Limited Liability Company was established in April 2012 in Yongkang City, Jinhua City, Zhejiang Province, with a registered capital of RMB0.21 billion, 51% of which was held by the Bank. At 31 December 2021, the total assets and net assets of ABC Zhejiang Yongkang Rural Bank Limited Liability Company amounted to RMB697 million and RMB272 million, respectively. It recorded a net profit of RMB9.1144 million for 2021.

ABC Xiamen Tong'an Rural Bank Limited Liability Company

ABC Xiamen Tong'an Rural Bank Limited Liability Company was established in May 2012 in Tong'an District, Xiamen City, Fujian Province, with a registered capital of RMB0.15 billion, 51% of which was held by the Bank. At 31 December 2021, the total assets and net assets of ABC Xiamen Tong'an Rural Bank Limited Liability Company amounted to RMB1,094 million and RMB186 million, respectively. It recorded a net profit of RMB6.7564 million for 2021.

Financial Position

Major Items of Assets and Liabilities of the County Area Banking Business

In millions of RMB, except for percentages

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances				
to customers	6,218,312	—	5,305,305	—
Allowance for impairment				
losses on loans	(286,111)	—	(247,205)	—
Loans and advances				
to customers, net	5,932,201	56.9	5,058,100	52.5
Intra-bank balance ¹	3,540,949	34.0	3,739,471	38.8
Other assets	946,065	9.1	840,801	8.7
Total assets	<u>10,419,215</u>	<u>100.0</u>	<u>9,638,372</u>	<u>100.0</u>
Deposits from customers	9,413,446	97.8	8,754,484	97.9
Other liabilities	212,889	2.2	187,969	2.1
Total liabilities	<u>9,626,335</u>	<u>100.0</u>	<u>8,942,453</u>	<u>100.0</u>

Note: 1. Intra-bank balance refers to funds provided by the County Area Banking Business to other business segments within the Bank through internal funds transfers.

Major Income Items of the County Area Banking Business

In millions of RMB, except for percentages

	2021	2020	Increase/ (decrease)	Growth Rate (%)
External interest income	259,517	230,691	28,826	12.5
Less: External interest expense	140,954	121,062	19,892	16.4
Interest income from intra-bank balance ¹	136,984	122,135	14,849	12.2
Net interest income	255,547	231,764	23,783	10.3
Net fee and commission income	30,956	29,303	1,653	5.6
Other non-interest income	8,492	727	7,765	1,068.1
Operating income	294,995	261,794	33,201	12.7
Less: Operating expenses	104,046	91,401	12,645	13.8
Credit impairment losses	64,790	52,276	12,514	23.9
Impairment losses on other assets	48	27	21	77.8
Total profit before tax	126,111	118,090	8,021	6.8

Note: 1. Interest income from intra-bank balance represents the interest income earned on funds provided by the County Area Banking Business to other business segments of the Bank through internal funds transfer pricing, which is determined based on the market interest rate.

Key Financial Indicators of the County Area Banking Business

Unit: %

Item	2021	2020
Average yield of loans	4.45	4.63
Average cost of deposits	1.55	1.46
Net fee and commission income to operating income	10.49	11.19
Cost-to-income ratio	34.51	34.09
	31 December	31 December
Item	2021	2020
Loan-to-deposit ratio	66.06	60.60
Non-performing loan ratio	1.42	1.52
Allowance to non-performing loans	332.10	313.05
Allowance to loan ratio	4.71	4.76

Risk Management

Comprehensive Risk Management System

Comprehensive risk management refers to the timely identification, measurement, monitoring, control and reporting of main material risks in business operation through the integration of elements including risk appetite, policies and rules, organizations, tools and models, data systems and risk culture in line with the principle of comprehensive coverage, whole-process management and overall participation, so as to ensure effective risk management in decision-making, implementation and supervision in the whole bank.

Under the complex and challenging risk situation in 2021, we continued to improve the comprehensive risk management system and steadily enhance all risk management work to ensure pertinent and effective risk management. We continued to strengthen risk investigation and evaluation at the group level, and enhance risk management of overseas branches and subsidiaries. We strengthened the management of credit risk in the whole bank, and implemented the system of credit principal responsible person system. We strengthened the internal rating management of credit risk, and enhanced the risk management of online credit business. We promoted the integrated market risk management and control at group level, improved the market risk measurement and limit control system, and strengthened the penetrating management of underlying assets in market businesses. We consolidated the foundation of case and operational risk management, strengthened information technology risk management, and improved business continuity risk management framework. We strengthened data governance, optimized and upgraded the risk data marts and individual risk management system, and continuously improved the Group's capability for aggregation of risk data and risk reporting. We prepared for the implementation of new regulations on capital supervision and orderly promoted the establishment of new measurement methods for credit risks, market risks and operational risks. We established a model risk management system and explored the promotion of climate risk management.

For details of risk governance, please refer to “Corporate Governance Report — Risk Governance”.

Risk Management Rules System

In 2021, we continued to refine our risk management policies system. In terms of comprehensive risk management, we revised the Group's risk appetite and comprehensive risk management strategy. In terms of credit risk management, we revised the credit management measures for corporate customers and group customers, formulated the management measures for Internet loans, to improve the credit policies system. In terms of market risk management, we formulated opinions on strengthening risk management of financial derivatives business. In terms of operational risk management, we revised the basic policies for operational risk management, set up rules for separation of duties of incompatible positions; revised the basic policies for compliance management, inspection management measures, and internal control evaluation measures. In terms of other individual risks, we formulated measures for model risk management and implementation rules for model life cycle management; revised measures for reputation risk management, and formulated measures for financial service management in response to emergencies, country risk management and control strategy and opinions on strengthening legal risk management of subsidiaries. We updated risk management policies for non-retail customer ratings, asset risk classification, industrial credit limits, capital transaction and market risks, inter-bank and agency distribution business as well as information technology, and performed risk management on a daily basis.

Risk Analysis Report

In 2021, in light of the complex economic and financial situation, we comprehensively analyzed various risk profiles, carefully studied trends of policies, market and technology development, strengthened forward-looking analysis of the risk profile, enhanced the risk analysis of key regions, industries, customers and businesses, identified risk factors, and formulated targeted suggestions on management and control.

Credit Risk

Credit risk is the risk of economic loss arising from the failure of a counterparty to fulfill its obligations to perform contractual liabilities. The Bank's credit risk is primarily originated from loan portfolios, investment portfolios, guarantee business and various other on- and off-balance sheet credit risk exposures.

Credit Risk Management

In 2021, we implemented the state macro-control policies, improved the establishment of credit risk management system, strengthened the risk prevention and control in key areas, and diversified the channels for collection and disposal of non-performing loans, thus maintaining our assets quality stable.

Credit Risk Management Structure

The structure of our credit risk management mainly comprises the Board of Directors and its Risk Management and Consumers' Interests Protection Committee, the senior management and its Risk Management and Internal Control Committee, Credit Approval Committee, Asset Disposal Committee, as well as Credit Management Department, Credit Approval Department, Risk Management Department and various front offices, forming a credit risk management structure characterized with centralized and unified management and multi-level authorization.

We refined the credit policy system. We formulated comprehensive policies such as the annual credit policy and County Area Banking and Inclusive Finance credit policy. We formulated or revised the credit policies for computer manufacturing, air transportation, education, photovoltaic, liquor and other industries. We formulated differentiated regional credit policies, and promoted refined portfolio management.

We strengthened credit risk management in key areas. We maintained the control of energy-intensive and high-polluting industries, adhered to the principle of “ensuring the development of certain areas while restricting the growth of others” and “supporting the development of certain areas while containing the development of others”. We satisfied rational financing needs of the coal power, steel, non-ferrous metals and other manufacturers of energy-intensive and high-pollution industries, and would not blindly withdraw or cut off loans. We firmly reduced or cut off loans granted to energy-intensive and high-polluting customers which cannot meet or rectify to comply with the energy consumption and emissions standards. Adhering to the positioning of “houses are built to be inhabited, not for speculation”, we implemented the requirements for prudent management of real estate financing, strengthened the management of real estate loans, focused on supporting the construction of affordable housing, rental housing and ordinary commercial housing, satisfied the reasonable financing needs of the real estate market, and maintained a basically stable concentration rate of real estate loans. We steadily provided financial services to “guarantee the delivery of property, people’s livelihood and stability”, and actively promoted the risk mitigation and disposal of real estate enterprises through measures such as project mergers and acquisitions, so as to promote the virtuous cycle and healthy development of the real estate industry.

We improved the credit risk management system for Internet loans. We issued the Measures for Administration of Internet Loans, improved the management mechanism for cooperation institutions of Internet loan business, optimized the design of Internet loan products, and strengthened the risk management of key products.

We strengthened post-loan management and the collection and disposal of non-performing assets. We strengthened the management of special mention loans, enhanced risk monitoring, and effectively reduced the risk of deterioration of special mention loans. We conducted deferred loan risk management properly. We strengthened the credit risk monitoring of group customers with large loan balance, and actively and steadily promoted the risk mitigation of large amount customers. We strengthened the disposal of non-performing loans. We carried out the disposal strategies of more collection, more write-offs, more restructuring and prudent transfer in batches, and strengthened the disposal of loans in large amount.

Risk Management of Retail Banking Business

We carried out the assessment, evaluation and data analysis of the Bank's centralized operation center for retail loans, and promoted the refined management of the centralized operation center for retail loans. We promoted the connection between the retail credit business and the real estate registration system, and took advantage of online processing to improve the level of collateral management. We carried out asset quality management in the dimension of customer managers, and improved the compliance operation level of customer managers. We promoted the digital transformation of personal loan business, optimized and improved the system functions of personal loan use control and anti-fraud, and continuously improved the capability of smart risk control on personal loan. We strengthened overdue loan collection management and write-offs, accelerated disposal of retail non-performing assets, with the quality of personal loan assets continuously improved.

Risk Management of Credit Card Business

Adhering to a prudent risk appetite, we continued to promote the construction of an intelligent, differentiated, intensive and integrated credit card smart risk control system. At the pre-loan stage, we strengthened precise credit granting, deepened differentiated management of regions, products and customer groups, and improved the anti-fraud business system for credit access to effectively control incremental risks. At the loan-processing stage, we strengthened system support, consolidated the foundation for risk management and control, and strengthened early identification of risks to effectively manage and control existing risk exposures. At the post-disbursement stage, we improved the integrated collection system, continued to promote write-offs and asset securitization, and improved the effectiveness of collection and disposal. The quality of credit card assets continued to be at the forefront of the industry.

Risk Management of Treasury Business

We refined the risk management measures for treasury business and improved the whole-process risk management mechanism and the management of credit bonds before, during and after investment. We monitored constantly the risk profiles of credit customers and counterparties in relation to our existing treasury business, updated the list of existing credit customers that required special attention in a timely manner and dynamically adjusted the measures to address risks. We monitored the transaction prices related to financial market business and continued to establish the unified platform for management of market risk exposure limits. We strictly implemented the compliance requirements of anti-money laundering, improved the mechanism for financial consumer interests protection and customer complaints handling. We promoted the level of products online and risk control and the third phase construction of the global platform project. We improved the Group-level integrated system of risk monitoring and reporting for treasury business and established the monthly risk reporting and sharing mechanism of the subsidiaries and overseas branches for treasury business.

Loan Risk Classification

We formulated and refined the loan risk classification management policies in accordance with the *Guidelines of Loan Credit Risk Classification* issued by the CBIRC. We comprehensively assessed the recoverability of loans when due and classified the loans by taking into account of factors including the borrower's repayment ability, repayment record, willingness to repay the loan, profitability of the loan project, and the reliability of secondary repayment sources.

We adopted two classification management systems for loans, being the five-category classification system and the 12-category classification system. Corporate loans were mainly managed with 12-category classification system. We conducted comprehensive evaluations of customer default risk and debt transaction risk to objectively reflect the risk level of loans. The evaluations were made with more details in preparing the annual classification policies at the beginning of every year to specify the requirements for classification standards and management of loans to core corporate customers and thus improving the foreseeability and sensitivity of risk identification. Retail loans were managed with the five-category classification system which automatically classified risks mainly based on the length of period by which payments of principal or interest were overdue and the types of collaterals, allowing for a more objective risk assessment. Large retail loans to private businesses were classified manually on a quarterly basis to enhance risk sensitivity. In addition, the classification was timely adjusted based on the risk information collected in the credit management to reflect loan quality objectively.

Distribution of Loans by Collaterals

In millions of RMB, except for percentages

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	7,963,577	46.5	6,978,616	46.1
Loans secured by pledges	2,269,076	13.2	2,292,233	15.1
Guaranteed loans	1,910,717	11.2	1,689,444	11.2
Unsecured loans	4,992,382	29.1	4,175,828	27.6
Sub-Total	17,135,752	100.0	15,136,121	100.0
Accrued interest	39,321	—	34,321	—
Total	17,175,073	—	15,170,442	—

Distribution of Overdue Loans by Overdue Period

In millions of RMB, except for percentages

Item	31 December 2021		31 December 2020	
	Amount	Percentage of total loans (%)	Amount	Percentage of total loans (%)
Overdue for less than 90 days (including 90 days)	74,359	0.5	78,228	0.5
Overdue for 91 to 360 days (including 360 days)	52,847	0.3	60,793	0.4
Overdue for 361 days to 3 years (including 3 years)	40,886	0.2	43,749	0.3
Overdue for more than 3 years	16,829	0.1	12,663	0.1
Total	184,921	1.1	195,433	1.3

Loan Concentration

In millions of RMB, except for percentages

Top ten single borrowers	Industry	Amount	Percentage of total loans (%)
Borrower A	Transportation, storage and postal services	74,528	0.43
Borrower B	Transportation, storage and postal services	43,207	0.26
Borrower C	Transportation, storage and postal services	38,043	0.22
Borrower D	Transportation, storage and postal services	37,832	0.22
Borrower E	Transportation, storage and postal services	36,612	0.21
Borrower F	Transportation, storage and postal services	29,622	0.17
Borrower G	Transportation, storage and postal services	27,614	0.16
Borrower H	Production and supply of electricity, heating, gas and water	24,990	0.15
Borrower I	Transportation, storage and postal services	24,312	0.14
Borrower J	Production and supply of electricity, heating, gas and water	20,188	0.12
Total		356,948	2.08

At 31 December 2021, we fulfilled the regulatory requirements as total loans to our largest single borrower represented 2.44% of our net capital and total loans to our ten largest borrowers represented 11.67% of our net capital.

Large Exposures

During the reporting period, pursuant to the regulatory requirements such as the *Administrative Measures for Large Exposures of Commercial Banks* issued by the CBIRC, we further refined the organizational structure and system for large exposures management, conducted the measurement, monitoring and system optimization in respect of large exposures in an orderly manner, strictly managed and controlled each regulatory indicators according to regulatory requirements, regularly reported to regulatory authorities with regulatory reports and management statements and continuously improved our capability to measure and manage large exposures.

Distribution of Loans by Five-category Classification

In millions of RMB, except for percentages

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Normal	16,636,899	97.09	14,594,673	96.42
Special mention	253,071	1.48	304,335	2.01
Non-performing loans	245,782	1.43	237,113	1.57
Substandard	48,712	0.28	62,873	0.42
Doubtful	170,611	1.00	152,627	1.01
Loss	26,459	0.15	21,613	0.14
Sub-Total	17,135,752	100.00	15,136,121	100.00
Accrued interest	39,321	—	34,321	—
Total	17,175,073	—	15,170,442	—

At 31 December 2021, the balance of our non-performing loans was RMB245,782 million, representing an increase of RMB8,669 million as compared to the end of the previous year; and the non-performing loan ratio decreased by 0.14 percentage point to 1.43% as compared to the end of the previous year; and the balance of special mention loans was RMB253,071 million, representing a decrease of RMB51,264 million as compared to the end of the previous year; and special mention loans accounted for 1.48% of the total loans, representing a decrease of 0.53 percentage point as compared to the end of the previous year.

In 2021, the Bank adhered to general principle of pursuing progress while ensuring stability, optimized the allocation of credit resources, reinforced the risk management and control over the key areas, and kept asset quality stable. The Bank optimized the credit structure continuously and reinforced the credit support for major areas such as rural revitalization, green & low carbon, scientific & technological innovation, manufacturing transformation and upgrade, regional development strategies of the state and inclusive finance. We paid close attention to risks in major industries, regions and customers, strengthened the risk monitoring and warning against the real estate sector, credit to local governments, industries with “high pollution and high energy consumption” and group customers with large loan balances. In addition, we made pertinent control plans, took measures to prevent and mitigate the credit risk, and strictly adhered to the limitation of avoiding the systematic financial risk. We reinforced the industry limit management, strengthened the control over special mention loans and effectively prevented, mitigated and disposed potential risks. We refined the operation mechanism for the online credit business, optimized the risk management process and policy for the online business and strengthened the risk management and control over online loans. We actively advanced the work to dispose of non-performing loans, adhered to the self-disposal and enhanced collection in depth. We implemented the disposal strategy of more collection, more write-offs, more restructuring and prudent transfer in batches. We focused on the work to dispose of non-performing loans in major areas and enhanced the capacity to resolve risks actively.

Distribution of Non-Performing Loans by Business Type

In millions of RMB, except for percentages

Item	31 December 2021			31 December 2020		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Corporate loans	203,939	83.0	2.22	192,551	81.2	2.37
Including: Short-term corporate loans	93,620	38.1	3.58	93,614	39.5	3.79
Medium- and long-term corporate loans	110,319	44.9	1.68	98,937	41.7	1.75
Discounted bills	—	—	—	—	—	—
Retail loans	36,246	14.7	0.51	38,300	16.2	0.62
Residential mortgage loans	18,872	7.7	0.36	17,655	7.5	0.38
Credit card balances	6,179	2.5	0.99	8,430	3.6	1.55
Personal consumption loans	2,340	0.9	1.33	3,647	1.5	2.04
Loans to private business	3,009	1.2	0.64	3,231	1.4	0.85
Loans to rural households	5,822	2.4	0.96	5,308	2.2	1.22
Others	24	—	8.25	29	—	4.26
Overseas and others	5,597	2.3	1.31	6,262	2.6	1.51
Total	245,782	100.0	1.43	237,113	100.0	1.57

Distribution of Corporate Non-Performing Loans by Industry

In millions of RMB, except for percentages

Item	31 December 2021			31 December 2020		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Manufacturing	66,402	32.6	4.43	67,523	35.1	5.08
Production and supply of electricity, heating, gas and water	12,269	6.0	1.21	9,641	5.0	1.04
Real estate	28,172	13.7	3.39	14,209	7.4	1.81
Transportation, storage and postal services	17,859	8.8	0.85	22,000	11.4	1.18
Wholesale and retail	18,384	9.0	3.72	34,978	18.2	8.55
Water, environment and public utilities management	3,371	1.7	0.47	1,916	1.0	0.31
Construction	6,558	3.2	2.25	2,807	1.5	1.31
Mining	20,314	10.0	10.50	6,225	3.2	3.25
Leasing and commercial services	24,026	11.8	1.61	26,040	13.5	2.07
Finance	362	0.2	0.24	55	—	0.02
Information transmission, software and IT services	1,024	0.5	1.76	679	0.3	1.75
Other industries	5,198	2.5	1.58	6,478	3.4	2.34
Total	203,939	100.0	2.22	192,551	100.0	2.37

Distribution of Non-Performing Loans by Geographic Region

In millions of RMB, except for percentages

Item	31 December 2021			31 December 2020		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Head Office	1,297	0.5	0.41	1,369	0.6	0.39
Yangtze River Delta	26,265	10.7	0.64	30,533	12.9	0.88
Pearl River Delta	17,463	7.1	0.61	18,451	7.8	0.75
Bohai Rim	58,562	23.8	2.38	65,405	27.6	2.95
Central China	49,632	20.2	1.86	46,009	19.4	2.00
Northeastern China	12,258	5.0	2.07	9,294	3.9	1.68
Western China	74,708	30.4	1.99	59,790	25.2	1.78
Overseas and others	5,597	2.3	1.31	6,262	2.6	1.51
Total	245,782	100.0	1.43	237,113	100.0	1.57

Changes in the Allowance for Impairment Losses on Loans

In millions of RMB

Item	2021			Total
	Stage I 12-month expected credit losses	Stage II Lifetime expected credit losses	Stage III	
1 January 2021	410,963	60,702	159,541	631,206
Transfer ¹				
Stage I to stage II	(8,237)	8,237	—	—
Stage II to stage III	—	(25,265)	25,265	—
Stage II to stage I	4,768	(4,768)	—	—
Stage III to stage II	—	2,420	(2,420)	—
Originated or purchased financial assets	185,625	—	—	185,625
Remeasurement	33,273	36,009	61,866	131,148
Repayment and transfer-out	(110,167)	(19,832)	(22,041)	(152,040)
Write-offs	—	—	(59,252)	(59,252)
31 December 2021	516,225	57,503	162,959	736,687

Notes: 1. For details of the impairment models of three stages, please refer to “Note IV. 17 Loans and advances to customers to the Consolidated Financial Statements”.

2. The table includes the allowance for impairment losses on loans measured at fair value through other comprehensive income.

Market Risk

Market risk refers to the risk of losses in the on- and off-balance sheet businesses of banks as a result of an adverse change in market prices. Market risk comprises, but not limited to, interest rate risk, exchange rate risk, stock price risk and commodity price risk. The market risks which the Bank is exposed to primarily include interest rate risk, exchange rate risk and commodity price risk. The Bank's organizational structure of market risk management comprises the Board of Directors and its Risk Management and Consumers' Interests Protection Committee, the senior management and its Risk Management and Internal Control Committee, the Risk Management Department, the Asset and Liability Management Department and other departments (institutions) bearing market risks.

In 2021, the Bank formulated its market risk appetite and market risk management policy for 2021 to clarify the bank-wide market risk management requirements and access standards for transaction investment business. We continued to improve the capital measurement and limit calculation functions of the market risk management system, carry out comprehensive validation of Internal Model Approach, and optimize the modeling and system of market risk measurement. We focused on conducting new products access reviews to ensure that risks are controllable before launching new products. We gradually established a price monitoring system for financial market transactions and strengthened price monitoring and management.

Our market risk exposure limits are classified into directive limits and indicative limits. We classified all of the on- and off-balance sheet assets and liabilities into either the trading book or the banking book. The trading book includes the financial instruments and commodity positions held for trading or hedging against the risk of other items in the trading book. Any other positions are classified into the banking book.

Market Risk Management for Trading Book

We managed the market risk of the trading book through various approaches such as Value at Risk (VaR), exposure limit management, sensitivity analysis, duration analysis, exposure analysis and stress testing.

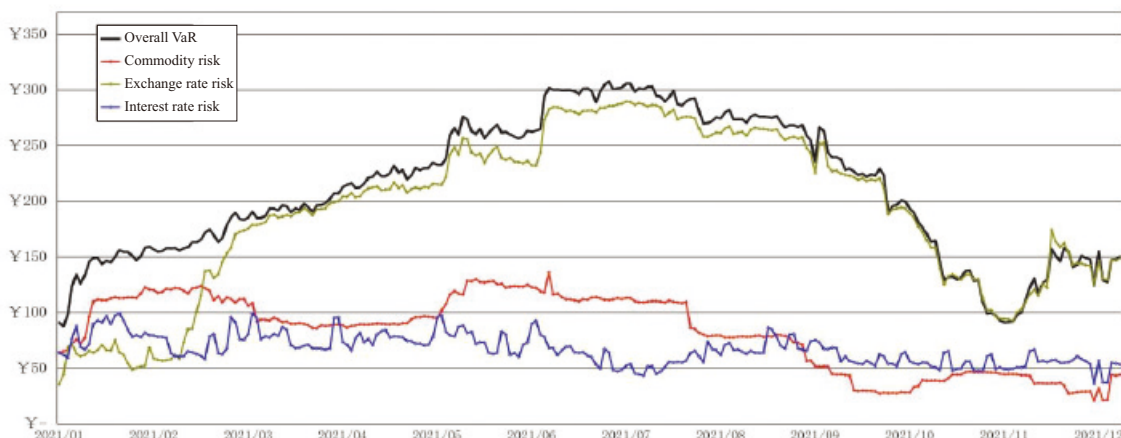
We adopted a historical simulation method with a confidence interval of 99% based on a holding period of one day and historical data for 250 days to measure the VaR for the trading book of the Head Office and domestic and overseas branches of the Bank.

In millions of RMB

Item	At the end of the period	2021			At the end of the period	2020		
		Average	Maximum	Minimum		Average	Maximum	Minimum
Interest rate risk	53	67	99	36	59	88	164	52
Exchange rate risk ¹	149	190	289	35	28	165	213	28
Commodity risk	44	83	136	21	62	75	120	9
Overall VaR	150	210	307	87	87	232	362	87

Note: 1. According to the Capital Rules for Commercial Banks (Provisional), VaR relating to gold was reflected in exchange rate risk.

In millions of RMB



Change in VaR of Trading Book in 2021

In 2021, the scale of bond portfolio remained stable as a whole and declined slightly as compared to 2020, thus the VaR of interest rate risk was slightly lower than that in the previous year. The scale of foreign exchange trading remained stable, the unilateral exposure of gold portfolio increased, thus the VaR of exchange rate risk increased as compared to the previous year. The net average exposure of silver portfolio increased slightly, resulting in the average VaR of commodity risk being higher than that in the previous year.

Market Risk Management for Banking Book

The Bank managed market risk of the banking book through comprehensive use of technical measures such as exposure limit management, stress testing, scenario analysis and gap analysis.

Interest Rate Risk Management

Interest rate risk refers to risk of losses in economic value or income of the banking book as a result of adverse changes of the interest rate level or term structure. The interest rate risk of the banking book of the Bank primarily arises from the mismatch of the maturity or re-pricing dates of interest-rate-sensitive assets and liabilities in the banking book and inconsistencies in the change of the benchmark interest rate on which assets and liabilities are based.

In 2021, the Bank paid close attention to macroeconomic and interest rate trends, adjusted the duration strategy of assets and liabilities in a timely manner, and implemented prudent interest rate risk management. We constantly promoted the optimization of the interest rate risk systems and models, and refined the interest rate risk management. We strengthened FTP dynamic adjustment of market business and the risk management function of FTP. During the reporting period, our interest rate risk of the banking book was overall controllable, while all risk indicators were controlled within the scope of regulatory requirements and management objectives.

Interest Rate Risk Analysis

At 31 December 2021, the accumulative negative gap with interest rate sensitivity due within one year of the Bank amounted to RMB844,390 million, representing a decrease of RMB276,394 million in absolute terms as compared to the end of the previous year.

Interest Rate Risk Gap

In millions of RMB

	Within 1 month	1-3 months	3-12 months	Sub-Total of 1 year and below	1-5 years	Over 5 years	Non- interest earning
31 December 2021	(6,739,001)	1,022,100	4,872,511	(844,390)	(554,215)	3,539,307	2,949
31 December 2020	<u>(6,360,968)</u>	<u>818,643</u>	<u>4,421,541</u>	<u>(1,120,784)</u>	<u>194,579</u>	<u>2,914,986</u>	<u>(35,419)</u>

Note: Please refer to "Note IV. 44.3 Market Risk to the Consolidated Financial Statements" for more details.

	31 December 2021		31 December 2020	
	Movements in net interest income	Movements in other comprehensive income	Movements in net interest income	Movements in other comprehensive income
Movements in basis points				
Increased by 100 basis points	(37,792)	(39,264)	(37,556)	(67,941)
Decreased by 100 basis points	<u>37,792</u>	<u>39,264</u>	<u>37,556</u>	<u>67,941</u>

The interest rate sensitivity analysis above indicates the movements within the next twelve months in net interest income and other comprehensive income under various interest rate conditions, assuming that there is a parallel shift in the yield curve and without taking into account any risk management measures probably adopted by the management to reduce interest rate risk.

Based on the composition of the assets and liabilities at 31 December 2021, if the interest rates instantaneously increase (or decrease) by 100 basis points, the net interest income and other comprehensive income of the Bank would decrease (or increase) by RMB37,792 million and RMB39,264 million, respectively.

Exchange Rate Risk Management

Exchange rate risk refers to the risk arising from currency mismatches of assets and liabilities of banks. Exchange rate risk mainly consists of the trading exchange rate risk that could be hedged, and the exchange rate risk caused by assets and liabilities (the “non-trading exchange rate risk”), which is hardly to be avoided in operations.

In 2021, we performed monitoring on exchange rate risk exposures and sensitivity analysis regularly, and improved exchange rate risk measurement and system construction. Through proper matching of foreign currencies, we flexibly adjusted the trading exchange rate risk exposure, while maintaining the non-trading exchange rate risk exposure basically stable. Therefore, our exchange rate risk exposure was controlled within a reasonable range.

Exchange Rate Risk Analysis

The Bank’s exchange rate risk is mainly the exposure risk arising from the exchange rate of USD against RMB.

In 2021, the mid-point rate of RMB against USD appreciated accumulatively by 1,492 basis points or 2.3%. At the end of 2021, the Bank’s positive foreign exchange exposure of on- and off-balance sheet was USD9,822 million, representing an increase of USD950 million in absolute terms as compared to the end of the previous year.

Foreign Exchange Exposure

In millions of RMB (USD)

	31 December 2021		31 December 2020	
	RMB	USD equivalent	RMB	USD equivalent
Net foreign exchange exposure of on-balance sheet financial assets/liabilities	66,079	10,364	35,270	5,405
Net foreign exchange exposure of off-balance sheet financial assets/liabilities	(3,454)	(542)	22,625	3,467

Note: 1. Please refer to “Note IV. 44.3 Market Risk to the Consolidated Financial Statements” for more details.

Exchange Rate Sensitivity Analysis

In millions of RMB

Currency	Increase/decrease in exchange rate of foreign currency against RMB	Impact on profit before tax	
		31 December 2021	31 December 2020
USD	+5%	224	1,450
	-5%	(224)	(1,450)
HKD	+5%	1,484	771
	-5%	(1,484)	(771)

The non-RMB denominated assets and liabilities of the Bank were primarily denominated in USD and HKD. Based on the on- and off-balance sheet exchange rate exposure at the end of the reporting period, the profit before tax of the Bank will increase (or decrease) by RMB224 million if USD appreciates (or depreciates) by 5% against RMB.

Liquidity Risk

Liquidity risk refers to the risk of being unable to timely acquire sufficient funds at a reasonable cost by commercial banks to settle amounts due, fulfil other payment obligations and satisfy other funding needs during the ordinary course of business. The major factors affecting liquidity risk include negative impacts of market liquidity, deposit withdrawal by customers, loans withdrawal by customers, imbalance between asset and liability structures, debtor’s default, difficulty in asset realization, weakening financing ability, etc.

Liquidity Risk Management

Liquidity Risk Management Governance Structure

The liquidity risk management governance structure of the Bank consists of a decision-making system, an execution system and a supervision system, among which, the decision-making system comprises the Board of Directors and its Risk Management and Consumers' Interests Protection Committee and the senior management; the execution system comprises liquidity management department, asset and liability business department and information and technology department, etc.; and the supervision system comprises the Board of Supervisors, the Audit Office, the Internal Control and Compliance Supervision Department and the Legal Affairs Department. The aforesaid systems perform their respective decision-making, execution and supervision functions based on the division of responsibility.

Liquidity Risk Management Strategy and Policy

We adhered to a prudent liquidity management strategy. We formulated our liquidity risk management policy pursuant to the regulatory requirements, external macroeconomic environment and our business development. We effectively maintained balance among liquidity, security and profitability, on condition of the guaranteed security of liquidity.

Liquidity Risk Management Objectives

The objectives of our liquidity risk management were to effectively identify, measure, monitor and report liquidity risk by establishing a scientific and refined liquidity risk management system, to promptly fulfil the liquidity needs of assets, liabilities and off-balance sheet businesses and perform the payment obligations under normal business environment or under operational pressure; and to effectively balance both capital efficiency and security of liquidity while preventing the overall liquidity risk of the Group.

Liquidity Risk Management Method

We paid close attention to changes in economic and financial situation, monetary policies and market liquidity, continued to monitor our bank-wide liquidity condition, anticipated the change trend, and strengthened the asset-liability matching management to mitigate risks related to mismatch of maturity. We secured the sources of core deposits and facilitated the use of proactive liabilities instruments to keep our financing channels smooth in the market. We improved the liquidity management mechanism through strengthening the monitoring, early warning, and overall allocation of liquidity position. With a moderate reserve level, we satisfied various payment demands. In addition, we refined the functions of the liquidity management system and improved the level of our electronic management.

Stress Testing Situation

Based on the market condition and operation practice, we set liquidity risk stress scenarios based on full consideration of various risk factors which may affect the liquidity. We conducted stress testing quarterly. According to the testing results, under the prescribed stress scenarios, we have passed all the shortest survival period tests as required by regulatory authorities.

Main Factors Affecting Liquidity Risk

In 2021, the internal and external liquidity situations faced by the Bank were complicated and ever-changing. Due to the impact of the pandemic, the driver of global economic recovery slowed down, and the inflationary pressures of overseas rose. China implemented cross-cyclical adjustments macro policies, and the fluctuation of market interest rate increased. The challenges in our liquidity risk management we faced increased significantly, including the growth of deposit slowed and the difficulties in balancing the liquidity, security and profitability increased.

Liquidity Risk Analysis

During the reporting period, we managed cash flows brought by maturing fund properly and the overall liquidity was sufficient, secured and under control. At the end of 2021, we fulfilled the regulatory requirements with liquidity ratios for RMB and foreign currency of 62.01% and 138.94%, respectively. The average of the liquidity coverage ratio over the fourth quarter in 2021 decreased by 6.8 percentage points to 121.1% as compared to the previous quarter. At the end of 2021, the net stable funding ratio was 127.1%, with available stable funding of RMB20,646.3 billion in numerator and the required stable funding of RMB16,244.6 billion in denominator.

Liquidity Gap Analysis

The table below presents the Bank's net position of liquidity as of the dates indicated.

In millions of RMB

	Past due	On demand	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	Total
31 December 2021	22,689	(13,368,709)	899,919	(663,272)	(428,608)	2,013,118	11,388,711	2,279,803	2,143,651
31 December 2020	26,848	(12,801,017)	579,070	(627,463)	215,455	2,442,985	9,706,251	2,411,233	1,953,362

Note: Please refer to "Note IV. 44.2 Liquidity Risk to the Consolidated Financial Statements" for more details.

For details of liquidity coverage ratio and net stable funding ratio of the Bank, please refer to "Appendix I Liquidity Coverage Ratio Information" and "Appendix III Net Stable Funding Ratio Information", respectively.

Operational Risk

Operational Risk Management

Operational risk refers to the risk of loss resulting from inadequate or problematic internal procedures, from human or information technology system related factors, or from external affairs, including legal risk, but not including strategy risk or reputational risk.

In 2021, we adjusted operational risk appetite and operational risk management strategy, revised the basic rules on operational risk management, improved the matrix operational risk management system, optimized the whole-process management mechanism for operational risk, and coordinately promoted the integration and digitalization of internal control, compliance, prevention of cases, and operational risk management, so as to steadily promote operational risk management. We deepened the application of operational risk management tools, carried out annual operational risk evaluation and operational risk evaluation of new businesses, products and systems, and improved the key risk indicator system of the Bank. Centering on the implementation of the Basel III, we strengthened the reporting of operational risk incidents, carried out centralized verification of incident reports, and advanced the construction of the operational risk loss data management system in an orderly manner. We strengthened operational risk management in key areas, formulated the Administrative Measures for Financial Services in Response to Emergencies, the Regulations on Outsourcing Risk Management, and the Rules on Separation of Responsibilities for Incompatible Posts, further promoted the construction of a case prevention monitoring and early warning platform and a smart anti-fraud platform, and carried out case risk inspection on a regular basis.

Legal Risk Management

Legal risk refers to any risk of banks suffering from adverse consequences including legal liabilities, loss of rights and reputational damage due to the breach of laws, administrative rules and regulations, or terms of contracts of its business operations and legal failure to duly regulate and exercise rights or external legal factors. Legal risk includes risk directly resulted from legal factors, as well as the risk associated with other forms of risks.

In 2021, we continued the construction of Agricultural Bank of China under the rule of law to further promote law-based governance. We improved the “three lines of defense” of legal risk management, and optimized the process and mechanism of legal risk management. We strengthened legal services and support in digital transformation, rural revitalization, green finance, privacy and data security, interest rate liberalization and inclusive finance. We prevented the risk of intellectual property infringement, and ensured business and product innovation. We prudently handled sensitive and major legal disputes, prevented and eliminated major risks, and actively safeguarded the rights and interests of the Bank. We enhanced legal risk management in comprehensive and international business and built an integrated domestic and overseas legal risk management mechanism for the Group. We comprehensively promoted the publicity and implementation of important laws such as the Civil Code and the Personal Information Protection Law, and made timely adjustments to systems, contracts and products. We promoted the culture of rule of law, and carried out publicity and education on the rule of law in various forms, so as to raise the awareness of the rule of law among all staff.

Reputational Risk

Reputational risk refers to the risk resulting from negative feedback from related stakeholders, the public and the media due to the operation of the Bank’s institutions, behavior of employees or external events, thus damaging the brand value, causing adverse impact on normal operation, and even affecting market stability and social stability.

In 2021, we further improved the basic system, steadily promoted the whole-process management of reputational risk, strengthened pre-event investigation and early warning, optimized in-event response and disposal, deepened post-event rectification and evaluation, carried out analog response drills, and strived to improve the Group's level of reputational risk management. We focused on monitoring the public opinion on financial services at important time points and key events, actively responded to social concerns, and conducted investigation and rectification in a timely manner. We carried out various forms of positive publicity and guidance to enhance our brand image.

Country Risk

Country risk represents the risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which results in the borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Bank or otherwise leads to business losses to the Bank in that country or region or other losses to the Bank.

We managed country risk through tools and approaches such as country risk rating, limit control, exposure monitoring, provision for asset impairment and stress testing. In 2021, in response to changes in the external situation, we timely evaluated country risk and made adjustments to country risk ratings and limits. Taking full account of the impact of country risk on our asset quality, we made full provision for asset impairment.

Risk Consolidated

In 2021, we continued to improve the risk consolidation management of the Group, and advanced the integration of risk management of the Bank and subsidiaries. We guided our subsidiaries to revise their risk appetite statements and risk management policies, improve their quantitative indicators system for risk appetite, and strengthen the tracking and monitoring of the implementation of risk appetite. We supervised subsidiaries to improve the business model and risk management and control measures for new products and new businesses. We further strengthened the system support for the consolidated risk management of the Group, continued to carry out risk monitoring, management evaluation and risk assessment and evaluation of subsidiaries, and guided subsidiaries to strengthen risk management and control in key areas. We implemented relevant regulatory requirements for risk isolation and conducted risk isolation evaluation.

In addition, the Bank incorporated climate risk into its comprehensive risk management system. For details of climate risk management, please refer to “Information on Environmental, Social and Corporate Governance — Green Finance”.

Capital Management

During the reporting period, we implemented our capital plan for 2019–2021 in accordance with the requirements of the *Administrative Measures for the Capital of Commercial Banks (Provisional)*, fulfilled the restriction and guidance functions of capital on business, enhanced the capacity of internal and external capital replenishment and improved our long-term mechanism of capital management, so that capital adequacy ratio rose steadily, providing a powerful guarantee for business development and operational transformation. We formulated the *Capital Plan for 2022–2024* to clarify capital management principles, capital adequacy ratio targets, capital supplementary arrangements and management measures for the next three years.

As one of the Global Systemic Importance Banks and Domestic Systemic Important Banks, the Bank, in accordance with regulatory requirements, established a retest mechanism for the recovery and disposal plan and constantly improved capabilities of risk warning and crisis management to reduce our risk spillover in the crises and strengthen the foundation for financial stability. We closely followed regulatory developments and studied the plan for satisfying Total Loss Absorption Capacity (TLAC) requirements to lay a solid foundation for compliance and enhance our risk resistance capability. We continued to enhance the internal capital adequacy assessment process (ICAAP), carried out the internal capital adequacy assessment for 2021 and the specific audit of ICAAP, and upgraded the working mechanism continuously in order to consolidate the foundation of management.

We implemented advanced approaches of capital management and adopted advanced approaches of capital measurement and other approaches in the parallel implementation period to calculate capital adequacy ratio according to the requirements of the CBIRC.

Management of Capital Financing

During the reporting period, we improved the capital replenishment system. To replenish capital, we proactively expanded external sources as well as through retained profit. We enhanced the capital strength, optimized the capital structure and reasonably controlled the capital cost.

In November 2021 and February 2022, we issued RMB40 billion and RMB50 billion of write-down undated capital bonds in the inter-bank bond market of China, respectively. After deducting expenses in relation to the issuance, the proceeds were fully used to replenish our additional Tier 1 capital.

The Bank intended to issue write-down eligible Tier 2 capital instruments of no more than RMB200 billion equivalent, and use the proceeds to replenish our Tier 2 capital. The issuance plan was considered and approved at the meeting of the Board of Directors held on 24 December 2021 and the extraordinary general meeting held on 18 March 2022, and was subject to the approval by the relevant regulatory authorities.

Management of Economic Capital

We optimized the measurement model and system of economic capital, expanded the application scope of economic capital, and promoted the coordinated development of business volume, structure, quality and efficiency. We constrained total capital, optimized asset structure and controlled the growth of risk-weighted assets in order to achieve capital-intensive development. We continued to optimize the economic capital allocation mechanism, highlighted the transmission of strategic goals, continuously improved the level of sophisticated management of economic capital, and increased the allocation of economic capital in key areas such as pandemic prevention and control, inclusive finance, County Area Banking Business, private enterprises and green credit. We strengthened the process management and control of economic capital, improved the timeliness and effectiveness of capital management policy transmission, and improved the efficiency of economic capital monitoring.

Capital Adequacy Ratio and Leverage Ratio

For details of the capital adequacy ratio of the Bank and credit risk exposures after risk mitigation, please refer to the *2021 Capital Adequacy Ratio Report* published on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange by the Bank. For details of the leverage ratio of the Bank, please refer to “Appendix II Leverage Ratio Information”.

Information on Environmental, Social and Corporate Governance

Relying on our traditional strengths in areas such as inclusive finance and green finance, we have promoted the deep integration of the sustainable development concept with our business management, and have been committed to building an ESG management system with a sound governance structure, sound management mechanism and adequate information disclosure.

The Board of Directors is responsible for formulating our sustainable development strategies and objectives, evaluating the related risks and implementation of the strategies. The Strategic Planning and Sustainable Development Committee assists the Board of Directors in formulating and evaluating the sustainable development strategies and objectives. The County Area Banking Business and Inclusive Finance Development Committee, the Risk Management and Consumers' Interests Protection Committee, and the Related Party Transactions Management Committee consider core ESG issues such as County Area Banking Business and inclusive finance, consumers' interests protection, and related party transactions according to their respective responsibilities. The Green Finance Committee, the Consumers' Interests Protection Committee and the County Area Banking Division and Inclusive Finance Division Management Committee have been set up under the Senior Management, which are responsible for the management of the respective ESG issues, such as green finance, consumers' interests protection, County Area Banking Business and inclusive finance.

During the reporting period, the Board of Directors fully played its leadership role in the ESG strategic planning and decision-making by formulating the 14th Five-Year Plan of the Bank, in which the implementation of ESG governance responsibilities was emphasized and the development of green finance was vigorously promoted from the perspective of corporate governance, marking that ESG had been incorporated into our bank-wide strategy. The Board of Directors and its special committees thereunder participated in ESG work in a comprehensive and multi-dimensional manner by considering proposals, listening to reports, conducting research and attending special trainings, etc. Through top-down spreading of sustainable development concepts and strengthening ESG trainings for the Directors, we enhanced the Directors' ability to perform their duties related to ESG issues. We pushed forward the related work by focusing on core ESG issues such as corporate governance, green finance, inclusive finance, human capital development, consumers' interests protection, privacy and data security, and achieved positive results in these aspects.

Green finance

Governance structure

The Board of Directors is responsible for determining the bank-wide green finance development strategy and evaluating its implementation. The Board of Supervisors is responsible for supervising the implementation of the green finance strategy. The Senior Management is responsible for setting objectives for our green finance business, establishing mechanisms and procedures, and implementing green finance development strategy. The Green Finance Committee set up under the Senior Management is responsible for coordinating the development of green finance business across the Bank and considering major policies and measures related to green finance development of the whole Bank.

Strategic guidance

In 2021, closely following the strategic deployment of peak carbon emissions and carbon neutrality, we identified green finance as one of our three major strategies, and endeavoured to build a distinctive and widely recognized green finance brand.

The Board of Directors considered and approved the *Green Finance Development Plan (2021–2025)*, which defines the objectives, vision and emphasis of our green finance business development in the 14th Five-Year Plan period, and proposes to implement a series of key tasks focusing on building a multi-dimensional business system, improving policies and mechanisms, and accelerating the construction of a green low-carbon bank. In the 14th Five-Year Plan period, the Bank will strive to achieve the three development objectives, which are significant growth in the scale of green finance business, more prominence of brand advantages and significant enhancement of risk control capabilities.

Policy system

Our credit policy system for green finance business was continuously improved. We formulated the *Guidelines on Accelerating the Development of Green Finance Business*, which focuses on four major aspects: consolidating and improving the market position, striving to create a first-class green brand, improving the system and mechanism, and implementing the environmental and credit risk management, to clarify the implementation path and key tasks for green finance business development. We included the green finance development requirement to our annual credit policy guideline, Sannong credit policy guideline and inclusive finance credit policy guideline.

Green development concept was in-depth integrated with our industry-specific credit policies. We implemented the indicators related to efficiency, effectiveness, environmental protection, resource consumption and social management in the industry-specific credit policies, and continued to expand the industrial coverage of green credit indicator system, so that gave full play to its role in customer access, classification management, and environmental and social risk prevention and control.

Industry	Policy
Agriculture/Forestry/Animal husbandry/Fishery	We formulated industry-specific credit policies for agriculture-related industries such as grain, seed, forestry, cotton, animal husbandry, aquaculture and processing and specified green, low-carbon and environmental-friendly policy direction. We continuously strengthened environmental risk management and served the national strategy on food security.

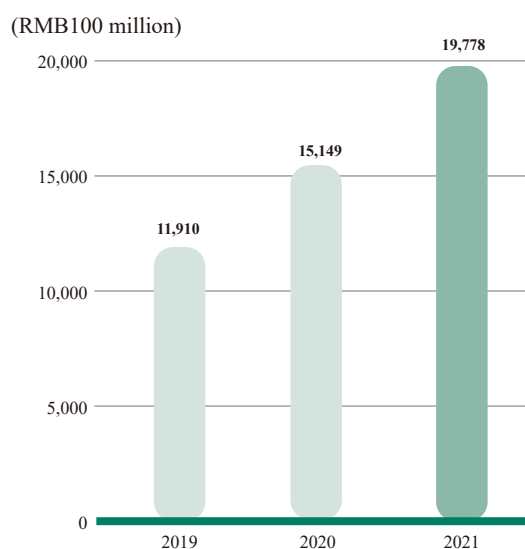
Industry	Policy
Biodiversity protection	We formulated a number of industry-specific credit policies for biodiversity protection involving seed, forestry, floriculture and traditional Chinese medicine, and introduced relevant work opinions to support ecological conservation in the Yellow River Ecological Zone. We stipulated increasing support for the whole industrial chain of green agriculture, including ecological planting, ecological breeding, under-forest economy, modern agricultural seed industry and forestry gene protection, actively supported the afforestation and forest resource conservation projects with remarkable effect of carbon sink or carbon sequestration. We actively supported the projects related to protection of natural forests, animal and plant resources, the construction and protective operation of nature reserves, ecological function areas and national parks, as well as returning farmland to forest and grass land, protecting river and lake wetlands, and the comprehensive management of soil erosion. For non-eco-friendly customers and projects, we applied the rule of “One Vote for Veto”.
Energy	We formulated the industry-specific credit policies for thermal power, hydropower, wind power, solar power, biomass power and related industries, and proactively supported clean energy industries and the purification and efficient utilization of traditional energy. We put forward relevant requirements on ESG risk management and served the green and low-carbon transformation of the energy manufacturing and consumption.
Mining	We formulated the industry-specific credit policies for coal and metal mining and processing and related industries, put forward relevant requirements on ESG risk management and served the green and low-carbon development of mining industry.
Oil and gas	We formulated the industry-specific credit policies for the oil and natural gas extraction industries, and put forward relevant requirements on ESG risk management.
Transportation	We formulated the industry-specific credit policies for railways, highways, urban railways, airports, air transport and related industries, put forward relevant requirements on ESG risk management and served the green and low-carbon transformation of the transportation industry.

Industry	Policy
Material	We formulated the industry-specific credit policies for petrochemical, steel, nonferrous metals and building materials and related industries, put forward relevant requirements on ESG risk management and served the green and low-carbon development of industrial enterprises.

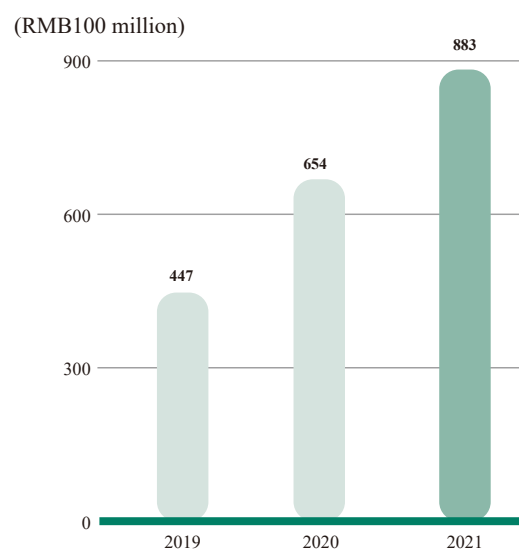
Green credit

- We increased the supply of green credit. To achieve the objectives of peak carbon emissions and carbon neutrality as well as biodiversity protection, we scientifically made allocation of our credit resources and improved our evaluation system. Our financial support was increased in areas related to energy conservation and environmental protection, clean production, clean energy, ecological environment, green upgrading of infrastructure and green services.
- We promoted the product and service innovation. We innovatively launched the green credit products, such as pledge loan of the future income right from contractual energy management, ecological restoration loan, green transportation loan, green energy conservation construction loan, ecological protection loan, carbon sink forestry loan, and supported our branches to launch several featured products.
- We actively used the carbon emission reduction supporting tools. In 2021, we responded to the policy of tools supporting the carbon emission reduction of PBOC quickly, carried out the targeted marketing, refined working mechanisms and supported projects that made a significant carbon reduction effect.
- At the end of 2021, the balance of our green credit¹ was RMB1.9778 trillion, representing an increase of 30.6% compared to the end of the previous year, which was significantly higher than the overall growth rate of loans of the Bank.

Green credit balance



Green bonds invested for our own account



¹ According to the relevant statistics criteria of the CBIRC.

Green investment and financing

- We increased our investment in green bonds in primary and secondary markets. As of the end of 2021, the green bonds invested for our own account reached RMB88.3 billion¹, up 35.0% over the end of the previous year.
- We reinforced the strategic and policy guidance on our green bonds business, by defining its development planning, objectives, tasks and policies in the *Green Finance Development Planning (2021–2025)* and the *Guidelines on Promoting Faster Development of Green Finance*, to promote its omnipotent development.
- Agricultural Bank of China Wealth Management Co., Ltd. established its ESG rating system for investment targets, which specified the ESG rating principle, rating standard and investment scope. It issued ESG-themed wealth management products, prioritizing to invest the proceeds into enterprises with good ESG performance. As of the end of 2021, the wealth management products under ABC Anxin-ESG-themed and ABC Tongxin-ESG-themed reached a scale of RMB18.5 billion.
- ABC-CA actively researched and developed green products, cooperated with Morgan Stanley Capital International (MSCI), and applied to the regulators for set-up of ABC-CA Green Energy Select Hybrid Fund and ABC-CA MSCI China A-share Climate Change Index Fund. It initiated the construction of its ESG evaluation system to pursue embedding ESG factors in the criteria for the selection of investment targets, and gradually promote the greening of its stock pool and bond portfolios.

¹ Including the balance of the invested green bonds in non-financial institutions (according to the CBIRC) for own account and the balance of the invested green bonds in financial institutions for own account.

ABC Investment strengthened the greening of its debt-to-equity swap business

ABC Investment regarded green and low-carbon as key development areas, and proactively built a brand of green for debt-to-equity swap investment. At the end of 2021, the balance of the green investment for its own account was RMB24.3 billion, including RMB18.6 billion in clean energy, RMB3 billion in green upgrading of infrastructure, RMB1.7 billion in energy conservation and environmental protection, and RMB1 billion in clean production. During the reporting period, RMB6.1 billion of the green investment was for its own account, representing a year-on-year increase of 53%, effectively helping the Group to implement the national strategy of peak carbon emissions and carbon neutrality.

- ABC Investment increased the debt-to-equity investment in clean energy sectors. It cooperated deeply with the large central power enterprises such as SPIC, CGN and China Huadian Corporation, the local energy enterprises such as Zhejiang Energy Group and the private power equipment giants such as Goldwind and GCL to help new energy power generation enterprises reduce their leverage ratio and improve their business performance, and the brand of debt-to-equity investment in green and clean energy was initially established.
- It innovated the green debt-to-equity swap investment model. It set up four debt-to-equity swap green investment funds based on its subsidiary ABC Capital with a total size of over RMB7 billion, giving priority in areas related to clean energy and innovation of green technology and raising social capital to increase the size of its debt-to-equity swap green investment. The Peak Carbon Emissions Investment Fund established in cooperation with SPIC with a total size of RMB5 billion invested RMB4 billion within just over one year since its establishment. Focusing on clean energy industries such as wind power and photovoltaic, the fund helped the central enterprises to relieve their capital pressure and integrate green energy industries. It also helped small and medium-sized private enterprises to improve their operation. All of those realized the combination of clean energy investment and the rural revitalization strategy.

- ABC Life Insurance Co., Ltd. participated directly or indirectly in green investment through investment modes such as stocks, equity, bonds and infrastructure debt investment plans. It strengthened its business access management before investment and effectively contoured its credit concentration in overcapacity and high-risk industries by complying with the requirements of industrial credit limit management. After investment, it constantly tracked and managed the assets by carrying out rating analysis and risk monitoring to promptly and accurately identify and effectively prevent risks. In 2021, it mainly invested in the green projects related to the areas of infrastructure, clean transportation and clean energy, with a total investment amount of RMB0.82 billion.
- Adhering to the business concept of “green leasing”, ABC Financial Leasing Co., Ltd. gradually created its distinctive features of green leasing to help the green transformation and development of real economy. At the end of 2021, its balance of green leasing assets was RMB48.841 billion, representing an increase of 34.6% over the end of the previous year, accounting for 64.7% of its total leasing assets. It supported 66 clean energy projects including wind power, photovoltaic, biomass and garbage power generation, with an installed capacity of 10.2686 million kilowatts.

Green investment banking

We engrained the green concept in all categories of products and services of our investment banking business and were committed to developing a leading bank in green investment banking.

- In 2021, we provided over RMB220.0 billion for enterprises through ways such as green syndicated loans, green M&A loans, green bonds, representing an increase of more than 80% as compared to the previous year, and the funds were invested into areas such as environmental governance, clean energy and green transportation.
- We underwrote the first batch of carbon neutrality bonds and the first batch of sustainability-linked bonds in the market, as well as the first domestic sustainable development panda bonds.
- As a shareholder of National Green Development Fund, we actively participated in the operation of the fund and project investment.
- We conducted ESG risk due diligence on issuers in the bond underwriting business, by paying attention to the aspects of their corporate governance, social responsibility, environmental responsibility and collecting and collating the related information; we encouraged and guided the issuers to disclose ESG information, and continued to provide guidance during the duration of the bond.

Green bonds

- On 3 June 2019, ABC Financial Leasing Co., Ltd. publicly issued a three-year green financial bond of RMB3 billion in the national inter-bank bond market. All the proceeds raised have been invested in clean transportation projects.
- On 11 January 2021, we listed a total value of USD0.3 billion of the green bond on the Hong Kong Stock Exchange. All the net proceeds have been used for loans for wind and solar power projects.
- On 11 January 2022, we listed a green bond, with a total value of USD0.3 billion, on the Hong Kong Stock Exchange. The net proceeds will be used to finance or refinance the eligible green assets in the green financing framework of ABC New York Branch. In the view of Standard & Poor, ABC New York Branch's green financing framework used in this issuance is aligned with Green Bond Principles (GBP), ICMA, 2021 and Green Loan Principles (GLP), LMA/LSTA/APLMA, 2021, and the core factor "use of proceeds" was rated as "strong".

ESG risk management

- We formulated *the Measures for Environmental and Social Risk Management in Credit Business*, which stipulates the full coverage, classified and whole-process management for environmental and social risks. It was integrated into the Bank's credit management system and was imbedded in the processes of due diligence, examination, approval, credit management and post-loan management to implement our whole-process control.
- We performed ESG risk due diligence and took the assessment results as an important basis for making credit business decisions. We classified customers based on their exposure to the potential environmental and social risks, and implemented differentiated management measures. We signed an undertaking of commitment on environmental and social risk responsibility with key customers to enhance our risk control capability through contractual constraints.

- We embedded ESG risk management tools in our credit IT system. We optimized its functions for environmental and social risk management, and enhanced the sophisticated management through labelling classification and system verification, etc. For non-eco-friendly customers and projects, we applied the rule of “One Vote for Veto” for industries with high carbon emission, we applied credit limit management and increased the withdrawal of loans from those potential risk customers.
- We strengthened the analysis and management of our green bond investment. Before investing in green bonds, we strengthened the research on the green bonds market and industry, assessed the impacts of the “double carbon” goal on the business operation of the enterprises and focused on the green attributes, economic and environmental benefits, fund monitoring and information disclosure of the green bond investment projects to increase the quality and effectiveness of the green investment. After the investment was made, we monitored the use of bond proceeds and construction progress of the related project optimizing the quality of the green bond post-investment report. We explored optimizing the functions of the investment trading system and strengthened the statistical analysis of green bonds. We actively collaborated with the third-party institutions in green bond investment, credit rating and other fields, and strengthened our capacity to identify and address ESG risks.
- We collaborated with governments to explore low-carbon green economy development models. Zhejiang Branch incorporated the corporate’s ESG scoring set by the government into the Bank’s internal greening assessment standard system. Before granting loans, it considered the government ESG scores and the Bank’s due diligence requirements for the environmental and social risks as important factors to determine the interest rate. After granting loans, it closely monitored the ESG scores of the customers to prevent the risks associated with their violations of environmental laws and regulations.

Climate risk management

- In 2021, the Board of Directors and the Risk Management and Consumers’ Interests Protection Committee considered and approved the revision of the *Comprehensive Risk Management Strategy*, which incorporated climate risk into our comprehensive risk management system, and formulated control measures for climate factors as a key area in need of credit risk management; raised the requirements to explore the establishment of the analysis framework for climate risk in credit business, to strengthen sophisticated management of climate risk, to further improve the identification and evaluation of climate risk for investment and financing business, and implement climate risk management requirements in the processes of customer investigation, examination and post-loan and post-investment management. It was also included into our comprehensive risk management report and was reported to the Board of Directors on a regular basis.
- We proactively explored the construction of climate risk management mechanism. According to the regulatory requirements and international frontier research results, we pursued the establishment of our climate risk management framework, actively developed, applied relevant climate risk management tools, explored stress testing of climate risk and strengthened the management on transition risk of customers in high-carbon industries.

- We performed climate risk stress testing. In 2021, in order to actively address climate risks, we selected the coal power industry with high carbon emission intensity to make in-depth analysis and research on transmission channel of climate risk, and independently performed exploratory climate risk stress testing. Assuming that coal power companies were charged for carbon dioxide emissions, the testing focused on analyzing the possible impact on their repayment ability and further on the quality of the Bank's related credit assets. The testing, with reference to the carbon price scenarios of the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) and the carbon price changes in China's carbon trading market, set up four stress scenarios, namely orderly transition, disorderly transition, greenhouse world, and policy planning, and took into account the changes of carbon price, coal power generation, electricity price, and energy structure and other factors under different carbon reduction pathways. The testing took the end of 2020 as the reference period and used a time horizon of 30 years, assuming that companies will not make low-carbon transition during the testing period. The test measured the future financial performance of coal power companies based on the impact of climate transition risk under different scenarios, and quantitatively evaluates the risk changes in credit asset portfolios in terms of rating migration, default probability and expected losses, so as to promote forward-looking prevention of transition risk. The test results showed that the impact on customers in the coal power industry would be obvious due to the low-carbon transition factors, and their credit ratings would move down to a certain extent under the stress scenario, and the default probability would increase, but the risk would be generally under control. In 2021, we also participated in a climate risk stress testing organized by the PBOC to evaluate the potential impact of the transition to achieve the goal of peak carbon emissions and carbon neutrality on our credit assets. The test results showed that the credit risk of the our customers in the thermal power, steel and cement industries would increase under the stress scenario, but the impact on our capital adequacy level would be overall under control.

Promote our own green and low-carbon development

- We pragmatically promoted our own green and low-carbon development practice. In 2021, we established a carbon neutrality working committee to strengthen the overall planning and implementation for our green and low-carbon development. We made the self-screening on our carbon emission, and continuously reduce the total carbon emissions and per capita emission density of the Bank by promoting green energy use, building green branch outlets, practising green offices, advocating green travel, implementing green procurement and creating green culture.

We improved the image of green bank

We deepened communication and cooperation, and integrated with international standards to improve our image of green bank.

- The Bank is one of the first financial institutions signing up to the *Green Investment Principles for the Belt and Road Initiative*. During the reporting period, we signed up to the *Principles for Responsible Banking* (PRB) and became a financial institution supporting Task Force on Climate-related Financial Disclosures (TCFD) recommendations; attended the Ecological Civilization Forum of the 15th Conference of the Parties to the UN Convention on Biological Diversity and signed the *Joint Declaration of Banking Financial Institutions in Support of Biodiversity Conservation*; attended the meeting of global systematic importance financial institutions in the Annual Conference of Financial Street Forum 2021 and signed the *Beijing Initiative for Climate Friendly Banking*.
- We were awarded Green Bank of the Year 2021 from *Asiamoney*. The creative R&D work “Green Farm” won the world second place in the 2021 Call for Code Global Challenge which is aligned to UN’s sustainable development goals (SDG).

Green finance training

- We conducted trainings on green finance to popularize the concept of green and low-carbon development. As of the end of 2021, we offered 26 online training courses and 142 thousand employees participated in these trainings, with the cumulative training time of up to 258 thousand hours.
- We provided network training course on climate risk stress testing covering all employees of the Bank to actively disseminate the significance, concept and method of climate risk stress testing among the headquarters and branches, so as to effectively enhance our ability to provide green financial services and cope with the risks related to low-carbon transition.

Human Capital Development

Talent Development Strategy

We take talents as the first resource to lead our reform and development. Focusing on building a team comprising digital transformation talents and compound financial talents, we deeply implemented the strategy of empowering the Bank with talent force and continuously improved the structure and the overall quality of our talent team.

- We implemented the Talent Development Plan for 2019–2022. We accelerated the building of a team of digital transformation talents and further consolidated the talent base of digital transformation. The hierarchical and classified management of customer managers was effectively strengthened, and the number of product managers, data analysts, and technology project managers were further increased. We vigorously promoted the training of talents in areas of green finance, international operation, rural revitalization and emerging business. The dual-channel promotion mechanism for management and professional positions was further improved and the selection and recruitment of middle and high-level professionals was organized in an orderly manner. We continued to promote post title system reform, with more than 6,400 employees obtaining various post titles throughout the year.
- We promoted the Young Talent Project across the Bank which connected the urban with County Areas. We started a project named “Hundred, Thousand and Ten Thousand” to build a team of outstanding young leaders at all levels of the Bank with age diversity and complementary professional strengths. We carried out talent exchanges between eastern and western provinces, selected outstanding young talents to work in frontier regions of reform. We also selected and cultivated talents in the front line of rural revitalization areas.
- We innovatively created an employer brand of “ABC Elite Plan”, under which we set up “Elite Trainee” positions. We continuously optimized the training schemes for new employees, and arranged for seat rotations in foundation-level institutions, R&D departments, data departments and subsidiaries according to their specializations, so as to build a stage for young employees to realize their potentials, grow and develop in an all-round way.
- We recruited more than 20 thousand staff in 2021 to actively implement the national requirement of stabilizing and ensuring employment, 50.6% of which are female and 10.2% of which are ethnic minorities. We recruited 52.1 thousand staff from 2019 to 2021, 53.3% of which are female and 10.2% of which are ethnic minorities. The average turnover rate over the past three years is 1.19%.

Human Resource Cultivation

- We actively pursued external cooperation. We entered into a training cooperation framework agreement with China Agricultural University. We cooperated with China Agricultural University and Renmin University of China to organize senior management courses and special trainings on rural revitalization for the presidents of sub-branches in County Areas and trained 1,492 participants. In cooperation with Peking University, seven seminars on outstanding leadership of young talents were held, with participants of 225 presidents and 280 vice presidents of tier-1 sub-

branches . In collaboration with the Business School of Renmin University of China, the Overseas Education College of Shanghai Jiao Tong University, the School of Management of Zhejiang University, the Institute of Chinese Finance Studies of Southwestern University of Finance and Economics, and the College of Continuing Higher Education of Sun Yat-sen University, we held 26 special training courses on digital transformation of corporate banking business (including green finance-related contents), and trained 1,949 presidents of tier-1 sub-branches in charge of corporate banking business.

- We held special training courses on rural revitalization. In the Financial Training Institutes in Changchun, Tianjin and Wuhan, we held 11 training courses on rural revitalization for the heads of the 1,000 demonstration branch outlets of serving Sannong which were the first batch elected by the head office.
- We promoted digital trainings. ABC E-Learning (a new generation online learning platform) was launched, which enabled us to hold special trainings widely on leadership improvement, interpretation of peak carbon emissions and carbon neutrality and compliance management, and deliver high-quality training resources to the foundation-level institutions. During the past year, ABC E-Learning has updated more than 5,700 courses, organized more than 150 online learning topics, and offered more than 2,500 live-streams, covering nearly all staff. 142 thousand participants attended the online trainings on green finance, 149 thousand on rural revitalization, and 61 thousand on digital operation.
- We supported our staff to obtain professional qualification certification. We organized position qualification examinations attended by 209.7 thousand participants, guided 525 thousand participants with position qualification certification to complete subsequent continuing professional education, so as to enhance the ability of staff at foundation-level institutions to succeed in personal transformation and transition to different positions.
- We provided trainings on compliance culture. We held special trainings and courses on compliance culture, employee code of conduct, Party conduct and integrity, anti-money laundering and confidentiality across the Bank to improve employees' compliance awareness and compliance skills.
- In 2021, we conducted hierarchical and classified trainings through online and offline channels attended by 2,372 thousand participants, and the coverage rate of trainings provided through all channels reached 100%.

Performance Evaluation

We conducted regular assessments and evaluations on employees, which covered key performance and competency, etc. The results of the assessment were fed back to employees in an appropriate manner and applied in remuneration allocation, promotion, training and development, awards for progress and excellence, etc. Through the implementation of such employee performance management, the performance levels of employees continued to improve, which was conducive to their capability enhancement and career development.

Employees' Interests Protection and Labor Relation Conciliation

- We provided equal and fair career opportunities to all employees without discrimination in terms of nationality, race, gender, religious beliefs and cultural background, prohibited forced labor and child labor, and entered into labor contracts with employees in accordance with the provisions of the Labor Law and the Labor Contract Law.
- In formulating, modifying or deciding on regulatory framework or significant proposals which are vital to the interest of employees, we ask for opinions from employees or employee representatives to effectively protect the legitimate rights and interests of both the Bank and all employees.
- We have established a labor dispute mediation committee, formulated the *Management Measures of ABC on Labor Dispute Mediation*, established compliant and effective mediation procedures, and provided employees with channels to appeal against labor disputes.

Employees' Involvement in Democratic Management

- We have established a bank-wide staff representative assembly system to effectively safeguard the staff's right to information, participation, expression and supervision.
- In 2021, representatives of the third session of the employee representative meeting of the Bank considered and approved the *Management Measures for Deferred Payment of Employee Performance Remuneration of ABC (Revised)* and *Regulations on Remuneration Payment of ABC*. In view of the most urgent, concerned and desired issues of employees and foundation-level institutions, the opinions of employee representatives were solicited, and seven specific solutions were determined, such as configuring warm clothes and strengthening employees' psychological counseling.

Caring for Employees

- We proceeded with the Five Actions (employee health action, employee growth action, home construction action, employee burden reduction action, employee heartwarming action) of caring for employees in foundation-level institutions. We formulated and issued the *Opinions on Further Promoting Construction of Facilities at the Home of Employees in the Foundation-level Institutions*, and built 6,306 "five small" facilities such as small canteens and small activity rooms to further improve their working and living conditions.
- In strict compliance with national laws and regulations, we paid social insurance and accumulation fund for our employees, and established supplementary medical insurance and enterprise annuity. Employees of the bank enjoy paid annual leave in accordance with national regulations.
- We cared for the health of employees. We offered health checkup for all employees across the Bank at least once a year, incorporated mental health education into the general curriculum of staff training, and opened the "Sunshine e-station" psychological counseling column in the ABC E-Learning platform to help employees improve their psychological immunity.

- We provided precised support and expressed condolences to employees in difficulties. We helped and offered condolences to 23 thousand employees in difficulty in 2021. We promptly allocated special funds for the COVID-19 containment and disaster relief, purchased relevant supplies, and gave a helping hand to affected employees.
- We carried out a survey on the job satisfaction of the employees at foundation level, and more than 10 thousand foundation-level employees participated in the survey, in which the degree of satisfaction was 92%.

Consumers' Interests Protection

Supervision and review of products/services

The Risk Management and Consumers' Interests Protection Committee under the Board of Directors of the Bank holds a meeting every six months to listen to the report on the implementation of consumers' interests protection work (including review of consumers' interests protection).

The Bank has established a consumers' interests protection review mechanism and formulated system, including the *Consumers' Interests Protection Review Guidelines of Agricultural Bank of China*, according to which we conducted review of consumers' interests protection in the design and development, pricing management and agreement formulation of products and services, etc., in order to promptly identify and eliminate risks that may harm consumers' interests. Such review was incorporated into our annual assessment and evaluation system. We carried out special audit for consumers' interests protection, and further increased the audit for the key areas of regulatory concern.

Publicity and trainings of consumers' interests protection

- We formulated the financial literary advocacy training plan for 2021. We insisted on demand orientation and trained targeted key groups such as youth, the elderly, farmers, migrant workers and people with disabilities that financial knowledge could be deeply rooted among them.
- We innovated the way of publicity of consumers' interests protection. Through long figures, short videos, micro-dramas and other forms that are popular with the public, we released "ABC Miss Customer Service" series and "Learn Finance from Maizijun", with more than 130 series of publicity contents and continued to build online financial knowledge publicity brands such as "Small Class for Consumers' Interests Protection" and "Ka Ka WeChat Class". Through online channels such as WeChat, Weibo, websites, short video platforms, live streaming platforms and news media, and in the face-to-face forms such as visit to schools, markets, enterprises, military camps and townships. We organized more than 95 thousand publicity activities, with over 22 thousand branch outlets participated, nearly 0.58 million publicists attended and around 0.19 billion consumers involved. We were awarded the Excellent Organizing Unit of "3.15" Education and Publicity Week by the Consumers' Interests Protection Bureau under CBIRC.

- We continuously strengthened training on consumers' interests protection. All employees who came into contact with customers received trainings on consumers' interests protection every year. We organized more than 3,700 training sessions on consumers' interests protection in 2021 in such a way as the training program of the training center, induction training for new employees and special lectures, covering personal information protection, marketing codes of conduct, and product safety, etc. and about 0.85 million employees participated in such trainings.

Debt collection policies

- We created a new model of overdue loan collection featuring combination of “online + offline + remote” means, and set up a professional remote centralized collection team at the head office and coordinated the collection of overdue micro-credit loans to farmers, small and micro enterprises and individuals. We established rules and systems, improved mechanisms, developed and launched an overdue collection management system to realize standardization, normalization and whole process management for overdue loan collection.

Advertising policies and trainings

- We have formulated the advertising management system and visual standards, and strictly followed the requirements of the Advertising Law of the People's Republic of China and other laws and regulations to regulate the production, placement, monitoring and evaluation of advertising materials. All advertisements involving the image, services and products of the Bank should be subject to joint review by the brand management department, relevant business departments and the consumers' interests protection department. Through daily training, review of materials, and notification transmission, we strengthened the education on advertising compliance for relevant employees across the Bank.

Customer complaint monitoring

- We have a clear division of responsibilities for customer complaint management. The Consumers' Interests Protection Working Committee at all levels of the Bank is responsible for planning and deploying customer complaint management, studying and considering major issues in the complaint management, and coordinating the resolution of major complaint matters, while the Consumers' Interests Protection Office, the Remote Banking Center, the Operation Management Department and the business departments cooperate with each other to deal with customer complaints.
- We conduct return visits and satisfaction surveys on all customer complaints handling results, based on which we feed back the complaints whose return visit results are “unsatisfactory” to the responsible departments, which then contact the customers, continue to follow up on the complaints, and make adjustments and corrections to such results to improve the quality and efficiency of handling the complaints.

- We also analyse and report all complaints on a regular basis, and take classified measures to reduce them. We have established a Bank-wide working mechanism of tracing and rectification of complaints, which enables us to timely identify and improve problems and risks lying in products, systems, processes and services and identified in the course of handling complaint, and then take targeted rectification and risk control measures, so as to play the role of complaint management in driving product optimization and business improvement.

Complaint handling

- The hotline for customer complaint of the Bank is 95599 and the hotline for credit card complaint is 400-669-5599.
- We continuously optimized the direct connection between the customer service centre with “E-Shi Tong” system and our foundation-level branch outlets and standardized the process, so as to improve the efficiency of customer complaint handling. In 2021, the number of complaints received and classified as individual customer complaints by all channels across the Bank was 183.7 thousand. Customer complaints mainly involved debit cards, credit cards, retail loans and other fields, with a larger number of complaints from branches with a larger scale of retail customers and branch outlets, such as Guangdong, Hebei and Shandong branches.
- We continuously optimized the handling process of credit card complaints and actively introduced the mechanism of neutral evaluation for perplexing cases and fast mediation to properly handle customer disputes.
- We made more efforts for the handling and resolution of complaints from foundation-level branch outlets to improve their service quality. In 2021, the overall satisfaction for services provided in the foundation-level branch outlets of the Bank was 94.86 points, an increase of 0.79 point over the previous year.

Options for loan changes

- For retail loan customers who were unable to repay their loans on time due to the lockdown, delayed return to work, participation in pandemic prevention and control caused by COVID-19, we reasonably delayed the repayment time by setting a grace period or otherwise. The customers repaying their loans within the grace period were not included in the list of defaulting customers.
- We optimized the procedure for early repayment of personal housing loans by accepting and responding online to customers’ application for early repayment in a timely manner, so as to facilitate the early loan settlement, shorten repayment time and save loan interest for them.
- We launched the function of renewing personal business loans without principal repayment to realize the seamless fund turnover and to solve the existing problem in the market of applying for high-cost bridging loans to repay the due loans.

Privacy and Data Security

Entities Responsible for Privacy and Data Security (Including Cyber Security and Information Security)

- The Board of Directors and Senior Management of the Bank attach great importance to privacy and data security. The Bank's *Cyber Security Management Measures* specifies that the Chairman of the Board of Directors is the person assuming primary responsibility for the Bank's cyber security and the presidents in charge of cyber security in institutions of all levels are the persons assuming direct responsibility. The Technology and Product Innovation Committee is set up under the Senior Management as a body to consider major matters on IT construction and product innovation and the President serving as its chairman.
- During the reporting period, the Bank's Board of Directors listened to the reports on cyber security. The Senior Management reviewed and studied the data security management work and identified the key tasks for 2021.

Privacy Policy

- The Bank's privacy policy adheres to the following principles: the principle of legality, legitimacy, necessity, and integrity, the principle of consistency with rights and responsibilities, the principle of clarity of purpose, the principle of informed consent, the principle of data minimization, the principle of ensuring security, the principle of subject participation, and the principle of openness and transparency.
- The Bank implements the *Privacy Policy (for Individuals)* and the *Privacy Policy (for Corporates)* (published on the Bank's official website), which stipulate the rights and obligations of customers and the Bank in collecting, processing and protecting information, and specified the rights of customers to access, amend, delete, change the scope of authorized, and cancel their information. The Bank handles customers' information strictly in accordance with the authorized scope and agreed usage of the customers.
- The *Privacy Policy (for Individuals)* sets out the core business functions of channels of the Bank such as personal online banking, counter, super counter and self-service equipment, and the personal information of customers required to be collected for such functions, which is the general privacy clause uniformly used by the Bank and is applicable to the Bank's products and services for individual customers. The purpose, manner, scope and retention period of the Bank's collection and use of customers' personal information are presented to customers through corresponding product (or service) agreements, authorization letters, etc., and the authorization or consent of customers are obtained. The above documents, together with the *Privacy Policy (for Individuals)*, constitute the entire privacy policy for the Bank's products and services for individual customers.

- The *Privacy Policy (for Corporates)* sets out the core business functions of channels of the Bank's corporate business and the information that the Bank may need to collect from persons related to the corporate customers, which is the general privacy clause uniformly used by the Bank and is applicable to the Bank's products and services for corporate business. The purpose, manner and scope of the Bank's collection and use of relevant persons' personal information are presented to corporate customers and relevant persons through corresponding product (or service) agreements, authorization letters, etc., and the authorization or consent of corporate customers are obtained. The above documents, together with the *Privacy Policy (for Corporates)*, constitute the entire privacy policy for the Bank's products and services for corporate customers.

Customer Information Protection

- We regulate the collection, use, inquiry and retention of customer information through a series of systems and measures such as the *Management Measures for Customer Information Protection*, the *Implementation Rules for Individual Customer Information Protection* and the *Implementation Rules for Corporate Customer Information Protection*. In 2021, we formulated the *Guidelines for Strengthening Sensitive Data Protection* and the *Template for Customer Data Security Control Requirements in the Construction and Use of Information Systems* to further strengthen the protection of customer information.
- We follow the principles of legality, legitimacy and necessity in collecting customer information, specified the rules, purposes, manner, scope and procedures of collection, and used customer information strictly in accordance with the customers' authorized scope of usage and agreed purposes.
- We adopt hierarchical authorization management of the customer information, taking into account the fulfillment of legal obligations including anti-money laundering, and standardized the scope, authority and procedures for accessing customer information by internal personnel.
- We implement hierarchical classification management of the customer information and provided hierarchical classification protection according to its level of security, especially for the safety of strengthening the security management of sensitive customer information.

Data Security Management

- We formulated the *Data Security Management Measures (for Trial Implementation)*, a special management system for data security, which specifies the security protection requirements of data collection, data storage, data usage and data sharing and other aspects of the life cycle. The measures are applicable to the Bank's domestic institutions at all levels, while they are implemented by our subsidiaries of integrated operation, overseas branches and overseas subsidiary banks with reference to the compliance with the laws and regulations and the industrial regulatory requirements of the countries (regions) where they situated.
- We revised the *Cyber Security Management Measures* to ensure our cyber security and prevent information leakage and the occurrence of damage incidents.

- We formulated the *Implementation Rules for Application Security Management* to establish and improve the management mechanism during the security development lifecycle (SDL) of application systems, and ensure the safe and stable operation of application systems.
- We have formulated specific handling measures for different scenarios of data privacy leakage. In response to employees' inquiries in violation of laws and regulations and improper provision or disclosure in the course of business as well as improper usage by third-party cooperative institutions, the *Emergency Response Plan for Personal Financial Information Security Incident of ABC* was formulated to clarify the organization and divisions' responsibilities in handling, and standardize the mechanisms and procedures of alert, drill, reporting, and handling. It particularly stated that if personal financial information is leaked, damaged or lost and it may endanger the personal and property safety of the customer, the customer should be informed in a timely manner. For scenarios such as application loopholes being exploited and database being attacked to cause data leakage, we continued to enrich and improve our information systems' emergency response plans, clarifying the scope of emergency response, coordinating departments, emergency duration and operation procedures in each scenario, to make the plans practical, so as to effectively improve our emergency response ability for relevant emergencies.
- Emergency drills have been regularly organized to continuously improve our emergency response also efficiency and comprehensively enhance our ability to ensure business continuity. We continuously strengthened the ability to actively discover security vulnerabilities by conducting bank-wide penetration testing, security crowd testing, independent penetration testing, and combat attack and defense exercises.

Privacy and Data Security Staff Training

Training content	Training channels	Scope of training
Privacy policy	Live-stream + on-site training	All employees
Data security related issues	Live-stream + on-site training + work dynamics	Conducted professional competency training for data security managers at the Head Office and each branch. Published quarterly <i>Data Security Regulation Dynamic Monitoring Briefing</i> to analyze cases and introduce data security work dynamics. Held a special lecture on the <i>Data Security Law</i> for employees at the Head Office and each branch. Specially set up data security courses in trainings of several business lines.

Data Security Certification

- The Data Center introduced the ISO27001 international standard in 2010 and carried out the construction of ISO27001 information security management system, covering physical security, cyber security of systems, personnel security and operational security, and passed the ISO27001 system certification in the same year. It also passed the certification of recertification audit of China Cybersecurity Review Technology and Certification Center (CCRC) in each following year.
- Strictly in accordance with the national cyber security level protection 2.0 standard, we carried out grading, filing, evaluation and rectification works, and passed the national cyber security level protection evaluation in 2021.

Information Technology Audit

- We implemented a special audit on IT management, covering information security, data security, management effectiveness, business continuity management and other relevant items.
- During the financial reporting audit, the external auditor tested specific control points in areas of IT development planning, security, internal supervision, organizational structure and personnel, and risk management of the Bank. In addition, the external auditor put emphasis on cyber security and data security management, including the Bank's cyber and information security management mechanism, and the governance and control of infrastructural protection for critical information, data security management, and personal information protection.

Availability of Financial Services

Inclusive Finance

The Bank persisted in serving the real economy and supporting small and micro businesses as its own responsibility, further promoted digital transformation, innovated inclusive finance service models, strictly upheld our risk compliance, and promoted the high-quality development of inclusive finance business. As of the end of 2021, the Bank's balance of loans for the small and micro enterprises¹ was RMB1,321.962 billion, an increase of RMB369.323 billion or 38.8% compared to the end of the previous year, 25.6 percentage points higher than that across the Bank; the loan customers were 1.9155 million, an increase of 0.3483 million compared to the end of the previous year; and the annual interest rate of the accumulative loans in 2021 stood at 4.10%.

- Strengthened the construction of the inclusive finance service system. A two-level inclusive finance specialized institution system was established, consisting of 1,000 head office-level and 1,000 branch-level specialized institutions. We penetrated our business focus, specifying the outlets focusing on the credit business development for small and micro enterprises and establishing a classified operation and management system for the outlets. Meanwhile, we continued to build the digital marketing service system for inclusive finance, optimized the features of the “inclusive E station” system and deployed it to corporate mobile banking, portal website, WeChat Apps and local administrative systems.
- Optimized and innovated the online system for inclusive finance product. We improved the layered and classified product innovation mechanism, enriched financing scenes and created a product series of “ABC E-loan”, so as to meet the financing needs of inclusive customers such as small and micro businesses, individual industrial and commercial households and farmers.
- Improved the long-term service mechanism for inclusive finance. We have established differentiated policies and systems for inclusive business. The economic capital assessment and pricing for internal fund transfer were assigned preferentially to inclusive loans, and proportion of inclusive business performance evaluation stayed above 10%. We earmarked special incentive strategy funding, separately matched the incentive pay and launched policies for liability exemption conditional on due diligence.
- Improved the digital risk control system for inclusive finance. We made full use of data cross-validation, optimized the risk identification system and implemented the whole-process risk prevention and control so as to control the non-performing rate of inclusive loans in a tolerant range.

¹ *The requirements were adjusted according to the Notice of the General Office of China Banking and Insurance Regulatory Commission on Further Promoting the High-Quality Development of Financial Services for Small and Medium-sized Enterprises in 2021 (CBIRC [2021] No. 49), excluding the data related to bill discounting and rediscounting business.*

Accessibility of Channels

Through various offline, online and remote channels, the Bank continued to innovate service products, optimize service quality and expand service scope, so as to provide customers with extensive and accessible financial services.

Offline Channels

- We served rural revitalization and created a new pattern of development. We maintained the stability of the total number of outlets, continuously optimized the layout of outlets, and relocated outlets to areas covering new urban areas, urban-rural and suburban areas, key towns to provide strong channel support for serving rural revitalization and the real economy.
- We promoted the transformation of outlets from business processing centers to marketing centers. We strengthened the construction of outlet marketing teams, carried out special trainings on diversified marketing ability, promoted systems such as outlet mobile butler and outlet ecological mapping, and organized all kinds of team marketing to enhance outlet marketing efficiency.
- We strengthened the service capability of outlets. We optimized the service processes, improved customer experience, and met the customer needs of service in the digital era. We improved the service environment of our outlets, enriched personalized, special and differentiated service contents, provided door-to-door services for special groups such as elderly customers, and enhanced the financial service capabilities for people's livelihood.
- We strengthened the safety operation and management of outlets. We strengthened the management and control of key aspects of case prevention, improved emergency plans and disposal and improved the emergency service model for extreme situations, so as to improve the level of risk control at the outlets.

Online Channels

- Mobile Banking. As of the end of 2021, the Bank had 410 million individual customers of mobile banking, an increase of 50 million from the end of the previous year, with a transaction amount of RMB86.27 trillion, a year-on-year increase of 13.6%; and 4.15 million corporate customers of mobile banking, an increase of 1.19 million from the end of the previous year, with a transaction amount of RMB1.92 trillion, a year-on-year increase of 20.0%.
- Online Banking. As of the end of 2021, the Bank had 401 million registered individual customers of online banking, an increase of 45 million from the end of the previous year, with a transaction amount of RMB25.5 trillion; and 9.47 million corporate customers of financial services platforms, an increase of 1.16 million from the end of the previous year, with a transaction amount of RMB268 trillion, a year-on-year increase of 26.3%.

- Self-service Banking. We launched the construction of a unified platform for intelligent terminals, integrated equipment resources of each outlet, and optimized equipment business functions and service processes. As of the end of 2021, the Bank operated 56.8 thousand super online counters, 62.1 thousand cash-type self-service devices and 15.3 thousand self-service terminals, with a number of average daily transaction of 14,569.1 thousand.

Remote Channels

- In 2021, the Bank reached a total of 327 million customers through all-media customer service (including voice, online, video, and new media), of which 73.69 million were manually served through telephone channels, with a customer satisfaction of 99.7%.
- We improved customer experience for special groups. We launched the “one-click direct” manual service for elderly customers through voice and online channels, and piloted remote appointment service for special groups and the elderly. We strengthened remote service guarantee for County Area Banking, launched “cloud expert” remote video services in regions such as Qinghai, Tibet and Xinjiang, and offered video services in Mongolian, Tibetan, Yi and Uyghur.
- We enhanced remote collaborative service capability. We enriched remote video service scenes and launched such businesses as remote interview for mortgage loans of engineering equipment, remote same-screen guidance on super counters, and warm service of large-print version of videos for mobile banking. We broadened the service scope of “air counter” and continued to provide customers with zero-touch quality services such as debit card password unlocking, sleep account activation and individual customer information modification.
- Digital transformation encountered obvious achievement. We enriched the service scenes of remote online channels, enhanced the multi-round interaction capability of intelligent robots, and continued to improve the customer service experience of mobile banking, Internet banking and micro-banking channels. In 2021, remote banking intelligent robots served 187 million customers, online human customer service served 7.18 million customers, and new media customer service reached 59.52 million customers.

Channel Expansion and Innovation

- We played the role of “service fulcrum” of physical outlets and improved the service channel system of “foundation-level branch outlets, self-service outlets, Huinongtong service stations, Internet financial services, remote banking and movable services” to provide comprehensive and three-dimensional financial services.
- The number of outlets in poverty alleviation areas, high-altitude areas and border areas increased steadily, and more than 1,300 self-service devices were deployed in towns without outlets to expand the coverage of financial services.
- We promoted the “Golden Spike Huinongtong” project, set up “Huinongtong” service points in rural stores and agricultural material stores and deployed electronic machines to provide farmers with convenient basic financial services such as inquiries, transfers, consumption and cash withdrawals.

- We launched different versions of mobile banking such as rural, large-print, elderly and ethnic minority versions, optimized terminal service processes, and enhanced the intelligent, personalized and exclusive service capabilities of mobile banking.
- We promoted auto banking and backpack banking in remote areas and towns with no outlets to fill the gaps in financial services. In 2021, we provided door-to-door services such as small cash withdrawals, self-service bill payments, cash remittances, and collection and payment for more than 0.11 million people in 543 townships, effectively opening up the “last mile” of basic financial services.

Corporate Behavior

High standards of professional ethics are key to good corporate governance, the Audit and Compliance Committee under the Board of Directors paid attention to aspects including employees’ conduct management, prevention and control of cases of violations and construction of compliance system, and special audits.

Whistleblower Protection

- We established an employee supervision and reporting mechanism. Employees have the right to report violations of laws, disciplines and regulations in a timely manner according to regulations, and also to the higher or disciplinary supervision departments or even to the national judicial authorities. Rewards may be given for whistleblowers and those who resist violations of laws and regulations.
- We kept the reporting channels smooth for the masses. We established a sound working mechanism for letters and visits, and set up a Letter and Visit Office. The masses can report problems through a variety of channels such as letters, visits, complaint phones, e-mails, etc.
- We established a whistleblower protection system. Staff members of the Letter and Visit Office who have a direct interest in the matters reported or informants, must directly recuse themselves; who are related to the informants by blood or relative, or are involved in the matters reported, must recuse themselves.
- To achieve closed-loop management of reporting matters, the staff members of the Letter and Visit Office shall strictly comply with the confidentiality provisions, shall not take out letters without permission, and shall not violate the provisions to make the content reported be known to those who should not have known or beyond the limited scope of contact.

Business Ethics and Anti-corruption Supervision

We consistently carried out audits on economic responsibilities of leaders, and progressively took forward the audits of the heads during their tenure, where the audits focused on the implementation of their responsibility for establishing a clean and integrity working environment construction in accordance with the requirements of the Party and integrity professional practices in economic activities. Through conducting audits, the regulation of power usage is facilitated while the anti-corruption initiatives are promoted.

Anti-bribery and Anti-corruption

- We formulated the administrative measures for prevention of cases of violations, incorporating employee's professional ethics and daily code of conduct into the management of prevention and control of cases of violations to strengthen the constraints, and established a sound governance mechanism of prevention and control of cases for our employees involved in corruption, bribery and misappropriation.
- We strengthened our financial anti-corruption efforts, continuously promoted the coordination of audit supervision, internal control supervision and due diligence supervision, with a focus on the key minority and the major areas while maintaining a high-pressure deterrent posture. We developed a portrait of employee's abnormal behaviour, monitored related risks online, and strengthened the inspections on employee violations and the supervisions of personnel in key positions.
- We tightened institutional constraints. To strengthen the supervision of the heads and the leadership team, we formulated the implementation opinions and the working guidelines for supervision. The mechanism, requiring the leaders to report their duty performance and integrity fulfilment, was improved. The rules and regulations on official vehicles, travel expense management, procurement and bidding were revised to manage the power by system and regulate the use of power.
- We promoted the construction of a culture of integrity. We actively cultivated and practiced the integrity concept of "clean, honest and upright", formulated guidelines for strengthening the construction of a culture of integrity, and integrated it into our business operation, internal management, customer service and the whole process of operation. We organized warning education in various forms, covering 0.75 million attendances, through which to popularize the laws, promote the rectification, improve our governance, and urge the leading cadres to be clean, self-disciplined and diligent in performing their duties.

Anti-money Laundering

- Strictly complying with laws and regulations on anti-money laundering, we formulated the customer identification and due diligence system, developed a customer due diligence IT system, carried out risk rating related to customer money laundering, classified management and identity information governance, and continuously improved the integrity of information. Access is prohibited for customers who do not comply with national laws and regulations, regulatory requirements or the Bank's risk appetite. We adopted different due diligence measures for customers, business relationships or transactions with different money laundering or terrorist financing risk characteristics. We adopted the control measures for customer groups with unknown identity, expired documents, or high risk of money laundering. We withdrew from the stock customers who violate the Bank's customer acceptance policy.
- We conducted special audits of anti-money laundering, with a focus on the implementation of the regulatory requirements on anti-money laundering promulgated by the PBOC and the CBIRC.
- The high-frequency and high-quality compliance trainings on anti-money laundering and sanction risk management were held with continuously expanded coverage. Over 1.1 million attendances were trained throughout the year, covering the Directors, the Supervisors and the senior management members, the "Three Lines of Defense" of the Head Office, the heads of all tier-1 branches and subsidiaries of integrated operation, new employees, and the personnel in anti-money laundering and sanction risk management positions at all levels.

Employee Ethical Standards Training

- We cultivated a culture of compliance. We formulated and continuously improved the *Code of Conduct for Employees of Agricultural Bank of China* to establish the basic principles for employees to do the right things, and strictly prohibit employees from soliciting or accepting bribes or seeking improper benefits in any way.
- We set out general requirements for the employees' professional ethics and conduct in four aspects, including dedication, credibility, diligence and compliance. It also specifies the special requirements by the laws and regulators for bank employees in nine aspects, including confidentiality obligations, conflict of interest, customer relations, fair competition, integrity and self-discipline, colleague relations, daily office work, professional image and supervision and reporting.
- During the reporting period, self-study of and training in the *Code of Conduct for Employees* were normalized and integrated into the education activities of the Bank's compliance culture construction. We held compliance presentations throughout the Bank for all staffs with 0.71 million participants.

Supplier Anti-corruption

We regard the prevention of corruption in centralized procurement as an important part of supplier anti-corruption, and established a high-quality and centralized procurement management system that is fair, clean and efficient. To strictly implement national laws, regulations and regulatory and policy requirements on tendering and procurement, we formulated the procurement management system such as management measures for centralized procurement and the rules for supplier misconduct management in centralized procurement, to ensure that our anti-corruption policies cover all centralized procurement projects and participating suppliers.

- We strictly implemented supplier access review. We included suppliers' illegal, untrustworthy and corruption-related behaviors into prohibitive conditions for tendering, required suppliers to provide integrity commitments, and implemented comprehensive supplier access review relying on authoritative information channels such as Credit China and National Enterprise Credit Information Public Display System and internal and external supervision and monitoring means. We strengthened the identification of suppliers' affiliations and timely screening of affiliated organizations and subsidiaries to prevent the risk of bid-rigging.
- We continuously supervised the integrity operation of suppliers, used big data to monitor the risk of performing suppliers, and dealt with suppliers' misconduct involving corruption and violations in accordance with the regulations.
- We widely accept the supervision of the whole society. We hired notary publics to supervise the entire tendering process, made centralized procurement information public legally, and disclosed the contact information for complaints and queries on the Bank's portal and the branch sub sites as well as in procurement documents, and received and responded to complaints and reporting in a timely manner.

Please refer to the "Corporate Governance Report" for information on the Bank's corporate governance. For details of the Bank's corporate social responsibility, please refer to the Bank's *Social Responsibility Report (Environmental, Social and Governance Report) 2021* published separately. For details of the Bank's green finance, please refer to the Bank's *Green Finance Development Report 2021* published separately.

Corporate Governance Report

Shareholding Structure

Particulars of Ordinary Shares

Details of Changes in Share Capital

Unit: Share

	31 December 2020		Increase/decrease during the reporting period (+, -) ⁴			31 December 2021	
	Number of Shares	Percentage ⁵ (%)	New Shares Issued	Others	Sub-total	Number of Shares	Percentage ⁵ (%)
I. Shares held subject to restrictions on sales²	25,188,916,873	7.20	—	-5,229,244,330	-5,229,244,330	19,959,672,543	5.70
1. State-owned ³	19,959,672,543	5.70	—	—	—	19,959,672,543	5.70
2. State-owned legal entity ³	5,037,783,373	1.44	—	-5,037,783,373	-5,037,783,373	—	—
3. Other domestic shares ³	191,460,957	0.05	—	-191,460,957	-191,460,957	—	—
II. Shares held not subject to restrictions on sales	324,794,117,000	92.80	—	+5,229,244,330	+5,229,244,330	330,023,361,330	94.30
1. RMB-denominated ordinary shares	294,055,293,904	84.02	—	+5,229,244,330	+5,229,244,330	299,284,538,234	85.51
2. Foreign-invested shares listed overseas ³	30,738,823,096	8.78	—	—	—	30,738,823,096	8.78
III. Total number of shares	349,983,033,873	100.00	—	—	—	349,983,033,873	100.00

Notes: 1. Information in the table above was based on the share registration recorded in Shanghai Branch of China Securities Depository and Clearing Corporation Limited and Computershare Hong Kong Investor Services Limited.

2. "Shares held subject to restrictions on sales" refer to the shares held by shareholders who are subject to restrictions on sales in accordance with laws, regulations, rules or commitments.
3. "State-owned" in this table refers to the shares held by the MOF and Huijin. "State-owned legal entity" refers to the shares held by China National Tobacco Corporation, Shanghai Haiyan Investment Management Company Limited, Zhongwei Capital Holding Company Limited and China National Tobacco Corporation Hubei Province Company. "Other domestic shares" refer to the shares held by New China Life Insurance Company Limited. "Foreign-invested shares listed overseas" refer to the H shares as defined in the No. 5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Report of Change in Shareholding (Revision 2022) of the CSRC.
4. According to the Private Placement Subscription Agreements, the A shares subscribed for thereunder by China National Tobacco Corporation, Shanghai Haiyan Investment Management Company Limited, Zhongwei Capital Holding Company Limited, China National Tobacco Corporation Hubei Province Company and New China Life Insurance Company Limited under the private placement shall not be transferred within 36 months from the date of completion of the private placement. As of 27 August 2021, the commitments made by these subscribed shareholders have been duly fulfilled and the underlying shares held subject to restrictions on sales have become tradable in the market. For details, please refer to the relevant announcements published on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk).
5. Rounding errors may arise in the "Percentage" column of the table above as the figures are rounded to the nearest decimal number.

The trading date of shares held subject to restrictions on sales

Unit: Share

Date	Number of new shares for trading upon the expiry of the restrictions on sales	Balance of shares held subject to restrictions on sales	Balance of shares held not subject to restrictions on sales	Description
2 July 2023	19,959,672,543	—	349,983,033,873	Huijin, MOF

The shareholdings of the shareholders subject to restrictions on sales and the terms of restrictions on sales

Unit: Share

No.	Shareholders subject to restrictions on sales	Number of shares held subject to restrictions on sales	Date of trading	Number of new shares for trading	Restrictions on sales
1	Huijin	10,082,342,569	2 July 2023	—	Five years from the date of equity acquisition
2	MOF	9,877,329,974	2 July 2023	—	Five years from the date of equity acquisition

Particulars of shareholdings of the top 10 shareholders of the Bank

Unit: Share

Total number of shareholders (31 December 2021)	494,406 (as set out in the registers of shareholders of A Shares and H Shares), including 21,435 holders of H shares and 472,971 holders of A Shares.
Total number of shareholders (28 February 2022)	475,649 (as set out in the registers of shareholders of A Shares and H Shares), including 21,384 holders of H shares and 454,265 holders of A Shares.
Particulars of shareholdings of the top 10 shareholders (the information below is based on the registers of shareholders as of 31 December 2021)	

Name of shareholders	Nature of shareholders	Type of shares	Increase/decrease during the reporting period (+, -)	Shareholding percentage (%)	Total number of shares held	Number of shares held subject to restrictions on sales	Number of shares pledged, marked or locked-up
Huijin	State-owned	A Shares	—	40.03	140,087,446,351	10,082,342,569	None
MOF	State-owned	A Shares	—	35.29	123,515,185,240	9,877,329,974	None
HKSCC Nominees Limited	Overseas legal entity	H Shares	-14,605,999	8.73	30,543,143,003	—	Unknown
SSF	State-owned	A Shares	—	6.72	23,520,968,297	—	None
China National Tobacco Corporation	State-owned legal entity	A Shares	—	0.72	2,518,891,687	—	None
China Life Insurance Company Limited	Others	A Shares	-393,198,700	0.67	2,328,675,800	—	None
— Traditional							
— General insurance products							
— 005L — CT001 Hu							
China Securities Finance Corporation Limited	State-owned legal entity	A Shares	-9	0.53	1,842,751,177	—	None

Name of shareholders	Nature of shareholders	Type of shares	Increase/ decrease during the reporting period (+, -)	Shareholding percentage (%)	Total number of shares held	Number of shares held subject to restrictions on sales	Number of shares pledged, marked or locked-up
Hong Kong Securities Clearing Company Limited	Overseas legal entity	A Shares	+322,582,211	0.50	1,736,273,824	—	None
Shanghai Haiyan Investment Management Company Limited	State-owned legal entity	A Shares	—	0.36	1,259,445,843	—	None
Central Huijin Asset Management Ltd.	State-owned legal entity	A Shares	—	0.36	1,255,434,700	—	None

- Notes:
1. The shareholdings of holders of H Shares are based on the number of shares as set out in the register of members of the Bank maintained by its H Share registrar. The total number of shares held by HKSCC Nominees Limited represents the number of H Shares in aggregate held by it as a nominee on behalf of all institutional and individual investors registered with it as of 31 December 2021.
 2. The number of shares held by Hong Kong Securities Clearing Company Limited represents the A Shares (northbound shares of Shanghai-Hong Kong Stock Connect) held by it as a nominee for and on behalf of investors from Hong Kong SAR and overseas.
 3. Among the shareholders listed above, Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin, HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited, and China National Tobacco Corporation is the de facto controller of Shanghai Haiyan Investment Management Company Limited. Save as mentioned above, the Bank is not aware of any connections between the shareholders above, or whether they are parties acting in concert. The number of shares held by Huijin and Central Huijin Asset Management Ltd. amounted to 141,342,881,051 in aggregate, accounting for 40.39% of the total share capital of the Bank. The number of shares held by China National Tobacco Corporation and Shanghai Haiyan Investment Management Company Limited amounted to 3,778,337,530 in aggregate, accounting for 1.08% of the total share capital of the Bank.
 4. Pursuant to the Notice on the Full Implementation of Transferring Part of State-owned Capital to Replenish Social Security Funds (Cai Zi [2019] No. 49) jointly issued by the MOF, Ministry of Human Resources and Social Security, State-owned Assets Supervision and Administration Commission of the State Council, State Taxation Administration, and the CSRC, the MOF transferred 13,723,909,471 shares to the state-owned capital transfer account of the SSF on one-off basis. In compliance with the Notice of the State Council on Printing and Distributing the Implementation Plan of Transferring Part of State-owned Capital to Replenish Social Security Funds (Guo Fa [2017] No. 49), the SSF shall be obligated to observe a lock-up period not less than three years from the date on which the shares are credited to the account.
 5. Among the above shareholders, save as the transfer of voting rights of 9,797,058,826 A Shares held by the SSF to the MOF according to the share subscription agreement dated 21 April 2010 and the Approval on the Proposed Transfer of State-owned Shares of the Agricultural Bank of China issued by the MOF on 5 May 2010, the Bank is not aware of the existence of the consigned, accepted consignment of, or waived voting rights by other shareholders.
 6. None of the top 10 shareholders were engaged in the business of margin trading and short selling or refinancing, among which HKSCC Nominees Limited held the H Shares as a nominee and it was not engaged in the business of margin trading and short selling or refinancing.

Particulars of shareholdings of the top 10 shareholders not subject to restrictions on sales

Unit: Share

Name of shareholders	Number of shares held not subject to restrictions on sales	Type of shares
Huijin	130,005,103,782	A Shares
MOF	113,637,855,266	A Shares
HKSCC Nominees Limited	30,543,143,003	H Shares
SSF	23,520,968,297	A Shares
China National Tobacco Corporation	2,518,891,687	A Shares
China Life Insurance Company Limited		
— Traditional — General insurance products		
— 005L — CT001 Hu	2,328,675,800	A Shares
China Securities Finance Corporation Limited	1,842,751,177	A Shares
Hong Kong Securities Clearing Company Limited	1,736,273,824	A Shares
Shanghai Haiyan Investment Management Company Limited	1,259,445,843	A Shares
Central Huijin Asset Management Ltd.	1,255,434,700	A Shares

Notes: 1. The information above is based on the registers of shareholders as of 31 December 2021.

- 2. The total number of shares held by HKSCC Nominees Limited represents the number of H Shares held by it in aggregate as a nominee on behalf of all institutional and individual investors registered with it as of 31 December 2021.*
- 3. China National Tobacco Corporation is the de facto controller of Shanghai Haiyan Investment Management Company Limited, Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin, and HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited. Save as mentioned above, the Bank is not aware of any connections between the shareholders above or between such shareholders and the top 10 shareholders, or whether they are parties acting in concert.*
- 4. The number of shares held by Hong Kong Securities Clearing Company Limited represents the A Shares (northbound shares of Shanghai-Hong Kong Stock Connect) held by it as a nominee for and on behalf of investors from Hong Kong SAR and overseas.*
- 5. None of the top 10 shareholders not subject to restrictions on sales were engaged in the business of margin trading and short selling or refinancing, among which HKSCC Nominees Limited held the H Shares as a nominee and it was not engaged in the business of margin trading and short selling or refinancing.*

Particulars of Substantial Shareholders

During the reporting period, the Bank's substantial shareholders and controlling shareholders remained unchanged. The Bank had no *de facto* controller.

Except for MOF, Huijin and SSF, there was no other legal entity shareholder who held a shareholding of 5% or above in the Bank as of 31 December 2021.

MOF

The MOF, established in October 1949, is a ministry under the State Council and is empowered to be responsible for macro-economic control and regulation of state finance and taxation policies.

As of 31 December 2021, the MOF held 123,515,185,240 shares of the Bank, representing 35.29% of the total share capital of the Bank.

Huijin

Huijin was established on 16 December 2003 as a wholly state-owned company through state investment in accordance with the Company Law of the PRC with a registered capital of RMB828,209 million. The registered address of Huijin is New Poly Plaza, 1 Chaoyangmen Beidajie, Dongcheng District, Beijing. The unified social credit code of Huijin is 911000007109329615 and its legal representative is Mr. PENG Chun. The State Council has authorized Huijin to make equity investments in major state-owned financial institutions to preserve and increase the value of these state-owned financial assets. Huijin can exercise rights and assume obligations on major state-owned financial institutions as an investor on behalf of the state to the extent of its capital contribution. Huijin does not engage in other commercial activities nor intervene in the normal operations of major state-owned financial institutions which are controlled by Huijin.

As Huijin is not able to provide its audited financial report for 2021 until the completion of the audits of the financial statements of its investees, the following financial data are the audited data for 2020. As of 31 December 2020, the total assets of Huijin amounted to RMB5.8174097797 trillion, the total liabilities were RMB539.7317396 billion and the owners' equity was RMB5.2776780401 trillion in total. The net profit for 2020 was RMB503.2336237 billion. The net cash inflow from operating activities, investing activities and financing activities for 2020 amounted to RMB57.5930056 billion.

As of 31 December 2021, Huijin held 140,087,446,351 shares of the Bank, representing 40.03% of the total share capital of the Bank.

During the reporting period, Huijin nominated Mr. LIU Xiaopeng and Mr. XIAO Xiang as Non-executive Directors of the Bank.

Huijin issued a non-competition commitment, please see “Significant Events — Commitments” for more details.

As of 31 December 2021, the direct shareholdings of Huijin in its investees were as follows:

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

Note 1: ★ represents A share listed company; ☆ represents H share listed company.

Note 2: Apart from the above investees, Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin. Central Huijin Asset Management Ltd. was established and incorporated in Beijing in November 2015 with a registered capital of RMB5 billion. It is engaged in asset management business.

SSF

The SSF, a public institution managed by the MOF, was founded in August 2000. Its registered address is South Tower, Fortune Time Plaza, No. 11 Fenghui Garden, Xicheng District, Beijing and its legal representative is LIU Wei. With the approval of the State Council and in accordance with the requirements by the MOF and the Ministry of Human Resources and Social Security, the SSF is entrusted to manage the following funds: the national social security fund, the central subsidy funds for individual accounts, part of the basic endowment insurance funds for enterprise employees, the basic endowment insurance fund and part of the transferred state-owned capital.

As of 31 December 2021, the SSF held 23,520,968,297 shares of the Bank, representing 6.72% of the total share capital of the Bank.

Interests and Short Positions Held by Substantial Shareholders and Other Persons¹

Unit: Share

Name	Capacity	Interest and short positions	Nature	Percentage of issued class shares (%)	Percentage of total issued shares (%)
Huijin	Beneficial owner	140,087,446,351 (A Shares)	Long position	43.88	40.03
	Interest of controlled entity	1,255,434,700 (A Shares)	Long position	0.39	0.36
MOF	Beneficial owner/nominee ²	133,312,244,066 (A Shares) ³	Long position	41.76	38.09
SSF	Beneficial owner	23,520,968,297 (A Shares)	Long position	7.37	6.72
China Life Insurance (Group) Company	Beneficial owner	146,883,000 (H Shares)	Long position	0.48	0.04
	Interest of controlled entity	1,603,495,000 (H Shares) ⁴	Long position	5.25	0.46
BlackRock, Inc.	Interest of controlled entity	1,808,525,148 (H Shares) ⁵	Long position	5.88	0.52
		2,752,000 (H Shares)	Short position	0.01	0.00
China Taiping Insurance Holdings Company Limited	Interest of controlled entity	1,545,179,000 (H Shares) ⁶	Long position	5.03	0.44
China Taiping Insurance Group Co., Ltd.	Interest of controlled entity	1,545,179,000 (H Shares) ⁶	Long position	5.03	0.44
Taiping Life Insurance Co., Ltd.	Beneficial owner	1,545,179,000 (H Shares) ⁶	Long position	5.03	0.44
Taiping Asset Management Co., Ltd.	Investment manager	1,543,690,000 (H Shares)	Long position	5.02	0.44
	Interest of controlled entity	1,489,000 (H Shares) ⁷	Long position	0.00	0.00

- Notes: 1. As of 31 December 2021, the Bank received notifications from the above persons regarding their interests or short positions in the shares and underlying shares of the Bank. Such interests or short positions were recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong.
2. 9,797,058,826 A Shares are held by the SSF, but the voting rights of these shares were transferred to the MOF according to the share subscription agreement dated 21 April 2010 and the Approval on the Proposed Transfer of State-owned Shares of the Agricultural Bank of China issued by the MOF on 5 May 2010.
3. According to the register of members of the Bank as of 31 December 2021, the MOF held 123,515,185,240 A Shares of the Bank, representing 38.69% of the issued A Shares and 35.29% of the total issued shares of the Bank.
4. According to the respective interest notifications of China Life Insurance (Group) Company and China Life Insurance Company Limited, China Life Insurance Company Limited, China Life Insurance (Overseas) Company Limited and China Life Property Insurance Company Limited held 1,465,694,000, 71,270,000 and 66,531,000 H Shares of the Bank, respectively. As they are controlled entities of China Life Insurance (Group) Company, China Life Insurance (Group) Company is deemed to be interested in the 1,603,495,000 H Shares in aggregate directly held by them.
5. BlackRock, Inc. is deemed to be interested in 1,808,525,148 H Shares in aggregate, directly or indirectly held by BlackRock Investment Management, LLC and BlackRock Financial Management, Inc., both of which are wholly-owned subsidiaries of BlackRock, Inc.
6. China Taiping Insurance Group Co., Ltd. and its non-wholly owned subsidiary, China Taiping Insurance Holdings Company Limited are deemed to be interested in 1,545,179,000 H Shares directly held by Taiping Life Insurance Co., Ltd., which is the controlled entity of China Taiping Insurance Group Co., Ltd. and China Taiping Insurance Holdings Company Limited.
7. Taiping Asset Management Co., Ltd. is deemed to be interested in 1,489,000 H Shares directly held by Taiping Fund Management Co., Ltd., which is the controlled entity of Taiping Asset Management Co., Ltd., and such number of shares represents approximately 0.0048% of the issued class shares.

The Dividends Distribution Policy and Implementation of the Cash Dividend Policy

We make profit distribution with a focus on providing reasonable return on investments by the investors, and maintaining continuity and consistency of the profit distribution policy, as well as having interests of all shareholders and our sustainable development. We may make dividends distribution in cash or shares or by a combination of both. Our profit distribution prioritizes cash dividend distribution. We may also make interim profit distribution when we meet the conditions to do so.

The formulation and implementation of our cash dividend policy comply with our Articles of Association and the resolutions of the shareholders' general meetings. The relevant decision-making procedure and mechanism are complete, and the distribution standards and proportion are clearly stated. Independent Non-executive Directors have diligently fulfilled their duties, made their due efforts and expressed their opinions. The minority shareholders have opportunities to fully express their opinions and requests, and their legitimate interests have been adequately protected.

Profits and Dividends Distribution

Our profit for the year ended 31 December 2021 is set out in “Discussion and Analysis — Financial Statement Analysis”.

Upon approval at the 2020 Annual General Meeting, we distributed cash dividend of RMB0.1851 (tax inclusive) per shares, with a total amount of RMB64,782 million (tax inclusive), to shareholders of ordinary shares on our registers of members at the close of business on 16 June 2021.

The Board of Directors proposed distribution of cash dividends of RMB2.068 (tax inclusive) for each ten shares of 349,983,033,873 ordinary shares for 2021 with a total amount of approximately RMB72,376 million (tax inclusive). The distribution plan will be submitted for approval at the 2021 Annual General Meeting. Once approved, the above mentioned dividends will be paid to the holders of A Shares and H Shares, whose names appear on our registers of members on 14 July 2022. The register of transfers of H Shares will be closed from 9 July 2022 to 14 July 2022 (both days inclusive). In order to qualify for the proposed distribution of cash dividends, holders of H Shares are required to deposit the transfer documents together with the relevant share certificates at our H Share registrar, Computershare Hong Kong Investor Services Limited located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at or before 4:30 p.m. on 8 July 2022. Dividends of A Shares are expected to be paid on 15 July 2022 and dividends of H Shares are expected to be paid before or on 5 August 2022. A separate announcement will be published if there is any change to the aforesaid dates.

The table below sets out our cash dividend payment for the preceding three years.

In millions of RMB, except for percentages

	2020	2019	2018
Cash dividend (tax inclusive)	64,782	63,662	60,862
Cash dividend payment ratio ¹ (%)	30.0	30.0	30.0

Note: 1. Representing cash dividend (tax inclusive) divided by the net profit attributable to equity holders of the Bank for the reporting period.

Pursuant to the Notice of the State Administration of Taxation on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348), individuals who are resident outside the PRC and who hold shares issued in Hong Kong by domestic non-foreign invested enterprises enjoy preferential tax rate in accordance with the tax conventions between Mainland China and the country where the residents reside and the tax arrangements between the Mainland China and Hong Kong (Macao). Individual shareholders will be generally subject to a withholding tax rate of 10% when domestic non-foreign invested enterprises which issue shares in Hong Kong distribute dividends to their shareholders, unless otherwise required by the regulations of relevant tax laws and tax conventions.

Pursuant to the Notice on the Issues Concerning Withholding the Enterprises Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) of the State Administration of Taxation, we are obliged to withhold and pay enterprise income tax at the rate of 10% from dividends paid or payable for H Shares when distributing dividends to non-resident enterprise shareholders of H Shares.

No tax is payable in Hong Kong in respect of dividends paid by us according to the current practice of the Hong Kong Inland Revenue Department.

Shareholders are recommended to consult their tax advisers regarding the tax implication in the PRC, Hong Kong SAR and other tax implications arising from their holding and disposal of H Shares of the Bank.

Particulars of Preference Shares

Issuance and Listing of Preference Shares

Code	Abbreviation	Issuance date	Issuance price (in RMB)	Coupon rate	Number of preference shares issued	Listing date	Number of preference shares approved to be listed	Transfer deadline	Proceeds raised (in RMB)	Use of proceeds
360001	農行優1	2014/10/31	100 per share	5.32%	400 million shares	2014/11/28	400 million shares	None	40 billion	Replenish the additional Tier 1 capital
360009	農行優2	2015/3/6	100 per share	4.84%	400 million shares	2015/3/27	400 million shares	None	40 billion	Replenish the additional Tier 1 capital

Notes: 1. For the terms and details of the issuance of the preference shares above, please refer to the announcements published by the Bank on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Bank.

2. The coupon rate of “農行優1” in the second dividend period is 5.32% since 5 November 2019; the coupon rate of “農行優2” in the second dividend period is 4.84% since 11 March 2020.

Particulars of Shareholding of the Top 10 Holders of Preference Shares “農行優1” (360001)

Unit: Share

As of the end of the reporting period, the Bank had a total of 29 holders¹ of preference shares “農行優1”.

As of 28 February 2022 (being the last day of the month preceding the month in which the Bank’s A Share annual report is published), the Bank had a total of 29 holders of preference shares “農行優1”.

Name of shareholders ¹	Nature of shareholders ²	Type of shares	Increase/ decrease during the reporting period ³ (+, -)	Number of preference shares held	Shareholding percentage ⁴ (%)	Number of preference shares subject to pledge or lock-up
Bank of Communications Schroder Fund Management Co., Ltd.	Others	Domestic preference shares	—	67,000,000	16.75	None
China Merchants Fund Management Co., Ltd.	Others	Domestic preference shares	—	49,000,000	12.25	None
Ping An Life Insurance Company of China, Ltd.	Others	Domestic preference shares	—	30,000,000	7.50	None
PICC Life Insurance Company Limited	Others	Domestic preference shares	—	30,000,000	7.50	None
CITIC-Prudential Life Insurance Company Limited	Others	Domestic preference shares	+29,760,000	29,760,000	7.44	None
Sun Life Everbright Asset Management Co., Ltd.	Others	Domestic preference shares	+25,110,000	25,110,000	6.28	None
Xin Yuan Asset Management Co., Ltd.	Others	Domestic preference shares	+20,000,000	20,000,000	5.00	None
CITIC Securities Company Limited	Others	Domestic preference shares	+11,120,000	18,000,000	4.50	None
Shanghai Everbright Securities Asset Management Co., Ltd.	Others	Domestic preference shares	+10,550,840	16,000,000	4.00	None
China Merchants Securities Asset Management Co., Ltd.	Others	Domestic preference shares	—	13,600,000	3.40	None

Notes: 1. China Merchants Fund Management Co., Ltd. and China Merchants Securities Asset Management Co., Ltd. are acting in concert. Save as mentioned above, the Bank is not aware of any other connections between the above holders of preference shares, and between the above holders of preference shares and the top 10 holders of ordinary shares, or whether they are parties acting in concert.

2. According to the No. 2 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Annual Report (Revision 2021), “Particulars of holders of preference shares should indicate the entities which hold shares on behalf of the states and foreign holders”. Except for the entities which hold shares on behalf of the states and foreign holders, the nature of other holders of preference shares is categorized as “others”.

3. “Increase/decrease during the reporting period” refers to the change of shareholding due to secondary market transactions.

4. “Shareholding percentage” refers to the percentage of “農行優1” held by the holders of preference shares to the total number of “農行優1” (i.e. 400 million shares).

5. The preference shares “農行優1” of the Bank are shares not subject to restrictions on sale, and the top 10 holders of preference shares “農行優1” who are not subject to restrictions on sales are the same as the top 10 holders of preference shares.

¹ The number of holders of preference shares was calculated by the number of qualified investors that hold the preference shares. When calculating the number of qualified investors, an asset management institution that purchases or transfers the preference shares through two or more products under its control will be counted as one.

Particulars of Shareholding of the Top 10 Holders of Preference Shares “農行優2” (360009)

Unit: Share

As of the end of the reporting period, the Bank had a total of 37 holders of preference shares “農行優2”.

As of 28 February 2022 (being the last day of the month preceding the month in which the Bank’s A Share annual report is published), the Bank had a total of 37 holders of preference shares “農行優2”.

Name of shareholders ¹	Nature of shareholders ²	Type of shares	Increase/ decrease during the reporting period ³ (+, -)	Number of preference shares held	Shareholding percentage ⁴ (%)	Number of preference shares subject to pledge or lock-up
China National Tobacco Corporation	Others	Domestic preference shares	—	50,000,000	12.50	None
China Life Insurance Company Limited	Others	Domestic preference shares	—	50,000,000	12.50	None
Bank of China Limited, Shanghai Branch	Others	Domestic preference shares	—	20,000,000	5.00	None
China Mobile Communications Group Co., Ltd.	Others	Domestic preference shares	—	20,000,000	5.00	None
China National Tobacco Corporation Yunnan Province Company	Others	Domestic preference shares	—	20,000,000	5.00	None
China National Tobacco Corporation Jiangsu Province Company	Others	Domestic preference shares	—	20,000,000	5.00	None
Bank of Communications Schroder Fund Management Co., Ltd.	Others	Domestic preference shares	—	20,000,000	5.00	None
China Zheshang Bank Co., Ltd.	Others	Domestic preference shares	-6,000,000	19,000,000	4.75	None
Shanghai Tobacco Group Co., Ltd.	Others	Domestic preference shares	—	15,700,000	3.93	None
Xin Yuan Asset Management Co., Ltd.	Others	Domestic preference shares	+15,405,000	15,405,000	3.85	None

- Notes: 1. *China National Tobacco Corporation Jiangsu Province Company, China National Tobacco Corporation Yunnan Province Company and Shanghai Tobacco Group Co., Ltd. are the wholly-owned subsidiaries of China National Tobacco Corporation. China National Tobacco Corporation is the de facto controller of Shanghai Haiyan Investment Management Company Limited. “China Life Insurance Company Limited — Traditional — General insurance product — 005L — CT001 Hu” is under the management of China Life Insurance Company Limited. Save as mentioned above, the Bank is not aware of any connections between the above holders of preference shares, and between the above holders of preference shares and the top 10 shareholders of ordinary shares, or whether they are parties acting in concert.*
2. *As stipulated in the Standards on the Content and Format of Information Disclosure of Companies with Public Offerings No. 2 — Content and Format of the Annual Report (Revision 2021), “Particulars of holders of preference shares should indicate the entities which hold shares on behalf of the states and foreign holders”. Except for the entities which hold shares on behalf of the states and foreign holders, the nature of other holders of preference shares is categorized as “others”.*
3. *“Increase/decrease during the reporting period” refers to the change of shareholding due to secondary market transactions.*
4. *“Shareholding percentage” refers to the percentage of “農行優2” held by the holders of preference shares to the total number of “農行優2” (i.e. 400 million shares).*
5. *The preference shares “農行優2” of the Bank are shares not subject to restrictions on sale, and the top 10 holders of preference shares “農行優2” who are not subject to restrictions on sales are the same as the top 10 holders of preference shares.*

Dividends Distribution of Preference Shares

Dividends of our preference shares are paid in cash annually. When we resolve to cancel part or all of the dividends to holders of preference shares, such undistributed dividends of current period shall not be accumulated to subsequent dividend periods. The holders of our preference shares, upon receiving dividends at the agreed rate, shall not participate in the distribution of the remaining profit attributable to the holders of ordinary shares.

Stock name	Issuance date	Registration date	Distribution method	Coupon rate	Dividend per share (tax included)	Total dividend (tax included)
農行優2 (360009)	11 March 2021	10 March 2021	Cash dividend	4.84%	RMB4.84	RMB1.936 billion
農行優1 (360001)	5 November 2021	4 November 2021	Cash dividend	5.32%	RMB5.32	RMB2.128 billion
農行優2 (360009)	11 March 2022	10 March 2022	Cash dividend	4.84%	RMB4.84	RMB1.936 billion

For details of the distribution of dividends above, please refer to the announcements published by the Bank on the websites of the Shanghai Stock Exchange and the Bank.

Redemption or Conversion of Preference Shares

During the reporting period, there was no redemption or conversion of the preference shares issued by the Bank.

Restoration of Voting Rights of Preference Shares

During the reporting period, there was no restoration of voting rights of the preference shares issued by the Bank.

Accounting Policies of Preference Shares

In accordance with the *Accounting Standards for Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, the *Accounting Standards for Enterprises No. 37 — Presentation of Financial Instruments* issued by the MOF, as well as *International Financial Reporting Standard 9 — Financial Instruments* and *International Accounting Standard 32 — Financial Instruments: Presentation* issued by the International Accounting Standards Board, we are of the view that the terms of preference shares “農行優1” and “農行優2” meet the definition of equity instruments.

Details of Issuance and Listing of Securities

Issue of Securities

For issuance of other securities of the Bank during the reporting period, please refer to “Note IV. 30 Debt Securities Issued to the Consolidated Financial Statements” for details.

Employee Shares

The Bank had no employee shares.

Shareholders’ Rights

Convening of Extraordinary General Meetings

We protect shareholders’ rights strictly in compliance with the regulatory requirements and related corporate governance rules. Shareholders who individually or jointly hold more than 10% of the total voting shares of the Bank (the “Requesting Shareholders”) may request the Board of Directors to convene an extraordinary general meeting, and submit proposals to the Board of Directors in writing. If the Board of Directors refuses to convene an extraordinary general meeting or fails to give its responses within 10 days upon receipt of the proposal, the Requesting Shareholders may request the Board of Supervisors to convene an extraordinary general meeting and propose to the Board of Supervisors in writing. If the Board of Supervisors fails to give the notice of such extraordinary general meeting within the prescribed period, which shall be deemed to have failed to convene and preside over such meeting, shareholders who individually or jointly hold 10% or more of the total voting shares of the Bank for not less than 90 consecutive days shall be entitled to convene and preside over an extraordinary general meeting.

Enquiries

Shareholders may deliver enquiries to the Board of Directors and have the right to obtain the relevant information pursuant to the Articles of Association. Shareholders may consult copies of minutes of the shareholders’ general meetings free of charge during the business hours of the Bank. If any shareholder requests to obtain from the Bank a copy of the relevant minutes of the shareholders’ general meetings, the Bank shall send such copy within seven days after the receipt of the reasonable fees. Shareholders who request to consult or obtain the relevant information shall provide us with written documents evidencing the class and number of shares held by them, and we shall provide such information so requested upon verification of such shareholders’ identities. The Office of the Board of Directors is responsible for aiding the Board of Directors in its daily affairs. If shareholders have any enquiries, please contact the Office of the Board of Directors.

Proposals to the Shareholders’ General Meetings

Shareholders who individually or jointly hold more than 3% of the total voting shares of the Bank (the “**Proposing Shareholders**”) may submit proposals. Proposing Shareholders shall submit provisional proposals to the Board of Directors in writing 10 days prior to the date of shareholders’ general meetings. The Office of the Board of Directors is responsible for organizing shareholders’ general meetings, preparing documents, and taking minutes of the meetings.

Special Regulations of Holders of Preference Shares

The holders of preference shares are entitled to voting rights in the event of the circumstances outlined below happen to the Bank: (1) any amendments to the provisions regarding preference shares in the Articles of Association; (2) any decrease or series of decreases representing in aggregate more than 10% of the registered capital of the Bank; (3) any merger, division, dissolution or change in corporate form of the Bank; (4) any issuance of preference shares by the Bank; (5) any other circumstances specified by laws, administrative regulations and the Articles of Association of the Bank.

Upon the occurrence of any of the circumstances above, holders of preference shares shall have the right to attend shareholders' general meetings and the Bank shall provide online voting. The notice of such meetings shall be delivered to holders of preference shares following notice procedures for holders of ordinary shares set forth in the Articles of Association.

When the Bank fails to pay dividends on preference shares for a total of three financial years or for two consecutive financial years, holders of preference shares shall have the right to attend the shareholders' general meetings and vote with holders of ordinary shares jointly, starting from the day following the date on which the shareholders' general meeting resolves to not distribute dividends on preference shares as agreed in the profit distribution plan of that year. The voting rights shall be restored until the date on which all dividends for such preference shares of that year are distributed.

Protection of Minority Shareholders' Interests

The Implementation of One-share-one-vote

The Bank strictly implemented the one-share-one-vote among shareholders. The shares of the Bank shall be issued following the principles of fairness and justice, and each share in the same class has the same rights. For the same class of shares issued at the same time, each share shall be issued on the same conditions and at the same price. All entities or individuals subscribing for the shares shall pay the same price for each share. A shareholder shall enjoy rights and assume obligations according to the class and amount of shares held. Shareholders who hold shares of the same class shall have the same rights, including (1) to receive dividends and other kinds of distribution of interests based on the number of shares held by them; (2) to attend or appoint a proxy to attend the shareholders' general meetings, and to exercise voting rights based on the number of shares held by them, and etc.

Communication Channel

Shareholders' general meetings of the Bank are held in the form of on-site meetings. Minority shareholders have the right to attend or appoint a proxy to attend the shareholders' general meetings of the Bank, and to exercise voting rights based on the number of shares held by them by way of on-site voting or online voting.

According to the requirements of the relevant laws, regulations and the Articles of Association, minority shareholders have the right to obtain relevant information of the Bank, including: status of the share capital of the Bank, minutes of the shareholders' general meetings; the published financial and accounting reports, interim reports and annual reports of the Bank, and etc.

Pursuant to the Articles of Association of the Bank, when the shareholders' general meeting considers material issues affecting the interests of minority investors, votes of minority investors shall be counted separately. The results of the separate vote count shall be publicly disclosed in a timely manner.

During the reporting period, when the shareholders' general meeting of the Bank considered material issues such as the election of Executive Directors, the profit distribution plan for 2020, the appointment of an accounting firm for 2021, and the remuneration plan for Directors for 2020, the votes of A share shareholders holding less than 5% of the Bank's voting shares were counted separately and the results of the count were publicly disclosed in a timely manner.

For the Bank's information disclosure and investor relations management, please refer to "Corporate Governance Report — Communication with Stakeholders — Communication with Shareholders".

Returns to Shareholders

For details of dividends distribution on ordinary shares, please refer to "Corporate Governance Report — Shareholding Structure — Particulars of Ordinary Shares". For details of dividends distribution on preference shares, please refer to "Corporate Governance Report — Shareholding Structure — Particulars of Preference Shares".

Role of Independent Non-executive Directors

Article 151 of the Articles of Association provides that Independent Non-executive Directors shall provide objective, fair and independent opinions on the matters related to the protection of minority shareholders' interests, such as material related party transactions, profit distribution plans and modification of profit distribution policy, nomination or appointment and removal of directors, appointment or removal of senior management, remuneration of directors and senior management, and appointment of external auditors.

In 2021, Independent Non-executive Directors of the Bank provided objective, fair and independent opinions on the proposals including the profit distribution plan for 2020, the 2020 remuneration of the Directors, the 2020 remuneration of the senior management members and nomination of candidates for Directors. Independent Non-executive Directors of the Bank were of the view that the content of these proposals and the consideration procedures were in compliance with the requirements of the relevant laws, regulations and the Articles of Association of the Bank, and there was no circumstance that would jeopardize the interests of the Bank and all shareholders, especially the interests of minority shareholders.

Directors, Supervisors and Senior Management

Basic Information

Name	Position	Gender	Age	Tenure
Incumbent Directors				
GU Shu	Chairman of the Board of Directors, Executive Director	Male	54	2021.01–2024.01
ZHANG Qingsong	Vice Chairman of the Board of Directors, Executive Director, President	Male	56	2020.01–2023.01
ZHANG Xuguang	Executive Director, Executive Vice President	Male	57	2020.10–2023.10
LIN Li	Executive Director, Executive Vice President	Male	53	2021.06–2024.06
LIAO Luming	Non-executive Director	Male	58	2017.08–2023.06
LI Wei	Non-executive Director	Male	55	2019.05–2022.05
ZHOU Ji	Non-executive Director	Female	49	2021.03–2024.03
LIU Xiaopeng	Non-executive Director	Male	46	2022.01–2025.01
XIAO Xiang	Non-executive Director	Male	56	2022.01–2025.01
WANG Xinxin	Independent Non-executive Director	Male	69	2016.05–2022.05
HUANG Zhenzhong	Independent Non-executive Director	Male	57	2017.09–2023.06
LEUNG KO May Yee, Margaret	Independent Non-executive Director	Female	69	2019.07–2022.07
LIU Shouying	Independent Non-executive Director	Male	57	2019.07–2022.07
WU Liansheng	Independent Non-executive Director	Male	51	2021.11–2024.11
Incumbent Supervisors				
WANG Jingdong	Chairman of the Board of Supervisors, Supervisor Representing Shareholders	Male	59	2018.11–2024.11
FAN Jianqiang	Supervisor Representing Shareholders	Male	57	2020.11–2023.11
SHAO Lihong	Supervisor Representing Employees	Male	49	2018.08–2024.07
WU Gang	Supervisor Representing Employees	Male	56	2019.10–2022.10
HUANG Tao	Supervisor Representing Employees	Male	55	2021.07–2024.07
LIU Hongxia	External Supervisor	Female	58	2018.11–2024.11
XU Xianglin	External Supervisor	Male	64	2021.11–2024.11
WANG Xixin	External Supervisor	Male	53	2021.11–2024.11

Name	Position	Gender	Age	Tenure
Incumbent Senior Management				
ZHANG Qingsong	Vice Chairman of the Board of Directors, Executive Director, President	Male	56	2019.11–
ZHANG Xuguang	Executive Director, Executive Vice President	Male	57	2019.12–
LIN Li	Executive Director, Executive Vice President	Male	53	2021.03–
CUI Yong	Executive Vice President	Male	52	2019.05–
XU Han	Executive Vice President	Male	56	2020.10–
ZHANG Yi	Executive Vice President	Male	51	2021.11–
LI Zhicheng	Chief Risk Officer	Male	59	2017.02–
HAN Guoqiang	Secretary to the Board of Directors	Male	55	2020.11–
Former Directors, Supervisors and Senior Management				
ZHOU Mubing	Former Chairman of the Board of Directors, Executive Director	Male	64	2016.07–2021.01
XIAO Xing	Former Independent Non-executive Director	Female	51	2015.03–2021.11
ZHU Hailin	Former Non-executive Director	Male	56	2020.06–2021.09
LI Qiyun	Former Non-executive Director	Male	58	2018.06–2021.12
WU Jiangtao	Former Non-executive Director	Male	50	2019.07–2021.07
XIA Taili	Former Supervisor Representing Employees	Male	59	2018.08–2021.08
LI Wang	Former External Supervisor	Male	58	2015.06–2021.11
ZHANG Jie	Former External Supervisor	Male	57	2018.11–2021.11
ZHAN Dongsheng	Former Executive Vice President	Male	56	2019.04–2021.06

Notes: 1. Mr. GU Shu has served as the Chairman of the Bank's Board of Directors since February 2021. His term of office as a Director is set out in the table above.

2. Please refer to "Changes in Directors, Supervisors and Senior Management" in this section for information relating to the changes in the Directors, Supervisors and Senior Management of the Bank.

Biography of Directors, Supervisors and Senior Management

Biography of Directors

GU Shu Chairman of the Board of Directors, Executive Director

Mr. GU Shu holds a doctor's degree in economics from Shanghai University of Finance and Economics and is a senior accountant. He was appointed as the Executive Director of the Bank in January 2021 and has served as the Chairman of the Board of Directors and an Executive Director of the Bank since February 2021. Mr. GU previously served as the deputy general manager of the Accounting and Settlement Department, the deputy general manager of the Planning and Finance Department, the general manager of the Finance and Accounting Department, the board secretary and concurrently general manager of the Corporate Strategy and Investor Relations Department, and president of Shandong Branch of Industrial and Commercial Bank of China. Mr. GU was appointed as the executive vice president and the president of Industrial and Commercial Bank of China in October 2013 and October 2016, respectively. Mr. GU was appointed as the vice chairman of the board, an executive director and the president of Industrial and Commercial Bank of China in December 2016. He concurrently serves as the president of the National Association of Financial Market Institutional Investors.

ZHANG Qingsong Vice Chairman of the Board of Directors, Executive Director, President

Mr. ZHANG Qingsong received a master's degree majoring in economics from the Graduate School of the People's Bank of China and is an associate researcher. Mr. ZHANG was appointed as the President of the Bank in November 2019 and has served as the Vice Chairman of the Board of Directors, Executive Director and President since January 2020. Mr. ZHANG successively served in several positions in Bank of China, including the deputy general manager of the Asset-Liability Management Department, deputy general manager of the Treasury, director of the Global Markets Department, director of the Global Markets Unit, general manager of the Global Markets Unit, general manager of the Hong Kong Trading Center (Hong Kong Branch), general manager of Singapore Branch and general manager of the Clearing Department of the head office. Mr. ZHANG was appointed as the executive vice president of Bank of China in November 2016, an executive director and the vice president of Bank of China in August 2018, and the vice chairman and president of The Export-Import Bank of China in December 2018. He concurrently serves as the chairman of China Institute of Rural Finance and the vice president of China Society for Finance and Banking.

ZHANG Xuguang Executive Director, Executive Vice President

Mr. ZHANG Xuguang received a master's degree in law from Peking University and a master's degree in law from Minnesota State University in the United States, and is a senior economist. He was appointed as an Executive Vice President of the Bank in December 2019 and has served as an Executive Director and an Executive Vice President since October 2020. Mr. ZHANG previously worked with China National Aero-Technology Import & Export Corporation. In addition, Mr. ZHANG previously served as the executive vice president of Tianjin branch and the deputy general director of the Executive Office, and the president of the Guangxi Zhuang Autonomous Region branch of China Development Bank. Mr. ZHANG also served as the president of China

Development Bank Capital Co., Ltd. and the investment director of China Development Bank. In December 2013, he was appointed as an executive vice president of China Development Bank. Mr. ZHANG concurrently serves as the vice president of Research Association of Ideological and Political Work of China Financial Institutions.

LIN Li Executive Director, Executive Vice President

Mr. LIN Li holds a doctor's degree in Economics from Southwestern University of Finance and Economics and is a senior economist. Mr. LIN was appointed as an Executive Vice President of the Bank in March 2021 and has served as an Executive Director and an Executive Vice President of the Bank since June 2021. Mr. LIN successively worked in China Raw Materials Investment Corporation and China Development Bank. He previously served as a deputy director and director of general office, a director and secretary to the board of directors of China Everbright Group Corporation (concurrently serving as chief of the Reform and Development Steering Group Office of China Everbright Group Corporation, chief of the Office of Executive Directors of China Everbright Holdings Company Limited (in Hong Kong), a director of Sun Life Everbright Life Insurance Co., Ltd. and chairman of the board of supervisors of China Everbright Investment Management Co., Ltd.), and the executive vice president and senior executive vice president of China Everbright Bank (concurrently serving as a director of China UnionPay). Mr. LIN was appointed as the vice president of Agricultural Development Bank of China in January 2014, and was appointed as an executive director and the vice president of Agricultural Development Bank of China in February 2018. He concurrently serves as a Director of China Internet Investment Fund.

LIAO Luming Non-executive Director

Mr. LIAO Luming received a doctor's degree in public finance from the Public Finance Science Institute of the MOF. He currently works with Central Huijin Investment Ltd. Mr. LIAO has served as a Non-executive Director of the Bank since August 2017. He started working at the MOF in August 1985 and served successively as a director clerk of the Research Division, a deputy director and a director of the Information Division, and a director of the News Division at the General Office of MOF. He was appointed as a deputy director of the General Office of MOF in January 2003, a bureau level cadre of the Party Committee of MOF in January 2012 and an executive vice secretary (bureau level) of the Party Committee of MOF in February 2012.

LI Wei Non-executive Director

Mr. LI Wei graduated from Zhejiang University of Finance and Economics with a bachelor's degree in finance and is a senior accountant. Mr. LI currently works with Central Huijin Investment Ltd., and has served as a Non-executive Director of the Bank since May 2019. Mr. LI previously served as a deputy director clerk, a director clerk and a deputy director of the Budget Office of Ningbo Finance and Taxation Bureau, as well as a deputy director, a director, an assistant commissioner and a deputy supervisor of the First Division of the Office of the Ministry of Finance in Ningbo.

ZHOU Ji *Non-executive Director*

Ms. ZHOU Ji received a master's degree in National Economic Planning and Management from Department of National Economic Management of Renmin University of China, and is an economist. Ms. ZHOU currently works with Central Huijin Investment Ltd. Ms. ZHOU has served as a Non-executive Director of the Bank since March 2021. She previously worked as a deputy director of Balance of Payments Division and a deputy director of Analysis and Forecast Division of Balance of Payments Department of the State Administration of Foreign Exchange (the "SAFE"); a director of Balance of Payments Statistics Division of Balance of Payments Department of the SAFE; a deputy director of Balance of Payments Department and a deputy director of Capital Account Management Department of the SAFE.

LIU Xiaopeng *Non-executive Director*

Mr. LIU Xiaopeng holds a doctor's degree in world economics from Nankai University, and is a senior economist. He currently works with Central Huijin Investment Ltd., and has served as a Non-executive Director of the Bank since January 2022. He previously worked as a deputy director of Financial Asset Management Department of State Grid Corporation of China, the general manager of Investment Management Department, and concurrently served as an assistant to the general manager of the company and the general manager of Development Planning Department of State Grid Yingda International Holdings Co., Ltd., a vice general manager and the secretary to the board of directors of China Power Finance Co., Ltd., a deputy director-general of the Global Energy Interconnection Office of State Grid Corporation of China and the Global Energy Interconnection Development and Cooperation Organisation, an executive director and the chief executive officer of Gome Finance Technology Co., Ltd., and the chief strategic operating officer of Gome Holding Group Co., Ltd.. He concurrently serves as a non-executive director of China Reinsurance (Group) Corporation and a visiting professor of Nankai University.

XIAO Xiang *Non-executive Director*

Mr. XIAO Xiang is a postgraduate from Sichuan Institute of Business Administration specialising in business administration. He currently works with Central Huijin Investment Ltd., and has served as a Non-executive Director of the Bank since January 2022. He previously served as a deputy director of the Office, a deputy director of the Business Division I (person-in-charge) and an assistant commissioner of the Office of the Finance Discipline Inspection Commissioners of the Ministry of Finance in Sichuan. He served as a deputy inspection commissioner of the Office of the Ministry of Finance in Fujian, an inspection commissioner of the Office of the Finance Discipline Inspection Commissioners of the Ministry of Finance in Hunan and a director general of Hunan Regulatory Bureau of the Ministry of Finance.

WANG Xinxin *Independent Non-executive Director*

Mr. WANG Xinxin holds a master's degree in law and is currently a teacher in the Economic Law Teaching and Research Office of the School of Law, and a professor and supervisor for Ph.D. candidates of Renmin University of China. He has served as an Independent Non-executive Director of the Bank since May 2016. He previously worked in NPC Financial and Economic Committee as a member of the Drafting Group for *Enterprise Bankruptcy Law*. He is currently a member of the Drafting and Amending Group for *Enterprise Bankruptcy Law* in NPC Financial and Economic Committee, the director of Bankruptcy Law Research Center of Renmin University of China, the

honorary president of Beijing Bankruptcy Law Society, the honorary president of Bankruptcy Law Research Institute of Shandong Law Society, Guangdong Law Society, Shanxi Law Society, Hunan Law Society and Yunnan Law Society, a consultant for the Bankruptcy Law Research Institute of the Shanghai Law Society, Henan Law Society and Sichuan Law Society, an executive member of Economic Law Research Institute of the China Law Society; a consultant in the Drafting Group for Judicial Interpretations of Bankruptcy Law, one of the first chief researchers of Judicial Case Research Institute of the Supreme People's Court; and since 2015, an expert advisor to PRC delegation in the United Nations Commission on International Trade Law Working Group V (Insolvency Law); an independent non-executive director of each of Unisplendour Corporation Limited, Hainan Jingliang Holdings Co., Ltd. and Jiangsu Cnano Technology Co., Ltd.

HUANG Zhenzhong Independent Non-executive Director

Mr. HUANG Zhenzhong holds a doctor's degree in law. Mr. HUANG is currently a professor and a supervisor for Ph.D. candidates of the School of Law in Beijing Normal University, and a deputy director of Chinese Entrepreneurs Crime Prevention Research Center. He has served as an Independent Non-executive Director of the Bank since September 2017. He previously served as a vice director and a senior economist of the Enterprise Reform Division at the Asset Management Department of Sinopec Group, a deputy head of School of Law and a director of the Legal Counsel Office in School of Law of Beijing Normal University, and a deputy chief prosecutor, a member of the Committee of Inspection of the Procuratorate of Tibet Autonomous Region and an independent director of Ciwen Media Co., Ltd., Yunnan Jinggu Forestry Co., Ltd., Beijing Leadman Biochemistry Co., Ltd., Sinopec Oilfield Equipment Corporation and CECEP Solar Energy Technology Co., Ltd. He is currently an executive director of the Energy Law Research Committee of China Law Society, an arbitrator of China International Economic and Trade Arbitration Commission, a panel mediator with the Mediation Center of China Chamber of International Commerce, an arbitrator of Tianjin Arbitration Commission, an arbitrator of Hainan Arbitration Commission, a lifetime honorary director of Beijing Jingshi Law Firm, a member of the Chartered Institute of Arbitrators, and an independent director of Beijing Qilin Hesheng Network Technology Co., Ltd. and UTour Group Co., Ltd.

LEUNG KO May Yee, Margaret Independent Non-executive Director

Ms. LEUNG KO May Yee, Margaret, holds a bachelor's degree in Economics, Accounting and Business Administration from the University of Hong Kong. She was awarded Silver Bauhinia Star and Justice of the Peace by the HKSAR. She has served as an Independent Non-executive Director of the Bank since July 2019. She previously served as a vice chairman and the chief executive of Chong Hing Bank Limited, a vice chairman and the chief executive of Hang Seng Bank Limited, the general manager and global cohead of Industrial and Commercial Business of HSBC Group, a director of HSBC, and a director of Wells Fargo HSBC Trade Bank; she was an independent non-executive director of China Construction Bank, Hong Kong Exchanges and Clearing Limited, Li & Fung Limited, QBE Insurance Group Limited (listed on the Australian Securities Exchange), etc. She currently serves as an independent non-executive director of First Pacific Company Limited and Sun Hung Kai Properties Limited, and a member of the National Committee of the Chinese People's Political Consultative Conference.

LIU Shouying Independent Non-executive Director

Mr. LIU Shouying serves as a second-level professor and supervisor for Ph.D. candidates in School of Economics, Renmin University of China, the director of All China Federation of Supply and Marketing Cooperatives, vice president of the Chinese Association of Agro-Technical Economics, and executive director of the China Land Science Society. He has served as an Independent Non-executive Director of the Bank since July 2019. He previously served as a deputy secretary-general of the Academic Committee of the Development Research Center of the State Council, a deputy minister of the Rural Economic Research Department, a director of the Urban and Rural Coordination Fundamental Area of the Development Research Center of the State Council, and the president and chief editor of China Economic Times.

WU Liansheng Independent Non-executive Director

Mr. WU Liansheng holds a doctor's degree in management and currently serves as chair professor of Southern University of Science and Technology. He served as a distinguished professor of the Chang Jiang Scholars Programme of the Ministry of Education, and awarded as the winner of the National Outstanding Young Scholars. He was elected into the "Programme for New Century Excellent Talents in University" of the Ministry of Education and the "Accountant Specialist Training Project" of the Ministry of Finance. He has served as an independent non-executive director of the Bank since November 2021. He previously served as the associate dean and professor for the Guanghua School of Management of Peking University. He previously served as an independent director of Huaneng Power International, Inc., RiseSun Real Estate Development Co., Ltd., Western Mining Co., Ltd., Wanda Cinema Line Co., Ltd., China National Building Material Company Limited, Xinhuanet Co., Ltd. and BOC International (China) Co., Ltd. Mr. WU currently serves as an independent director of Rightway Holdings Co., Ltd. and Pop Mart International Group Limited.

Biography of Supervisors

WANG Jingdong Chairman of the Board of Supervisors, Supervisor Representing Shareholders

Mr. WANG Jingdong holds a bachelor's degree in agronomy from Huazhong Agricultural College and is a senior engineer. Mr. WANG has served as the Chairman of the Board of Supervisors and a Supervisor Representing Shareholders of the Bank since November 2018. Mr. WANG successively worked in the Ministry of Agriculture, Animal Husbandry and Fisheries, the State Economic Commission and State Agriculture Investment Corporation. He successively served in several positions in China Development Bank, including an executive vice president of the Heilongjiang branch, a vice general manager of the human resources department of the head office, the general manager of the project appraisal department III of the head office, the president of Beijing branch and the general manager of human resources department of the head office. Mr. WANG served as an executive vice president of Industrial and Commercial Bank of China in December 2013. He was appointed as an executive director and executive vice president of Industrial and Commercial Bank of China in December 2016.

FAN Jianqiang Supervisor Representing Shareholders

Mr. FAN Jianqiang holds a master's degree in science from The Hong Kong Polytechnic University and is a senior auditor and a senior economist. He has served as a Supervisor Representing Shareholders of the Bank since November 2020. Mr. FAN previously served as the director of the Second Division of Finance Audit Division, the director of the Personnel and Education Division of Special Commissioner's Office in Chengdu of the National Audit Office of the PRC, the deputy general manager of the Preparatory Team of the Chengdu Regional Office of the Bank, the vice general manager of the Chengdu Regional Office of the Audit Office of the Bank, the vice general manager of the Wuhan Regional Office of the Audit Office of the Bank, the deputy general manager of the Audit Office of the Bank (deputy bureau level), the vice general manager of the Audit Office of the Bank. He served as the general manager of the Xi'an Regional Office of the Audit Office of the Bank in March 2018. He served as the Supervisor Representing Shareholders of the Bank and the director of the Office of the Board of Supervisors in June 2021. He served as the Supervisor Representing Shareholders and the head of Inspection Team 7 of the Bank in February 2022.

SHAO Lihong Supervisor Representing Employees

Mr. SHAO Lihong holds a master's degree in economics from Hunan College of Finance and Economics and is a senior economist. He has served as a Supervisor Representing Employees of the Bank since August 2018. Mr. SHAO previously served successively in several positions in the Bank, including the deputy director level secretary of the Secretariat of the Office, the deputy director of the Real Estate Development Division, the Real Estate Development Division II and the General Business Division of the Real Estate Credit Department, the director of the Individual Housing Business Division of the Real Estate Credit Department, the director of the Housing Credit Division of the Individual Business Department, the director of the Housing Credit Division of the Housing Finance and Retail Credit Department, the deputy general manager of the Housing Finance and Retail Credit Department, the deputy general manager of the Retail Banking Department. He served as the director of the Trade Union Affairs Department of the Bank in April 2018.

WU Gang Supervisor Representing Employees

Mr. WU Gang holds a master's degree from Tianjin University specialising in management engineering and is a senior economist. He has served as a Supervisor Representing Employees of the Bank since October 2019. Mr. WU previously served as the director of Business Division IV, the assistant to the general manager and the deputy general manager of the Corporate Banking Department of the Bank, the general manager of the Big Client Department/Business Department and concurrently the member of party committee and vice president of the Beijing Branch. He served as the secretary of party committee and president of the Henan Branch in June 2014. He has been the general manager of Audit Office of the Head Office since May 2018.

HUANG Tao Supervisor Representing Employees

Mr. HUANG Tao holds a master's degree in arts from Huazhong University of Science and Technology and is a senior economist. He has served as a Supervisor Representing Employees of the Bank since July 2021. He previously served as the first secretary (director level), the consultant, concurrently the consultant and the deputy director of the General Office of the Secretary Bureau I of General Office of the State Council, the director of Division III and the deputy inspector and concurrently the director of Division III of the Supervision Office of General Office of the State Council, a member of the Municipal Standing Committee and the deputy mayor (temporary) of

Guilin, the Guangxi Zhuang Autonomous Region, the deputy inspector and the inspector of the Supervision Office of the General Office of the State Council. He was appointed as the general manager of the Office/Complaint Office of the Bank in November 2015 and has served as the general manager of the Office of the Bank since June 2021.

LIU Hongxia External Supervisor

Ms. LIU Hongxia holds a doctor's degree in management from Central University of Finance and Economics. She has served as an External Supervisor of the Bank since November 2018. Currently, Ms. LIU works as a professor and a supervisor for Ph.D. candidates at the School of Accounting of Central University of Finance and Economics and is entitled to Government Allowance granted by the State Council. Ms. LIU previously worked as a teaching assistant at Beijing Institute of Finance and Trade, a lecturer of Shandong University of Finance, an auditor of Zhongzhou Certified Public Accountants in Beijing, and a deputy professor of Central Financial Management Cadre College. She previously served as independent director for China Merchants Bank, Fangda Special Steel Technology Co., Ltd., Beijing AriTime Intelligent Control Co., Ltd., Shanghai New Huang Pu Real Estate Co., Ltd., Langold Real Estate Co., Ltd., Nanjing Tanker Corporation of China Changjiang National Shipping Group Co., Ltd., Cinda Real Estate Co., Ltd., etc. She currently serves as an independent director of Joyoung Co., Ltd., Tianyu Digital Technology (Dalian) Group Co., Ltd., and Henan Zhongfu Industrial Co., Ltd.

XU Xianglin External Supervisor

Mr. XU Xianglin holds a master's degree in economics from Renmin University of China, and has served as an External Supervisor of the Bank since November 2021. He is a professor and a supervisor for Ph.D. candidates in Economics of the Party School of the CPC Central Committee National School of Administration. He previously served as a teacher in the Department of Agricultural Economic Management of Renmin University of China, a teacher of the Economics Teaching and Research Office of Party School of the CPC Central Committee, and lectured the agricultural and rural economic development course at classes for cadre of the Party School of the CPC Central Committee for a long time prior to his retirement. He is currently involved in guiding the development of a "three-in-one" integrated farmers' cooperative system in Jingpeng town, Keshiketeng Banner, Inner Mongolia Autonomous Region. He is concurrently serving as the chairman of the board of supervisors of Beijing Jingxi Lilinghui Agricultural and By-products Planting Professional Cooperative.

Wang Xixin External Supervisor

Mr. Wang Xixin holds a doctor's degree in law from Peking University and has served as an External Supervisor of the Bank since November 2021. He is currently a professor and a supervisor for Ph.D. candidates of Peking University Law School; the director of PKU-Yale Joint Centre for Law and Policy Reform Studies (China) and the Peking University Centre for Public Participation Studies and Supports, the executive dean of Peking University Law & Development Academy, the chief editor of *Peking University Law Journal*, the director of Peking University Centre for Studies of Constitutional and Administrative Law, being the Key Research Base of Humanities and Social Sciences of Ministry of Education. He previously worked at the Legal Affairs Office of Wuhan Municipal People's Government of Hubei Province; served as a vice dean of Peking University Law School and a deputy chief judge of the Administrative Trial Division of the Supreme People's Court (temporary). He is concurrently serving as a legal advisor of ministries and commissions under the State Council including Ministry of Education and State Administration for Market Regulation, a member of expert consultant committee for local governments including Beijing and Shanghai, and an independent director of Capital Securities Co., Ltd.

Biography of Senior Management

Please see “Biography of Directors” for biographical details of Mr. ZHANG Qingsong, Mr. ZHANG Xuguang and Mr. LIN Li. The biographical details of other members of the senior management are as follows:

CUI Yong Executive Vice President

Mr. CUI Yong holds a bachelor’s degree in engineering from Xi’an Highway Institute and is a senior economist. Mr. CUI has served as an Executive Vice President of the Bank since May 2019. Mr. CUI successively worked at the Ministry of Transport and the National Development and Reform Commission. Mr. CUI also served in various positions in the Industrial and Commercial Bank of China, including the deputy general manager of the first corporate business department, the vice president of Qingdao branch, the president of Xiamen branch, the vice president of Beijing branch, and the general manager of the corporate banking department of the head office. Mr. CUI previously held concurrent posts as the secretary general of the Syndications Committee of the China Banking Association and an expert of the National Association of Financial Market Institutional Investors. Mr. CUI concurrently serves as an executive vice president of the Payment & Clearing Association of China.

XU Han Executive Vice President

Mr. XU Han holds a master’s degree in engineering from Shanghai University of Technology, is a senior engineer and an expert entitled to Government Special Allowance granted by the State Council allowances of the State Council. Mr. XU has served as an Executive Vice President of the Bank since October 2020. Mr. XU previously served in various positions in Bank of Communications, including the deputy general manager of IT Department of Hong Kong Branch, deputy general manager of Computer Department, vice CEO (CEO for Domestic Business) and CEO of Pacific Credit Card Centre, general manager of Personal Finance Department (Consumer Rights Protection Department), general manager of Personal Finance Department (Consumer Rights Protection Department) and general manager of Network Channel Department, general manager of Personal Finance Department (Consumer Rights Protection Department) and chief executive officer of Internet Centre (Online Centre), and chief business officer (Retail and Private Business Sector) and general manager of Personal Finance Department (Consumer Rights Protection Department). He concurrently serves as the Chief Information Officer of the Bank.

ZHANG Yi Executive Vice President

Mr. ZHANG Yi holds a master’s degree in business administration from Renmin University of China and is a senior accountant. He has served as an Executive Vice President of the Bank from November 2021. Mr. ZHANG previously served in several positions in China Construction Bank Corporation, including the deputy general manager of the asset and liability management department of the head office, the vice president and president of Jiangsu branch, and the general manager of the finance and accounting department of the head office. He concurrently served as the chief financial officer and the general manager of the finance and accounting department of China Construction Bank Corporation.

LI Zhicheng Chief Risk Officer

Mr. LI Zhicheng holds a master's degree in economics from Shaanxi College of Finance and Economics. Mr. LI has served as the Chief Risk Officer of the Bank since February 2017. Mr. LI previously served in several positions in the Bank, including an assistant president of Wuhan Cadre Management College of the Bank, a deputy director of Research Office of the Head Office and a vice president of Hebei Branch. From June 2005, Mr. LI successively served as the director of Research Office of the Bank, the president of Jilin Branch and the president of Jiangsu Branch. Mr. LI served as Chief Investment Officer of the Bank in July 2014 and concurrently held the position of general manager of Hong Kong Branch.

HAN Guoqiang Secretary to the Board of Directors

Mr. HAN Guoqiang holds a master's degree in business administration from Lanzhou University, and is a senior economist. He has served as the Secretary to the Board of Directors of the Bank since November 2020. Mr. HAN previously served as a vice principal and the principal of the training institute of the Gansu Branch of the Bank, the assistant president and vice president of Gansu Branch of the Bank. Mr. HAN served as the president of Gansu Branch of the Bank in May 2014, and served as the president of Chongqing Branch of the Bank in August 2016.

Changes in Directors, Supervisors and Senior Management

Changes in Directors

On 7 January 2021, Mr. ZHOU Mubing resigned as the Chairman of the Board of Directors and Executive Director of the Bank due to his age.

On 28 January 2021, Mr. GU Shu was elected as an Executive Director of the Bank at the 2021 First Extraordinary General Meeting of the Bank. The qualification of Mr. GU Shu as the Chairman of the Board of Directors¹ was ratified by the CBIRC on 9 February 2021.

On 27 November 2020, Ms. ZHOU Ji was elected as a Non-executive Director of the Bank at the 2020 Second Extraordinary General Meeting of the Bank. The qualification of Ms. ZHOU Ji was ratified by the CBIRC on 5 March 2021.

On 27 May 2021, Mr. LIN Li was elected as an Executive Director of the Bank at the 2020 Annual General Meeting of the Bank. The qualification of Mr. LIN Li was ratified by the CBIRC on 15 June 2021.

On 27 July 2021, Mr. WU Jiangtao resigned as a Non-executive Director of the Bank due to work arrangements.

On 28 September 2021, Mr. ZHU Hailin resigned as a Non-executive Director of the Bank due to work arrangements.

¹ On 7 January 2021, Mr. GU Shu was elected as the Chairman of the Board of Directors of the Bank at the meeting of the Board of Directors.

On 19 November 2021, Ms. XIAO Xing ceased to serve as an Independent Non-executive Director of the Bank due to the expiry of her term of office.

On 9 July 2021, Mr. WU Liansheng was elected as an Independent Non-executive Director of the Bank at the 2021 Second Extraordinary General Meeting of the Bank. The qualification of Mr. WU Liansheng was ratified by the CBIRC on 19 November 2021.

On 31 December 2021, Mr. LI Qiyun ceased to serve as a Non-executive Director of the Bank due to the expiry of his term of office.

On 11 November 2021, Mr. LIU Xiaopeng and Mr. XIAO Xiang were elected as Non-executive Directors of the Bank at the 2021 Third Extraordinary General Meeting of the Bank. The qualifications of Mr. LIU Xiaopeng and Mr. XIAO Xiang were ratified by the CBIRC on 20 January 2022.

Changes in Supervisors

On 26 July 2021, each of Mr. SHAO Lihong and Mr. HUANG Tao was elected as a Supervisor Representing Employees of the Bank at the Employee Representative Meeting of the Bank.

On 20 August 2021, Mr. XIA Taili ceased to serve as a Supervisor Representing Employees and a member of each of the Due Diligence Supervision Committee and the Finance and Internal Control Supervision Committee of the Board of Supervisors due to the expiry of his term of office.

On 11 November 2021, Mr. LI Wang ceased to serve as an External Supervisor and a member of the Due Diligence Supervision Committee of the Board of Supervisors due to the expiry of his term of office.

On 11 November 2021, Mr. ZHANG Jie ceased to serve as an External Supervisor and a member of each of the Due Diligence Supervision Committee and the Finance and Internal Control Supervision Committee of the Board of Supervisors due to the expiry of his term of office.

On 11 November 2021, Mr. WANG Jingdong was re-elected as a Supervisor Representing Shareholders, Ms. LIU Hongxia, Mr. XU Xianglin and Mr. WANG Xixin were elected as External Supervisors of the Bank at the 2021 Third Extraordinary General Meeting of the Bank.

On 12 November 2021, at the ninth meeting of the Board of Supervisors in 2021, Mr. WANG Jingdong was elected as the Chairman of the Board of Supervisors of the Bank, and a member of each of the Due Diligence Supervision Committee and the Finance and Internal Control Supervision Committee of the Board of Supervisors, Ms. LIU Hongxia was elected as the Chairman of the Finance and Internal Control Supervision Committee of the Board of Supervisors, Mr. XU Xianglin was elected as the Chairman of the Due Diligence Supervision Committee and a member of the Finance and Internal Control Supervision Committee of the Board of Supervisors, Mr. WANG Xixin was elected as a member of the Due Diligence Supervision Committee.

Changes in Senior Management

On 19 March 2021, Mr. LIN Li was appointed as an Executive Vice President of the Bank by the Board of Directors of the Bank. The qualification of Mr. LIN Li was ratified by the CBIRC on 31 March 2021.

On 11 June 2021, Mr. ZHAN Dongsheng resigned as an Executive Vice President of the Bank due to work arrangements.

On 12 October 2021, Mr. ZHANG Yi was appointed as an Executive Vice President of the Bank by the Board of Directors of the Bank. The qualification of Mr. ZHANG Yi was ratified by the CBIRC on 4 November 2021.

Shareholdings of Directors, Supervisors and Senior Management

At the end of the reporting period, none of the Directors, Supervisors or senior management members of the Bank held or purchased any share of the Bank. During the reporting period, none of the Directors, Supervisors and senior management members of the Bank held any share option of the Bank, or was granted restricted shares of the Bank.

Remuneration of Directors, Supervisors and Senior Management

Since 1 January 2015, the remuneration of the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors as well as the Executive Vice Presidents of the Bank shall be in line with the relevant state regulations, which the Bank has followed to pay their salaries. The final remuneration of the Directors, Supervisors and senior management members for 2021 is still subject to confirmation and will be disclosed in a further announcement published by the Bank.

The following table sets out the remuneration paid to the Directors, Supervisors and Senior Management of the Bank in 2021.

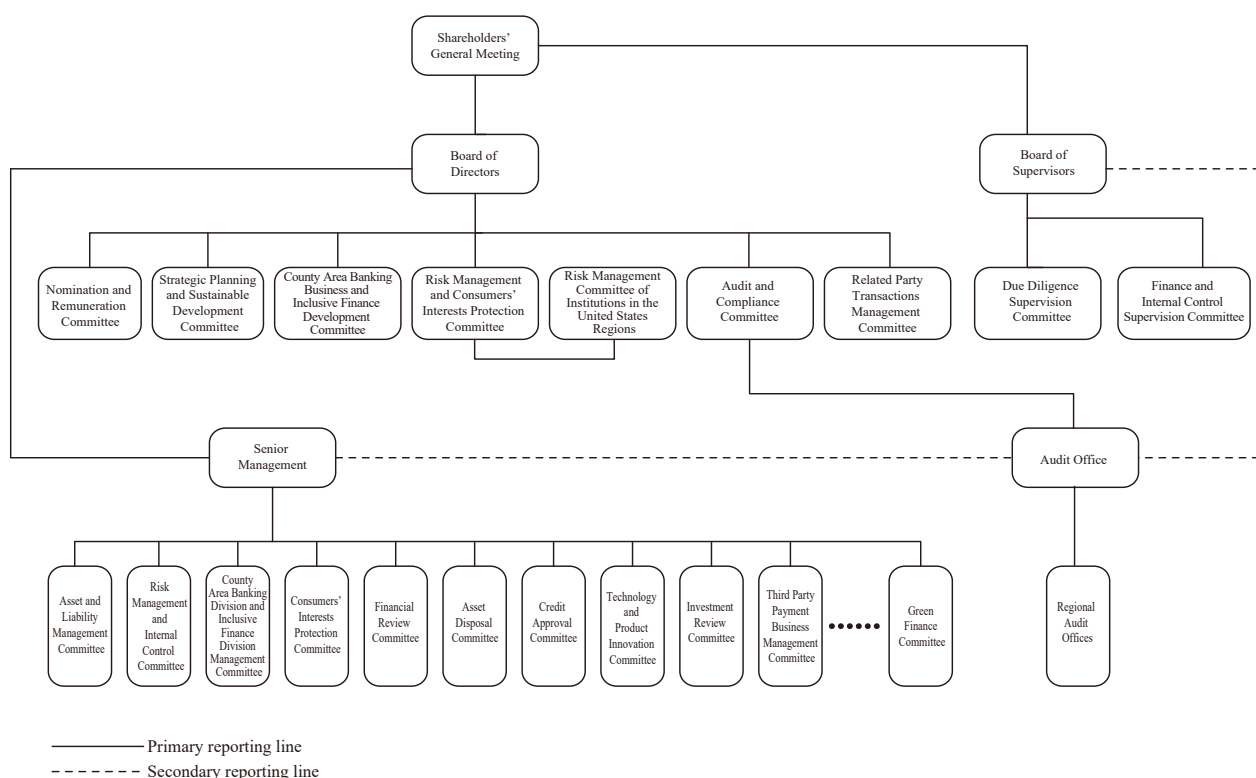
Name	Position	Tenure	Remuneration paid in 2021 (Unit: RMB Ten Thousand)				Whether receiving remuneration from shareholders' unit or other related parties (Y/N)
			Salaries paid before tax (1)	Social insurance, enterprise annuity and housing fund payable by the Bank (2)	Director's fee/ Supervisor's fee (3)	Total (4)=(1)+(2)+(3)	
Incumbent Directors, Supervisors and Senior Management							
GU Shu	Chairman of the Board of Directors, Executive Director	2021.01–2024.01	61.94	20.05	—	81.99	N
ZHANG Qingsong	Vice Chairman of the Board of Directors, Executive Director, President	2020.01–2023.01	61.94	20.05	—	81.99	N
ZHANG Xuguang	Executive Director, Executive Vice President	2020.10–2023.10	55.74	19.40	—	75.14	N
LIN Li	Executive Director, Executive Vice President	2021.06–2024.06	46.45	16.19	—	62.64	N
LIAO Luming	Non-executive Director	2017.08–2023.06	—	—	—	—	Y
LI Wei	Non-executive Director	2019.05–2022.05	—	—	—	—	Y
ZHOU Ji	Non-executive Director	2021.03–2024.03	—	—	—	—	Y
LIU Xiaopeng	Non-executive Director	2022.01–2025.01	—	—	—	—	N
XIAO Xiang	Non-executive Director	2022.01–2025.01	—	—	—	—	N
WANG Xinxin	Independent Non-executive Director	2016.05–2022.05	—	—	38.07	38.07	Y
HUANG Zhenzhong	Independent Non-executive Director	2017.09–2023.06	—	—	38.00	38.00	Y
LEUNG KO May Yee, Margaret	Independent Non-executive Director	2019.07–2022.07	—	—	38.00	38.00	Y
LIU Shouying	Independent Non-executive Director	2019.07–2022.07	—	—	36.00	36.00	N
WU Liansheng	Independent Non-executive Director	2021.11–2024.11	—	—	3.42	3.42	Y
WANG Jingdong	Chairman of the Board of Supervisors, Supervisor Representing Shareholders	2018.11–2024.11	61.94	20.05	—	81.99	N
FAN Jianqiang	Supervisor Representing Shareholders	2020.11–2023.11	—	—	—	—	N
SHAO Lihong	Supervisor Representing Employees	2018.08–2024.07	—	—	5.00	5.00	N
WU Gang	Supervisor Representing Employees	2019.10–2022.10	—	—	5.00	5.00	N
HUANG Tao	Supervisor Representing Employees	2021.07–2024.07	—	—	—	—	N
LIU Hongxia	External Supervisor	2018.11–2024.11	—	—	30.00	30.00	Y
XU Xianglin	External Supervisor	2021.11–2024.11	—	—	4.59	4.59	N
WANG Xixin	External Supervisor	2021.11–2024.11	—	—	3.90	3.90	Y
CUI Yong	Executive Vice President	2019.05–	55.74	19.40	—	75.14	N

Name	Position	Tenure	Remuneration paid in 2021 (Unit: RMB Ten Thousand)				Whether receiving remuneration from shareholders' unit or other related parties (Y/N)
			Salaries paid before tax (1)	Social insurance, enterprise annuity and housing fund payable by the Bank (2)	Director's fee/ Supervisor's fee (3)	Total (4)=(1)+(2)+(3)	
XU Han	Executive Vice President	2020.10–	55.74	20.10	—	75.84	N
ZHANG Yi	Executive Vice President	2021.11–	18.58	6.51	—	25.09	N
LI Zhicheng	Chief Risk Officer	2017.02–	98.41	29.13	—	127.54	N
HAN Guoqiang	Secretary to the Board of Directors	2020.11–	98.09	26.40	—	124.49	N
Former Directors, Supervisors and Senior Management							
ZHOU Mubing	Former Chairman of the Board of Directors, Executive Director	2016.07–2021.01	35.40	20.05	—	55.45	N
ZHU Hailin	Former Non-executive Director	2020.06–2021.09	—	—	—	—	Y
LI Qiyun	Former Non-executive Director	2018.06–2021.12	—	—	—	—	Y
WU Jiangtao	Former Non-executive Director	2019.07–2021.07	—	—	—	—	Y
XIAO Xing	Former Independent Non-executive Director	2015.03–2021.11	—	—	36.96	36.96	Y
XIA Taili	Former Supervisor Representing Employees	2018.08–2021.08	—	—	5.00	5.00	N
ZHANG Jie	Former External Supervisor	2018.11–2021.11	—	—	26.75	26.75	N
LI Wang	Former External Supervisor	2015.06–2021.11	—	—	24.16	24.16	Y
ZHAN Dongsheng	Former Executive Vice President	2019.04–2021.06	23.23	8.31	—	31.54	N

- Notes: 1. The Directors, Supervisors and senior management members of the Bank who are also our employees are entitled to receive remuneration from the Bank. The remuneration package includes salary, bonus and contributions to all kinds of social insurance and housing fund payable by the Bank. The Independent Non-executive Directors of the Bank are entitled to receive director's fee. The External Supervisors of the Bank are entitled to receive supervisor's fee. The Chairman of the Board of Directors, Executive Directors and senior management members of the Bank do not receive any remuneration from any subsidiary of the Bank. For Supervisors Representing Employees of the Bank, the amount set forth above only includes fee for their services as Supervisors.
2. In 2021, the Bank topped up the difference resulting from adjustments to annuity contribution percentages between February 2018 and December 2020. The above disclosure of benefits data includes the difference of the corresponding annuity payment for the year 2021.
3. The total remuneration (before tax) paid to the Directors, Supervisors and senior management members, including former Directors, Supervisors and senior management members, by the Bank in 2021 was RMB11,936.9 thousand.

Operation of Corporate Governance

Corporate Governance Structure



Note: Responsibilities of the Risk Management Committee of Institutions in the United States Regions are concurrently assumed by the Risk Management and Consumers' Interests Protection Committee

During the reporting period, we attached great importance to enhance the communication and interaction among the Board of Directors, the Board of Supervisors and the Senior Management. In May 2021, we held a symposium for Directors, Supervisors and the senior management members in which they had in-depth exchanges on issues, such as serving rural revitalization, capital management, digital transformation, and risk prevention and control. They also participated in activities, including anti-money laundering and sanction compliance trainings, the lecture on “Peak Carbon Emissions and Carbon Neutrality: Opportunities and Challenges of Commercial Banks”, which allowed them to conduct in-depth discussions, build consensus and improve their communication efficiency and synergy.

Shareholders' General Meetings

As our authority of power, our shareholders' general meeting is formed by all shareholders. Our shareholders' general meeting is responsible for, among other things, deciding on our business policies and investments plans; electing, replacing and dismissing Directors and deciding on matters concerning the remuneration of the relevant Directors; electing, replacing and dismissing External Supervisors and Supervisors representing shareholders, and deciding on matters concerning the remuneration of the relevant Supervisors; examining and approving work report of the Board of Directors and work report of the Board of Supervisors; examining and approving our annual financial budget and final accounts, and profit distribution and loss appropriation plans; adopting resolutions concerning the increase or reduction of our registered capital, the issue and listing of corporate bonds and other negotiable securities, merger, division, dissolution, liquidation, change of corporate form and repurchase of ordinary shares; and amending the Articles of Association as well as considering and adopting the rules of procedures for a shareholders' general meeting, the rules of procedures for the Board of Directors and the rules of procedures for the Board of Supervisors, etc.

Shareholders' General Meetings

Meetings	Date	Proposals reviewed	Reports listened to	Attendance of Directors (Number of attendance in person/Number of meeting requiring attendance)
The 2021 First Extraordinary General Meeting	28 January 2021	The election of Mr. GU Shu as an Executive Director; and additional budget for poverty alleviation donations	None	12/12
The 2020 Annual General Meeting	27 May 2021	The 2020 work report of the Board of Directors; the 2020 work report of the Board of Supervisors; the final financial accounts for 2020; the profit distribution plan for 2020; the appointments of auditors for 2021; the election of Mr. LIN Li as an Executive Director; and the fixed assets investment budget for 2021	The 2020 work report of Independent Non-executive Directors; the report on the implementation of the <i>Plan on Authorization of Shareholders' General Meeting to the Board of Directors</i> for 2020; and the report on the management of related party transactions for 2020	13/14
The 2021 Second Extraordinary General Meeting	9 July 2021	The election of Mr. WU Liansheng as an Independent Non-executive Director; and the issuance plan of write-down undated capital bonds	None	14/15
The 2021 Third Extraordinary General Meeting	11 November 2021	The 2020 remuneration plan for the Directors; the 2020 remuneration plan for the Supervisors; the election of Mr. LIU Xiaopeng as a Non-executive Director; the election of Mr. XIAO Xiang as a Non-executive Director; the re-election of Mr WANG Jingdong as a Supervisor Representing Shareholder; the re-election of Ms. LIU Hongxia as an External Supervisor; the election of Mr. XU Xianglin as an External Supervisor; the election of Mr. WANG Xixin as an External Supervisor; and the additional budget for designated poverty alleviation donations	None	11/13

- Notes:
1. Attendance in person includes attendance on site and attendance by way of electronic communication such as telephone and video conference.
 2. The Bank published the poll results announcements and legal opinions on the above shareholders' general meetings in a timely manner in accordance with regulatory requirements. Such poll results announcements were published on the website of the Hong Kong Stock Exchange on 28 January 2021, 27 May 2021, 9 July 2021 and 11 November 2021, respectively, and on the website of the Shanghai Stock Exchange as well as on the newspapers designated by the Bank for information disclosure on 29 January 2021, 28 May 2021, 10 July 2021 and 12 November 2021, respectively.
 3. For details of the attendance of each Director, please refer to "Attendance of Directors at Meetings".

Board of Directors

Details of the Board of Directors

As our decision-making organ, the Board of Directors is accountable to, and shall report its work to, the shareholders' general meeting. The Board of Directors is responsible for, among other things, convening the shareholders' general meeting and reporting to the shareholders' general meeting; implementing the resolutions of the shareholders' general meeting; deciding on our development strategies, business plans and investment proposals; formulating our annual financial budget and final accounts, proposals on profit distribution and loss appropriation, proposals on the increase or reduction of registered capital and financial restructuring, the capital replenishment plans including, among other things, the issue and listing of corporate bonds and other negotiable securities; formulating proposals on merger, division, dissolution or change of the corporate form; formulating proposals on the ordinary share repurchase; establishing and supervising the implementation of our basic management systems and policies; establishing and improving basic management systems for risk management and internal control; considering and approving the general risk management report and the plan on allocation of risk-based capital, and evaluating the effectiveness of our risk management; formulating amendments to our Articles of Association, the rules of procedures for a shareholders' general meeting and the rules of procedures for the Board of Directors and establishing the relevant corporate governance system; appointing or dismissing the President and the Secretary to the Board of Directors; appointing and dismissing the Vice President and other senior management members (excluding the Secretary to the Board of Directors) nominated by the President; evaluating and improving our corporate governance; and managing the affairs related to our information disclosure.

Composition of the Board of Directors

At the end of the reporting period, the Board of Directors of the Bank consisted of 12 Directors, including four Executive Directors, namely Mr. GU Shu, Mr. ZHANG Qingsong, Mr. ZHANG Xuguang and Mr. LIN Li; three Non-executive Directors, namely Mr. LIAO Luming, Mr. LI Wei and Ms. ZHOU Ji; and five Independent Non-executive Directors, namely Mr. WANG Xinxin, Mr. HUANG Zhenzhong, Ms. LEUNG KO May Yee, Margaret, Mr. LIU Shouying and Mr. WU Liansheng.

Terms of Directors

Each Director shall be elected at the shareholders' general meetings. A Director shall serve a term of three years commencing from the date on which such Director is ratified by the CBIRC or approved by the shareholders' general meeting. A Director may serve consecutive terms if being re-elected upon the expiration of the previous term, and the re-elected term shall commence from the date on which the re-election is approved by the shareholders' general meeting. The term of an Independent Non-executive Director shall not exceed six years on an aggregated basis.

Chairman of the Board of Directors and President of the Bank

Pursuant to code provision A.2.1 of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules and the Articles of Association, the roles of the Chairman and the President of the Bank are separate. The Chairman shall not be held concurrently by the legal representative or the person-in-charge of any controlling shareholder of the Bank. The roles of the Chairman and the President of the Bank are separate and independent, with clear division of responsibilities.

Mr. GU Shu serves as the Chairman of the Board of Directors and our legal representative and is responsible for organizing the Board of Directors to make decisions on material issues such as our development strategies.

Mr. ZHANG Qingsong serves as the President of the Bank, who is in charge of our management of business operations. The President is appointed by, and accountable to, the Board of Directors, and shall perform duties in accordance with the Articles of Association and the authorization of the Board of Directors.

<i>Training of Our Directors</i>
Training Methods: Duty performance training for the Directors and Supervisors, training by conference, training by written materials, etc. Training Contents: Anti-money laundering and sanction compliance, peak carbon emissions and carbon neutrality, legal liability and risk prevention of independent non-executive directors of listed companies and other special topics.
<i>Training of Our Secretary to the Board of Directors and Company Secretary</i>
Training Methods: Online training and on-site exams Training Duration: Not less than 15 hours

<i>Diversity of the Board of Directors</i>					
Number of Directors	% of Independent Non-executive Directors	% of female Directors	% of Directors with professional background in law	% of Directors with professional background in finance and audit	% of Directors under 55 (inclusive) years old
12	41.7%	16.7%	25%	41.7%	41.7%

We have formulated a policy on diversity of the composition of the Board of Directors, which specifies our opinions of upholding the diversity of the composition of the Board of Directors, and the approaches to be taken on an ongoing basis in the process of achieving it. We acknowledged and appreciated its benefits and regarded it as a critical factor in achieving our strategic goals, maintaining our competitive strengths and achieving our sustainable development. We considered the diversity from various aspects, including talent, skills, industry experience, cultural and educational background, gender, age, ethnicity and other factors, in setting the composition of the Board of Directors.

The Board of Directors of the Bank is composed of professionals in the fields of accounting, law and economics, while achieving diversity in various dimensions such as gender, age and length of service, which effectively improved the decision-making ability and strategic management of the Board of Directors.

Independence of Independent Non-executive Directors

As of the end of the reporting period, the qualifications, number and proportion of the Independent Non-executive Directors were in full compliance with the applicable regulatory requirements. The Independent Non-executive Directors were not involved in any business or financial interests of the Bank or its subsidiaries, nor did they hold any managerial position in the Bank. We have received annual independence confirmation letters from each of the Independent Non-executive Directors and confirmed their independence.

Performance of Duties by Independent Non-executive Directors

During the reporting period, the Independent Non-executive Directors worked for the Bank at no less than 15 working days. The Directors who served as the chairmen of the Audit and Compliance Committee, the Risk Management and Consumers' Interest Protection Committee and the Related Party Transaction Management Committee worked for the Bank at no less than 25 working days.

During the reporting period, the Independent Non-executive Directors did not raise any objection to the resolutions of the Board of Directors or its special committees.

Details were disclosed in the *Due Performance Report of Independent Non-executive Directors of Agricultural Bank of China Limited for 2021*, which was published on the website of the Shanghai Stock Exchange.

Issues that the Independent Non-executive Directors paid close attention to during the reporting period

The Independent Non-executive Directors focused on key issues such as management of related party transactions, nomination of the senior management members, information disclosure, internal control, operation of the Board of Directors and its special committees, etc. They made clear judgments on relevant matters in accordance with the law and regulations, expressed their opinions and made recommendations independently and objectively.

Communications between Independent Non-executive Directors and external auditors

The Independent Non-executive Directors listened to a number of reports from the external auditors with respect to the audit results, annual audit plan, management letter, etc. In the course of preparation of the 2020 Annual Report, the Independent Non-executive Directors individually communicated with the external auditors regarding issues identified in the audits.

The role of Independent Non-executive Directors in terms of internal control

The Independent Non-executive Directors considered the proposals, including the work plan of internal control evaluation for 2021, the internal control assessment report for 2020, the work report on prevention and control of cases of violations for 2020, and listened to the reports, including the work report on audit of financial statements and internal control for 2020, the audit report for 2020, the report on compliance risk management for 2020, the work report on anti-money laundering and sanction compliance for 2020, and the report on related party transactions management for 2020.

Specific Statement and Independent Opinion of Independent Non-executive Directors on the Guarantee Business of the Bank

Pursuant to the relevant requirements of the CSRC and the Shanghai Stock Exchange, as the Independent Non-executive Directors of Agricultural Bank of China Limited, we have reviewed the guarantee business of the Bank based on the principles of justice, fairness and objectivity, and hereby issue our specific statements and opinions as follows: according to our review, the guarantee business of the Bank is mainly to issue letters of guarantee, which has been approved by the PBOC and the CBIRC as one of the ordinary businesses within the scope of daily operations of the Bank. At 31 December 2021, the balance of the guarantee business of the Bank (including letters of guarantee issued and guarantees by the Group) amounted to RMB304,238 million. The Bank has attached great importance to the risk management of the guarantee business and formulated strict regulations in respect of the credit standard of guarantees, and the operational procedure and approval process of the guarantee business. We believe that the Bank has effectively controlled the risks on the guarantee business.

The Independent Non-executive Directors of Agricultural Bank of China Limited:
WANG Xinxin, HUANG Zhenzhong, LEUNG KO May Yee, Margaret, LIU Shouying
and WU Liansheng

Other independent opinions

For details, please see “Corporate Governance Report — Shareholding Structure — Protection of Minority Shareholders’ Interests”.

Means for Non-executive Directors to access information

Daily information support	We regularly provide the Non-executive Directors with important operational information such as financial operation, asset and liability operation and risk management reports, and other important documents and information updates such as newly added or newly revised rules and regulations, meeting materials, internal audit reports, etc. The Non-executive Directors have permission to access our intelligent office portal, integrated financial and accounting management platform, operating management information platform, credit management system, as well as internal control and compliance management system.
Communication with the Senior Management	<p>The mechanism for the Directors to sit in on the president’s office meetings and on the meetings held by the special committees of the Senior Management was established. During the reporting period, the Non-executive Directors sat in on 29 president’s office meetings and 13 meetings held by the special committees of the Senior Management.</p> <p>The Non-executive Directors participated in 10 communication meetings for proposals before the meetings of the Board of Directors and had in-depth and thorough discussions on the content of the proposals.</p> <p>The Non-executive Directors sat in on the meetings for monthly business briefings and departmental thematic debriefings, so as to gain a timely and comprehensive understanding of our operation and management.</p>
Communication with independent third parties such as external auditors	The Non-executive Directors and the external auditors held five symposiums, having in-depth communication on the audit work and the issues identified during the audit and review.
Investigations and research	The Non-executive Directors visited six branches to conduct investigation and research. They prepared written investigation and research reports and put forward policy advice focusing on topics such as rural revitalization through financial services, innovation of performance management mechanism to lead high-quality development, and development of green finance under the target of peak carbon emission and carbon neutrality, respectively.

<i>Meetings of the Board of Directors</i>	
Item	Details
Number of regular meetings held	4
Number of extraordinary meetings held	9
Total number of meetings held	13
Particulars of considering proposals or listening to reports	<p>The Board of Directors considered 88 proposals such as periodic reports, the profit distribution, nominating the candidates of the Directors and the appointment of the senior management members, etc.</p> <p>The Board of Directors listened to 27 reports such as the evaluation report of the implementation of the 13th Five-Year Plan as well as the strategic risk management, the report on internal capital adequacy assessment for 2021, and the work on consumer interests' protection, etc.</p>

Attendance of Directors at Meetings

Number of attendance in person¹/number of meetings requiring attendance

Directors	Shareholders' General Meetings	Meetings of the Board of Directors	Meetings of Special Committees of the Board of Directors					
			Strategic Planning and Sustainable Development Committee	County Area Banking Business and Inclusive Finance Development Committee	Nomination and Remuneration Committee	Audit and Compliance Committee	Risk Management and Consumers' Interests Protection Committee	Risk Management Committee of Institutions in the United States Regions
Executive Directors								
GU Shu	0/3	10/11	5/6					
ZHANG Qingsong	3/4	12/13	7/7	2/2	8/8			
ZHANG Xuguang	4/4	12/13	7/7				5/7	2/4
LIN Li	2/2	7/7	3/3				4/4	1/2
Non-executive Directors								
LIAO Luming	4/4	13/13	7/7	2/2			7/7	4/4
LI Wei	4/4	13/13		2/2	8/8	6/6		
ZHOU Ji	3/3	10/10	6/6	1/1	5/5			
Independent Non-executive Directors								
WANG Xinxin	4/4	11/13			8/8		5/7	2/3
HUANG Zhenzhong	4/4	11/13			8/8		7/7	3/3
LEUNG KO May Yee, Margaret	4/4	12/13				4/6	7/7	3/3
LIU Shouying	4/4	10/13		1/2	8/8	5/6		
WU Liansheng		1/1						
Former Directors								
WU Jiangtao	3/3	8/8		1/1		3/3	4/4	3/3
ZHU Hailin	3/3	10/10	5/5		3/3		3/4	2/2
XIAO Xing	4/4	12/12	6/6	1/1	7/7	5/5		
LI Qiyun	4/4	13/13	7/7				7/7	4/4

Note: 1. Attendance in person includes attendance on site and attendance by way of electronic communication such as telephone and video conference. During the reporting period, the Directors who did not attend the meetings of the Board of Directors or special committees in person thereof had designated other Directors as proxies to attend and to vote on their behalf at the meetings.

Implementation of Resolutions of the Shareholders' General Meetings by the Board of Directors

During the reporting period, the Board of Directors strictly implemented the resolutions of the shareholders' general meetings and the authorization to the Board of Directors by the shareholders' general meeting, and seriously implemented the proposals considered and approved by the shareholders' general meetings, including the fixed assets investment budget and issuance plans of write-down undated capital bonds.

Responsibilities of Directors on Financial Statements

The Directors acknowledge their responsibility for preparing the financial reports of each accounting period, and they are of the view that such financial reports give a true and fair view of the financial position, operating results and cash flows of the Group.

During the reporting period, we complied with relevant laws, regulations and the requirements of the listing rules of places where our shares are listed and published the annual report for 2020 and the first quarterly report, interim report and third quarterly report for 2021.

Risk Management and Internal Control

The Board of Directors is responsible for establishing sound and effective risk management and internal control and supervising and assessing the construction of our internal control and risk management systems and the risk level (including reviewing the effectiveness of such systems). Such systems are in place to provide reasonable (though not absolute) assurance against material misstatement or loss, and to manage (rather than eliminate) the risk of failure to achieve business objectives. During the reporting period, the Board of the Directors reviewed the adequacy and effectiveness of our risk management and internal control through the Audit and Compliance Committee, Risk Management and Consumers' Interests Protection Committee, Risk Management Committee of Institutions in the United States Regions and Related Party Transactions Management Committee established under it. Based on consideration and review of reports from the relevant special committees of the Board of Directors, the Board of the Directors was of the view that our risk management and internal control were adequate and effective.

For details of our risk management and internal control, please refer to “Discussion and Analysis — Risk Management”, “Corporate Governance Report — Risk Governance” and “Corporate Governance Report — Internal Control”.

Details of the Special Committees under the Board of Directors

The Special Committees under the Board of Directors of the Bank and the Compositions of Their Members at the End of the Reporting Period

	Strategic Planning and Sustainable Development Committee	County Area Banking Business and Inclusive Finance Development Committee	Nomination and Remuneration Committee	Audit and Compliance Committee	Risk Management and Consumers' Interests Protection Committee	Related Party Transactions Management Committee	Risk Management Committee of Institutions in the United States Regions
Executive Directors							
GU Shu	C						
ZHANG Qingsong	M	C	M				
ZHANG Xuguang	M				M		M
LIN Li	M				M		M
Non-executive Directors							
LIAO Luming	M	M			M		M
LI Wei		M	M	M			
ZHOU Ji	M	M	M				
Independent Non-executive Directors							
WANG Xinxin	M		C		M	M	M
HUANG Zhenzhong			M		C	M	C
LEUNG KO May Yee, Margaret				M	M	C	M
LIU Shouying		M	M	M			
WU Liansheng		M	M	C			
% of Independent Non-executive Directors	14.3%	33.3%	57.1%	75%	50%	100%	50%

- Notes:
1. C refers to the Chairman of the relevant Committees and M refers to the Member of the relevant Committees.
 2. On 7 January 2021, Mr. ZHOU Mubing resigned as the Chairman and a member of the Strategic Planning and Sustainable Development Committee.
 3. On 9 February 2021, Mr. GU Shu served as the Chairman and a member of the Strategic Planning and Sustainable Development Committee.
 4. On 30 March 2021, the Board of Directors of the Bank reviewed and approved the proposal on Adjusting the Members of the Special Committees of the Board of Directors to adjust the positions of Mr. ZHU Hailin and Ms. ZHOU Ji in the special committees. For details, please refer to the announcements published by the Bank on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.
 5. On 15 June 2021, Mr. LIN Li served as a member of the Strategic Planning and Sustainable Development Committee, a member of the Risk Management and Consumers' Interests Protection Committee and a member of the Risk Management Committee of Institutions in the United States Regions.
 6. On 27 July 2021, Mr. WU Jiangtao resigned as a member of the County Area Banking Business and Inclusive Finance Development Committee, a member of the Audit and Compliance Management Committee, a member of the Risk Management and Consumers' Interests Protection Committee and a member of the Risk Management Committee of Institutions in the United States Regions.
 7. On 28 September 2021, Mr. ZHU Hailin resigned as a member of the Strategic Planning and Sustainable Development Committee, a member of the Risk Management and Consumers' Interests Protection Committee and a member of the Risk Management Committee of Institutions in the United States Regions.
 8. On 19 November 2021, Ms. XIAO Xing ceased to serve as the Chairman and a member of the Audit and Compliance Committee, a member of the Strategic Planning and Sustainable Development Committee, a member of the County Area Banking Business and Inclusive Finance Development Committee and a member of the Nomination and Remuneration Committee.
 9. On 24 December 2021, the Board of Directors of the Bank reviewed and approved the proposal on Adjusting the Chairman and Members of the Special Committees of the Board of Directors to adjust the positions of Mr. WANG Xinxin and Mr. WU Liansheng in the special committees. For details, please refer to the announcements published by the Bank on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.
 10. On 31 December 2021, Mr. LI Qiyun ceased to serve as a member of the Strategic Planning and Sustainable Development Committee, a member of the Risk Management and Consumers' Interests Protection Committee and a member of the Risk Management Committee of Institutions in the United States Regions.

Performance of the Special Committees of the Board of Directors

Special Committees	Duties	Number of meetings	Reviewing proposals or listening to reports
Strategic Planning and Sustainable Development Committee	Review our overall strategic development plan and specific strategic development plans, major investment and financing plans, establishment of legal entities and other material matters critical to our development and make suggestions to the Board of Directors. Formulate the sustainable development strategies and goals of the Bank and regularly evaluate the risks associated with sustainable development and the implementation of the sustainable development strategies.	7	Reviewed 19 proposals relating to the Operation Plan for 2021, the final financial accounts plan for 2020, the <i>2020 Corporate Social Responsibility Report</i> , the 14th Five-Year Plan of ABC, and the Green Finance Development Plan (2021–2025); listened to the implementation of the 13th Five-Year Plan of ABC and the evaluation report on strategic risk management; and provided relevant suggestions on the issuance of capital bonds and the write-off of bad debts.
County Area Banking Business and Inclusive Finance Development Committee	Review the strategic development plan, policies and basic management rules, risk management strategic plan and other major matters in relation to the development of the County Area Banking Business and Inclusive Finance, as well as supervise the implementation of the strategic development plan, policies and basic management rules of the County Area Banking Business and Inclusive Finance, and make suggestions to the Board of Directors.	2	Reviewed a proposal on the specific evaluation plan of inclusive finance business for 2021; and listened to two reports including the forecast of the County Area Banking Division’s financial target in 2021 and the operation conditions of serving Sannong and business in County Areas.

Special Committees	Duties	Number of meetings	Reviewing Proposals or Listening to Reports
Nomination and Remuneration Committee ¹	Formulate the standards and procedures for election of the Directors, chairman and members of special committees of the Board of Directors and senior management members, and make recommendations regarding the proposed candidates for the Directors and senior management members and their qualifications to the Board of Directors, as well as formulate the remuneration policies for the Directors and senior management members, and submit the remuneration packages to the Board of Directors for consideration.	8	Reviewed 12 proposals including the nomination of Director candidates, the appointment of Executive Vice President, and the adjustment of the chairmen and members of the special committees of the Board of Directors; and listened to the report on due diligence evaluation of the Board of Directors and the Senior Management and their members by the Board of Supervisors for 2020.
Audit and Compliance Committee	Review our internal control and management policies, the material financial and accounting policies, the audit management basic system and regulations, the medium- and long-term audit plan and annual work plan, and make suggestions to the Board of Directors; as well as review and approve our general policy on prevention of cases of violations, and effectively review and supervise our prevention of cases of violations.	6	<p>Reviewed 14 proposals including 2021 audit project plan, 2020 annual report and its abstract, 2020 internal control assessment report, listened to 11 reports including the <i>2020 Financial Statements and Internal Control Audit Work Report of ABC</i> by PricewaterhouseCoopers, the 2020 anti-money laundering and sanction compliance work report, the 2020 audit report and the 2020 compliance risk management report.</p> <p>Enhanced communication with our external auditors and the supervision on their work and listened to the reports of external auditors on the audit results, the annual audit plan and the management letter etc. During the preparation of the 2020 Annual Report, the members of the Audit and Compliance Committee conducted separate communication and discussion about the issues identified during audit with the external auditors.</p> <p>The Bank has separately disclosed the <i>Annual Performance of the Audit and Compliance Committee</i>, details of which was published on the website of the Shanghai Stock Exchange.</p>

Special Committees	Duties	Number of meetings	Reviewing Proposals or Listening to Reports
Risk Management and Consumers' Interests Protection Committee	Review our strategic plan of risk management, the risk appetite, the material risk management policies, the risk management report and allocation plan of risk-weighted capital, review our strategies, policies and objectives of consumers' interests protection, continuously supervise the risk management system, supervise and evaluate our risk management and consumers' interests protection, and make suggestions to the Board of Directors.	7	Reviewed 16 proposals relating to the comprehensive risk management report, overall risk management strategies, the key points for consumers' interests protection in 2021, the interest rate risk report of banking book, the basic system of operational risk management (revision); and listened to 13 reports relating to the risk analysis reports, the work for protecting customers' interests, the management of liquidity risk in 2020, the operation of IRB system and the validation of the advanced approach on capital management; and made relevant advice and suggestions on the control of risks, which include credit risk, market risk and operational risk, etc.
Related Party Transactions Management Committee	Identify our related parties, review our basic management system for related party transactions, review and record the related party transactions, and make suggestions to the Board of Directors.	3	Reviewed three proposals relating to the list of related parties, regularly listened to report on the related party transactions management, reviewed and approved the information of our related parties, and made relevant advice and suggestions on the enhancement of the management of our related parties and related party transactions.
Risk Management Committee of Institutions in the United States Regions	Review and approve the risk management policies in relation to the businesses in the United States regions and supervise its implementation, as well as review the issues identified in the internal and external inspection of institution in the United States regions and the report on relevant rectification, and other matters authorized by the Board of Directors. Responsibilities of the Risk Management Committee of Institutions in the United States Regions are concurrently assumed by the Risk Management and Consumers' Interests Protection Committee.	4	Reviewed two proposals relating to the basic risk management policies of the New York Branch; and listened to six reports including the report on the risk and compliance work of the New York Branch. Conducted anti-money laundering and sanctions compliance training, regularly reviewed the risks in relation to the businesses in the United States regions and made relevant advice and suggestions.

Note: 1. The Articles of Association set out the procedures and methods of the nomination of Directors and have specific requirements for the appointment of Independent Non-executive Directors. Please refer to the Articles of Association including articles 138 and 148 therein for details. The Articles of Association are published on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Bank. During the reporting period, the Bank elected its Directors in strict compliance with the Articles of Association. When nominating candidates of Directors, the Nomination and Remuneration Committee of the Board of Directors mainly takes into account their qualifications, compliance with laws, administrative regulations, rules and the Articles of Association, capability of diligent performance, understanding of our operation and management and willingness to accept supervision of their performance by the Board of Supervisors and the requirement of the diversity of the composition of the Board of Directors. Please refer to “Diversity of the Board of Directors” for the details of our policy on diversity of the composition of the Board of Directors. The quorum of the attendees of meeting of the Nomination and Remuneration Committee shall be more than two-thirds of all its members and any resolution at such meeting shall be passed by favorable votes from more than half of its members.

The Board of Supervisors

As our supervisory organ, the Board of Supervisors is accountable to and shall report to the shareholders' general meeting. The Board of Supervisors is responsible for, among other things, supervising the performance of duties of the Board of Directors and the Senior Management, supervising the due diligence of the Directors and senior management members and questioning accordingly, urging the Directors and senior management members to rectify their acts which impair the Bank's benefits; proposing the dismissal of or initiating litigation against the Directors and senior management members who breach the laws, administrative rules, the Articles of Association or the resolution of the shareholders' general meeting; conducting audit on resigning the Directors and senior management members as necessary; formulating the compensation and allowance distribution plan for Supervisors and submitting the plan to the shareholders' general meeting for consideration; supervising the financial activities, business decisions, risk management and internal control of the Bank and guiding the work of internal audit department of the Bank; reviewing the financial information such as the financial reports, operation reports and profit distribution plans to be submitted by the Board of Directors to the shareholders' general meeting and engaging certified accountants and auditors to review such reports in the name of the Bank, if any problems are identified; supervising the implementation of the strategic plans, policies and basic management systems for the development of County Area Banking Business; submitting proposals to the shareholders' general meeting; nominating Supervisors Representing Shareholders, External Supervisors and Independent Directors; formulating amendments to the rules of procedures of the Board of Supervisors; supervising the compliance of the appointment, dismissal and reappointment of external auditing firms and the fairness of the terms of engagement and remuneration, as well as the independence and effectiveness of external audit work; performing other duties as required by applicable laws, administrative regulations, departmental rules and the Articles of Association or authorized by the shareholders' general meeting.

Composition of the Board of Supervisors

At the end of the reporting period, the Board of Supervisors of the Bank consisted of eight Supervisors, including two Supervisors Representing Shareholders, namely Mr. WANG Jingdong and Mr. FAN Jianqiang, three Supervisors Representing Employees, namely Mr. SHAO Lihong, Mr. WU Gang and Mr. HUANG Tao, three External Supervisors, namely Ms. LIU Hongxia, Mr. XU Xianglin and Mr. WANG Xixin.

Meetings of the Board of Supervisors

Item	Details
Regular meetings of the Board of Supervisors	4
Extraordinary meetings of the Board of Supervisors	7
Total number of meetings	11
Reviewing and Approving Proposals or Listening to Reports	Reviewed 32 proposals including the 2020 social responsibility report, and listened to 39 reports including the report on the audit of consumers' interests protection work for 2021.

Note: The Office of Board of Supervisors is the office to carry out regular tasks of the Board of Supervisors. It is responsible for arranging meetings of the Board of Supervisors and special committees thereof and preparing documents and minutes for those meetings, as well as conducting daily supervision and monitoring work according to the requirements of the Board of Supervisors.

Attendance of Supervisors at Meetings

Number of attendance in person¹/number of meetings requiring attendance

Supervisors	Board of Supervisors	Special Committees under the Board of Supervisors	
		Due Diligence Supervision Committee	Finance and Internal Control Supervision Committee
Supervisor Representing Shareholders			
WANG Jingdong	11/11	4/4	4/4
FAN Jianqiang	9/11	5/5	3/4
Supervisor Representing Employees			
SHAO Lihong	10/11		3/3
WU Gang	10/11	4/5	
HUANG Tao	5/6	3/3	
External Supervisor			
LIU Hongxia	10/11		4/4
XU Xianglin	3/3	1/1	
WANG Xixin	2/3	1/1	
Former Supervisors			
XIA Taili	4/5	1/1	2/2
LI Wang	8/8	3/3	
ZHANG Jie	8/8	3/3	3/4

Note: 1. Attendance in person includes attendance on site and attendance by way of electronic communication such as telephone and video conference. During the reporting period, the Supervisors who did not attend the meetings of the Board of Supervisors or special committees in person thereof had designated other Supervisors as proxies to attend and to vote on their behalf at the meetings.

The main responsibilities of the Due Diligence Supervision Committee are as follows: to formulate and carry out the implementation plans for supervising due diligence of the Board of Directors, senior management and their members upon approval of the Board of Supervisors; to submit a review report on due diligence of the Board of Directors, senior management and their members and to provide advice in respect thereof to the Board of Supervisors; to formulate the audit report of any resigning director and senior management member, if so required, and make suggestions to the Board of Supervisors; to provide recommendations on the candidates of supervisors representing shareholders, external supervisors, independent non-executive directors and members of each special committee to the Board of Supervisors; to formulate the assessment plan, organize the performance evaluation of supervisors, and provide recommendations in respect thereof to the Board of Supervisors; to make proposals on the compensation and allowance distribution plan for supervisors and submit the plan to the Board of Supervisors for approval; to review and handle the relevant matters, documents and information reported or provided by the Board of

Directors, senior management or any of their members; and to perform other duties as required by the laws, administrative regulations and departmental rules, or as authorized by the Board of Supervisors. At the end of the reporting period, the Due Diligence Supervision Committee comprised six Supervisors, namely Mr. WANG Jingdong, Mr. FAN Jianqiang, Mr. WU Gang, Mr. HUANG Tao, Mr. XU Xianglin and Mr. WANG Xixin. The Due Diligence Supervision Committee was chaired by Mr. XU Xianglin.

Meetings of the Due Diligence Supervision Committee

Number of Meetings	Reviewing Proposals or Listening to Reports
5	Reviewed 14 proposals including the assessment report on due diligence of the Board of Directors, the Board of Supervisors, the Senior Management and their respective members for 2020.

The main responsibilities of the Finance and Internal Control Supervision Committee are as follows: to formulate and carry out the work and implementation plans of the Finance and Internal Control Supervision Committee upon approval of the Board of Supervisors; to supervise the implementation of the strategic plan for development of, the policies and basic management system of the County Area Banking Business of the Bank and evaluate the implementation effectiveness and provide recommendation in respect thereof to the Board of Supervisors; to oversee and inspect the financial and accounting reports, operation reports and profit distribution proposals formulated by the Board of Directors and provide recommendations in respect thereof to the Board of Supervisors; to formulate and implement the plans of the Board of Supervisors to supervise and inspect the financial activities, business decisions, risk management and internal control of the Bank upon the approval of the Board of Supervisors; to recommend to the Board of Supervisors for engagement of an external auditing firm to perform audits on the Bank when necessary; to guide the work of the internal audit department; to review and handle the relevant matters or documents or information reported or provided by the Board of Directors, senior management or any of their members; and to supervise the compliance of the appointment, dismissal and reappointment of external auditing firms and the fairness of the terms of engagement and remunerations, as well as independence and effectiveness of external audits, and make suggestions to the Board of Supervisors; and to perform other duties as required by the laws, administrative regulations and departmental rules, or as authorized by the Board of Supervisors. At the end of the reporting period, the Finance and Internal Control Supervision Committee comprised five Supervisors, namely Mr. WANG Jingdong, Mr. FAN Jianqiang, Mr. SHAO Lihong, Ms. LIU Hongxia and Mr. XU Xianglin. The Finance and Internal Control Supervision Committee was chaired by Ms. LIU Hongxia.

Meetings of the Finance and Internal Control Supervision Committee

Number of Meetings	Reviewing Proposals or Listening to Reports
4	Reviewed nine proposals, including the supervision and assessment report on the work of serving Sannong for 2020, and listened to 18 reports, including the monitoring and analysis report on the financial and operation conditions for 2020.

Work of External Supervisors

During the reporting period, the External Supervisors performed their supervisory duties diligently in accordance with the Articles of Association. They reviewed the relevant proposals, listened to the work reports, and carried out the supervision and investigations. They attended meetings of the Board of Supervisors and its special committees thereof, and provided professional, rigorous and independent advice and opinions. The External Supervisors played active roles in improving our corporate governance and enhancing our operation management level.

Work of Board of Supervisors

Please refer to the “Report of the Board of Supervisors”.

Senior Management

As our execution organ, the Senior Management is accountable to the Board of Directors and shall submit themselves to the supervision of the Board of Supervisors. The senior management is responsible for, among other things, taking charge of our operation and management, and making arrangements to implement resolutions of the Board; formulating our basic management systems and policies, and establishing our specific rules and regulations (other than internal audit rules and regulations); formulating our business plans and investment proposals, and making arrangements for their implementation after they are approved by the Board of Directors; formulating our annual financial budget and final accounts, risk capital allocation plans, profit distribution plans, loss appropriation plans, plans for increase or reduction of registered capital, plans for issuance of corporate bonds or other negotiable securities and listing plans, and shares repurchase plans, and making proposals to the Board of Directors, etc.

Composition of the Senior Management

At the end of the reporting period, the Bank’s Senior Management comprised eight members, namely, Mr. ZHANG Qingsong, Mr. ZHANG Xuguang, Mr. LIN Li, Mr. CUI Yong, Mr. XU Han, Mr. ZHANG Yi, Mr. LI Zhicheng and Mr. HAN Guoqiang.

Work of the Senior Management

Authorized by the Board of Directors, the Senior Management effectively promoted the bank-wide operation and management in compliance with the Articles of Association and other governance documents of the Bank. During the reporting period, the senior management members held more than 700 president’s office meetings and thematic conferences to study on how to implement the decisions and plans of the Board of Directors and formulate the operation plans, operation strategies and management measures which were subject to well-timed adjustments in response to the market changes. The senior management members proactively invited the Directors and Supervisors to attend key meetings and events, solicited their opinions and advice, and maintained close communication with the Board of Directors and the Board of Supervisors, thereby constantly improving the quality and efficiency of our operation and management.

Related Party Transactions and Intra-group Transactions

Management System of Related Party Transactions and Intra-group Transactions

The Bank has formulated the related party transactions management systems, including the *Measures for Related Party Transactions Management of Agricultural Bank of China Limited* and *Implementation Measures for Related Party Transactions Management of Agricultural Bank of China*, as well as intra-group transactions management systems, including the *Measures for Intra-group Transactions Management of Agricultural Bank of China* and *Operating Rules for intra-group Transactions Limit Management of Agricultural Bank of China (Provisional)*, which standardized the related party transactions and intra-group transactions management of the Bank.

Procedures and entities in charge to review and approve related party transactions and intra-group transactions

The Shareholders' General Meeting and the Board of Directors of the Bank shall supervise and manage the related party transactions of the Bank. The responsibilities of the Related Party Transactions Management Committee under the Board of Directors are to manage the related party transactions of the Bank; identify our related parties; review, approve or maintain filings of the related party transactions of the Bank within its scope of duties and authorities.

The related party transactions of the Bank shall be approved in accordance with its business authorization, while the material related party transactions are subject to the approval of the Board of Directors.

The related party transactions between the Bank and a related party with a single transaction volume amounting to more than 30 million (inclusive) and representing more than 5% (inclusive) of the absolute value of the Bank's latest audited net asset, and the related party transactions with non-commercial banking guarantees provided to the related parties shall be submitted to the Shareholders' General Meeting for approval after being reviewed and approved by the Board of Directors.

The Bank implements annual cap management over its intra-group transactions and approves the intra-group transactions in accordance with its business authorization. The general intra-group transactions exceeding the limit and the material intra-group transactions are subject to the approval of the President and the Board of Directors, respectively.

Details of the Related Party Transactions

In 2021, we implemented the regulation and management of the related party transactions strictly in compliance with the regulatory requirements of the CBIRC and the securities laws of the PRC and the listing rules of Shanghai and Hong Kong. During the reporting period, our related party transactions were conducted on normal commercial terms and in accordance with the laws and regulations. Our pricing for interest rates followed fair business principles, and no impairment of the interests of the Bank or the minority shareholders was identified.

In 2021, we conducted various related party transactions with connected persons (as defined in the Hong Kong Listing Rules) of the Bank in the ordinary course of business. Such transactions satisfied the applicable exemption conditions set out in Rule 14A.73 under the Hong Kong Listing Rules, and therefore were fully exempted from compliance with the requirements of shareholders' approval, annual review and all requirements in relation to disclosures.

For the related party transactions defined in accordance with the domestic laws and regulations as well as the accounting standards, please refer to "Note IV. 40 Related Party Transactions to the Consolidated Financial Statements".

Incentive & Constraint Mechanism

We have established a system of deferred payment, recall and deduction of performance salary. Where the senior management members and personnel in key positions violate laws and disciplines or are responsible for significant risk losses, we will deduct, recall and cease the payment of their performance salary and deferred remuneration for the corresponding period based on the severity. The establishment of the remuneration allocation as well as incentive and constraint mechanism enables us to balance the salary between current and future periods as well as between revenue and risks, ensuring the remuneration incentive matches the risk-adjusted performance.

Risk Governance

Risk Appetite

Risk appetite is a term that refers to the levels and types of risks acceptable to and tolerable for the Bank as determined by the Board of Directors in order to achieve the strategic targets of the Bank, which depends on the expectations and constraints of our major stakeholders, external operating environment and actual conditions of the Bank.

We adopt a prudent risk appetite, operate strictly in compliance with laws and regulations, and insist on maintaining a balance among capital, risks and gains, as well as consistency in security, profitability and liquidity. We are neither aggressive nor conservative in risk bearing. Through undertaking an appropriate level of risk and adopting proactive and effective management, we seek to achieve moderate returns and maintain sufficient risk provisions and capital adequacy to cover risk losses. The Bank continues to improve the comprehensive risk management system, proactively implement advanced approaches of capital management, and maintains good regulatory ratings and external ratings, to provide assurance for realizing our strategic objectives and business plans.

Risk Management Structure

The Board of Directors assumes the ultimate responsibility for risk management. The Risk Management and Consumers' Interests Protection Committee, the Audit and Compliance Committee and the Risk Management Committee of Institutions in the United States Regions under the Board of Directors perform the relevant risk management functions, review the key risk management issues and supervise and evaluate the establishment of risk management system and the risk condition of the Bank.

The senior management is the organizer and executor of risk management of the Bank. Under the senior management, we have various risk management committees with different functions, including the Risk Management and Internal Control Committee, Credit Approval Committee, Asset and Liability Management Committee and Asset Disposal Committee. Among them, the Risk Management and Internal Control Committee is primarily responsible for organizing and coordinating risk and compliance management across the Bank, considering and approving material risk management and compliance management issues.

The Board of Supervisors is responsible for risk management supervision. It supervises and inspects on due diligence of the Board of Directors and the senior management in risk management and urges them to make rectifications. It includes relevant supervision and inspection information into the work report of the Board of Supervisors and regularly reports to the shareholders' general meeting.

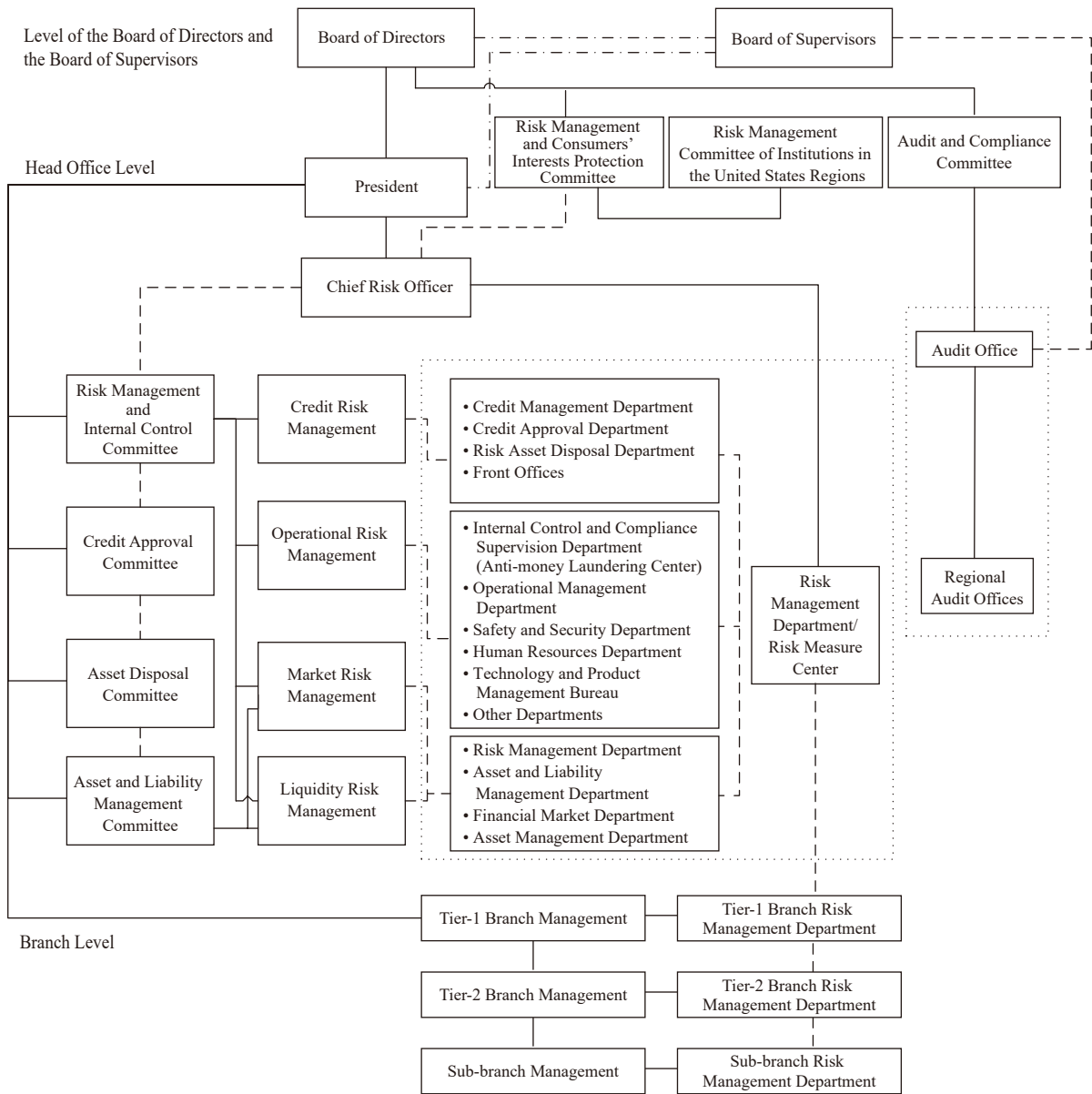
Based on the principle of "overall coverage", we established the "matrix" risk management organizational system and the "Three Lines of Defense" for risk management comprising the risk bearing departments, risk management departments and internal audit departments. In 2021, we further promoted the integrated risk management of the parent company and the subsidiaries as well as of the domestic and overseas institutions, and optimized the management framework of credit risk, market risk and operational risk.

Role and Responsibilities of the Chief Risk Officer

The Chief Risk Officer of the Bank is to lead the construction of a comprehensive risk management system and the implementation of the Basel Capital Accord, coordinate the establishment of the Bank's organizational structure for risk management, supervise the implementation of the risk management strategies and risk appetite, review major risk management policies and rules, promote the establishment and improvement of risk management information system and a data quality control mechanism, and lead the reporting of the Bank's overall risk management to the Board of Directors and its special committees.

Management and Status of Various Risks

Please refer to "Discussion and Analysis — Risk Management".



Risk Management Structure of the Bank

Internal Control

Internal Control Environment

Responsible Body and Department

The Board of Directors of the Bank is responsible for establishing a sound internal control system, effectively implementing the internal control, evaluating its effectiveness, and disclosing the internal control assessment report. The Audit and Compliance Committee, the Risk Management and Consumers' Interests Protection Committee, the Risk Management Committee of Institutions in the United States Regions, and the Related Party Transactions Management Committee established under the Board of Directors are responsible for performing the corresponding duties related to internal control management. The Senior Management is responsible for the daily operation of internal control. The Board of Supervisors supervises the establishment and implementation of internal control by the Board of Directors and the Senior Management. Under the vertical management, the Bank established the internal Audit Office and regional internal audit offices to perform the responsibilities of audit supervision over internal control and are responsible for and report to the Board of Directors and its Audit and Compliance Committee. There are internal control and compliance supervision departments at the Head Office and all branch levels, which are responsible for organising, promoting and coordinating internal control of the Bank.

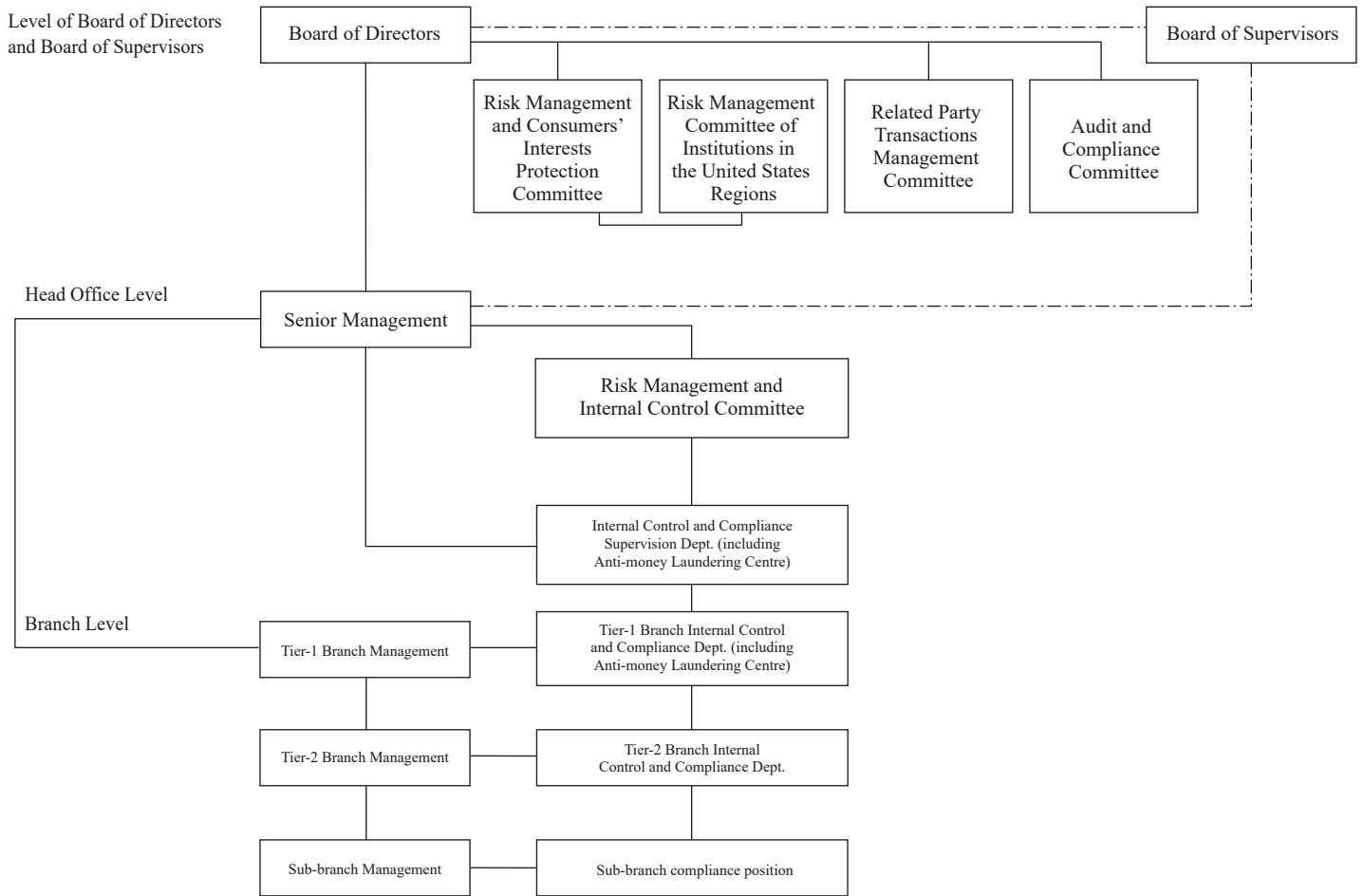
Objectives of Internal Control Management

The objectives of our internal control are to reasonably ensure our legal and compliant operation and management, make the financial reports and related information truthful and complete, ensure effective risk management and asset security, improve the efficiency and effectiveness of our operation, and facilitate the fulfilment of our business goals and development strategies.

Internal Control Evaluation

The Board of Directors has considered and approved the *2021 Internal Control Assessment Report of ABC*, details of which are published on the website of the Shanghai Stock Exchange.

KPMG Huazhen LLP issued an unqualified *Internal Control Audit Report* based on its audit of the effectiveness of the Group's internal control over financial reporting as of 31 December 2021 in accordance with the relevant regulations, details of which are published on the website of the Shanghai Stock Exchange.



Internal Control Management Structure of the Bank

Internal Control Activities

Implementation of Internal Control

Our internal control environment was optimized. We initiated campaigns the Year of Internal Control Compliance Management and the Year of System Compliance Management. We made self-inspection according to the regulatory requirements, fixed problems repeatedly occurred and improved the system of rules and regulations, to continuously build a long-term mechanism for our internal control compliance management. We issued the *Basic Compliance Management System* to clarify the fundamental requirements of compliance management and ensure compliant and sound operation of the Bank.

Our capabilities to identify and evaluate risks were enhanced. We optimized the platform for preventing, monitoring and early warning on cases of violations, that we could effectively use risk monitoring models to strengthen early warning and monitoring, and promptly carry out clue verification. We also promoted the development of an intelligent anti-fraud platform to strengthen the management of fraud risk in businesses and transactions from the source. We deepened the establishment of a new generation of the anti-money laundering platform to strengthen our management of money laundering risk and sanctions risk.

The control actions were taken efficiently. Within the scope of authorization by the Board of Directors, authority was properly delegated or sub-delegated to all levels. We implemented classified management for domestic branches and strengthened differentiated authorization. We revised *Management Measures on Inspections* and formulated *Management Measures on External Inspection Matters* to improve our compliance supervision mechanism. We solidly promote the Sharp Arrow Plan, by deepening analysis on and review as well as deconstruction of cases and carrying out special actions to clear cases of violations in a centralized manner. We optimized the “three lines and one grid” management model to strengthen the responsibilities by grid management. We formulated Rules on Duty Separation for Incompatible Positions to improve the internal control mechanism for operational risk. We strengthened the management of the list for related parties and daily monitoring and inspection on the related party transactions. We reinforced the management of intra-group trading limit to consolidate the firewall against intra-group trading risk. We deepened the compliance management for overseas institutions and subsidiaries that we carried out special off-site evaluation of overseas institutions, standardized the contents of the internal control and compliance information reports of our subsidiaries, and improved the accuracy of tracking and monitoring.

Smooth information and communication sharing was maintained. We explored the establishment of the integrated and digitalized internal control to build an intensive, shared and intelligent management mechanism that adapts to the development of the new era. We upgraded the information systems for internal control and compliance as well as for operational risk management, by strengthening the docking among systems, to gradually solve the problems of disconnection among the systems and isolation of data and information.

Our internal supervision and assessment were improved. We revised the *Internal Control Assessment Method* to make internal control assessment more pertinent and forward-looking. Focusing on issues such as private lending, auto installment, and misappropriation of funds from corporate accounts, we innovated risk monitoring ideas and promoted risk management in key areas. We highlighted key elements of credit business such as online credit, trading background, collateral management and use of loan funds, to increase screening efforts. The indiscriminate charges in areas such as inclusive loans for small and micro enterprises were strictly investigated. The rectification of our problems identified during key internal and external inspections was fully promoted. Our accountability management mechanism was reconstructed and our responsibility determination mechanism covering all risks was built.

Internal Control on Financial Statements

We follow the principles of all-sidedness, priority, balancing, adaptability and cost-effectiveness to establish and implement internal control over financial statements in accordance with the requirements of the *Basic Internal Control Norms for Enterprises* issued by the MOF.

The financial statements of the Bank are prepared by the management, signed by the legal representative, the president in charge of accounting and the head of the accounting department, and approved by the Board of Directors for external submission or disclosure.

The Audit and Compliance Committee of the Board of Directors of the Bank is responsible for reviewing the Bank's major financial and accounting policies and their implementation, and supervising the financial operations; supervising and assessing the Bank's internal audit and the Bank's internal audit system and its implementation; supervising and assessing the accounting firm's annual audit plan, its scope of work and important audit rules; making judgmental reports on the truthfulness, completeness and accuracy of the information in the audited financial statements of the Bank and submitting them to the Board of Directors for consideration.

The Finance and Internal Control Supervision Committee of the Bank's Board of Supervisors is responsible for drawing up a work plan and a implementation plan for the finance and internal control supervision of the Board of Supervisors, submitting the plans to the Board of Supervisors and organizing the implementation after approval by the Board of Supervisors; supervising and inspecting the Bank's financial statements and making recommendations to the Board of Supervisors; drawing up the plans for supervision and inspection of the Bank's financial activities and internal control of the Board of Supervisors, submitting the plans to the Board of Supervisors and organizing the implementation after approval by the Board of Supervisors.

Internal Supervision

Role of Audit and Compliance Committee of the Board of Directors

For details, please refer to “Corporate Governance Report — Operation of Corporate Governance — Board of Directors”.

Role of the Board of Supervisors

For details, please refer to “Report of the Board of Supervisors”.

Internal Audit

Structure of Internal Audit

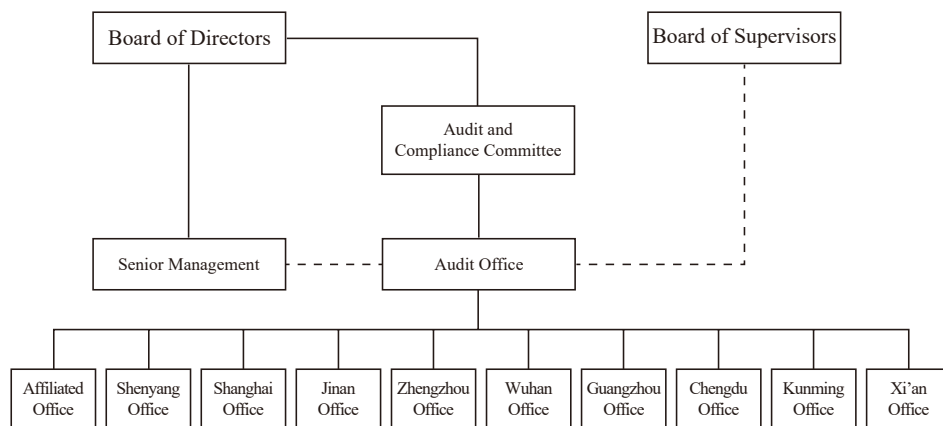
We have established an audit department that is accountable to and shall report to the Board of Directors and its Audit and Compliance Committee. The audit department is under the guidance of and shall report the audit results to the Board of Supervisors and the Senior Management. It conducts the audits and evaluations of management, business practices, and business performance across the Bank based on the risk-oriented principles. It consists of the Audit Office at the Head Office and ten regional offices. The Audit Office is responsible for the organization, management and reporting of audit works across the Bank. The regional offices under the Audit Office are responsible for internal audit of their respective branches, and shall be accountable to and report to the Audit Office. Besides, audit divisions are established in the tier-1 branches excluding those in which the ten Regional Audit Offices station, while independent internal audit functions are instituted in the overseas operation institutions and the subsidiaries of integrated operations.

Operation of Internal Audit

During the reporting period, in accordance with the strategic decisions of the Board of Directors and the external regulatory requirements, based on the risk-oriented principles, we carried out the risk management audit with a focus on serving the real economy, serving Sannong, internal control and prevention of cases of violations, financial management, online credit, and collection business. We conducted specific audits on various aspects, including anti-money laundering, consumers' interests protection, information technology management, exemption from repayment of non-performing loans, consolidated management at group level, real estate loans, performance appraisal and remuneration management, operational risk, wealth management business, and outsourcing risk. The audit for overseas institutions was steadily promoted. We standardized the implementation of audit on responsibilities of Senior Management. We carried out practical supervision of the rectification of problems identified during our internal audit. We continuously promoted the digital transformation of audit, intensified off-site monitoring efforts and strengthened audit skill trainings to effectively facilitate the implementation of strategic decisions, the improvement of our basics of management and the steady growth of business across the Bank.

Audit Recommendations

During the reporting period, our audit department put forward the audit recommendations in the areas such as internal control and prevention of cases of violations, finance and accounting, credit, collection business and information technology management. Attaching great importance to the various audit findings and audit recommendations, we formulated the rectification measures in a timely manner, implemented the rectification requirements and audit recommendations, to ensure the problems found in the audit were effectively rectified.



The chart of organizational structure of internal audit of the Bank

External Audit

Information on External Auditors

The consolidated financial statements of the Group for 2021 prepared in accordance with CASs and IFRSs have been audited by KPMG Huazhen LLP¹ and KPMG² (collectively, the “KPMG”), respectively, in accordance with the China Standards on Auditing and International Standards on Auditing, on both of which the unqualified audit opinions were issued. The KPMG Huazhen LLP also implemented audit procedures and issued audit opinions on the effectiveness of the Group’s internal control of consolidated financial statements.

The external auditors regularly attended the meetings of the Audit and Compliance Committee of the Board of Directors to communicate the audit plans and major audit findings; put forward the management recommendations on the findings related to our internal control to optimize our business management and issued the management letters, and reported to the Audit and Compliance Committee of the Board of Directors as well as the Finance and Internal Control Supervision Committee of the Board of Supervisors; and independently verified and evaluated the implementations of the findings related to internal control and the management recommendations.

Independence of External Auditors

The external auditors reported to the Audit and Compliance Committee of the Board of Directors in compliance with the code of professional ethics related to independence in accordance with the requirements of Communication with Those Charged with Governance in the International Standards on Auditing and Chinese Certified Public Accountants Auditing Standards. In providing audit and non-audit services, the external auditors of the Bank followed the International Code of Ethics for Professional Accountants (including international independence standards), the Chinese Code of Professional Ethics for Certified Public Accountants, relevant regulatory requirements and KPMG’s own strict independence policy to ensure their independence in both form and substance.

¹ KPMG Huazhen LLP is Recognized Public Interest Entity Auditor under Financial Reporting Council Ordinance in Hong Kong.

² KPMG is Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance in Hong Kong.

External Auditors' Engagement and Remuneration

As approved by the 2020 Annual General Meeting of the Bank, we engaged KPMG as our 2021 accounting firm. 2021 is the first year KPMG provides audit service to the Bank.

In 2021, a total fee of RMB91.0646 million was paid to KPMG by us for the Group's financial statements audit service, including RMB7.2852 million for the internal control audit service. In 2021, a total fee of RMB13.5604 million was paid to KPMG and its network member firms by us for providing the financial statement audit service to our subsidiaries and overseas branches. In 2021, a total fee of RMB1.2448 million was paid to KPMG and its network member firms by us for providing the non-audit professional services including bond issuance and tax advisory service.

Change of Auditors

In accordance with the *Management Measures for Selection and Engagement of Accounting Firms in State-Owned Financial Institutions (Cai Jin [2020] No. 6)* issued by the Ministry of Finance, as PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers reached the maximum service period of eight years after completing the annual audits for 2020, the external auditors of the Bank are required to change.

The General Meeting of the Bank reviewed and approved the *Proposal on Appointment of External Auditors for 2021* on 27 May 2021, and agreed to appoint KPMG as our 2021 accounting firms. KPMG Huazhen LLP is responsible for providing audit service for the consolidated financial statements of the Group prepared in accordance with CASs and for internal control, while KPMG is responsible for providing audit service for the consolidated financial statements of the Group prepared in accordance with IFRSs.

Communication with Stakeholders

Communication with Shareholders

Information Disclosure

The Chairman of the Board of Directors of the Bank shall assume primary responsibility for the management of information disclosure affairs. The Secretary to the Board of Directors is responsible for the organizing and coordinating the information disclosure affairs. We have established an information disclosure policy system covering the basic system, administrative measures and operating instructions, complying with the regulatory requirements for listed companies. We continuously enhanced the ESG information disclosure, and laid stress on the strategy development and implementation as well as the business highlights, so as to respond to the market and investors' concerns effectively and improve our transparency of information disclosure. In 2021, the Bank disclosed 344 documents on the Shanghai Stock Exchange and the Hong Kong Stock Exchange in aggregate, and the assessment of our information disclosure by the Shanghai Stock Exchange was "A".

During the reporting period, we had no rectification for any material accounting errors, no omission of material information and no amendment required for any preliminary results announcement.

We continued to strengthen the management of inside information and enhance the compliance awareness of the insiders. We also arranged annual self-examination on inside trading and carried out registration and filling for the insiders.

Investor Relations

Results announcement press conferences. We convened two results announcement press conferences for 2020 annual results and 2021 interim results.

Investor and analyst meetings. We organized nearly one hundred investor and analyst meetings in various forms including on-site meeting and teleconference, covering leading investment and research institutions in the market, at which hot topics in the market were communicated deeply.

Online Q&A. We replied to investors' enquiries on the Shanghai Securities E-platform regularly and actively participated in the event named the day of collective reception of investors of the listed companies in Beijing for 2021.

Capital market summits. We participated in nearly 20 capital market summits.

Other communication with investors. We continued to answer calls on the investors' hotline and reply the IR email to answer investors' enquiries.

Contact details. If investors have any enquiries, or if shareholders have any aforesaid suggestions, enquiries or proposals, please contact:

The Team of Investor Relationship Management under the Office of the Board of Directors of Agricultural Bank of China Limited

Address: No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, China

Tel: 86-10-85109619

Fax: 86-10-85126571

E-mail: ir@abchina.com

Communication with Customers

For details, please see “Discussion and Analysis — Business Review”.

Communication with Employees, Communities, Suppliers and Other Stakeholders

For details, please see the *2021 Corporate Social Responsibility Report (ESG Report)* of the Bank published separately.

Communication with Lawyers

We applied the lawyer witness system for the shareholders' general meetings, for which lawyers have issued their legal opinions. The lawyers put forward compliance suggestions on our information disclosure documents and important issues in relation to corporate governance.

Communication with External Auditors

For details, please see “Corporate Governance Report — External Audit”.

Other Information on Corporate Governance

Corporate Governance Code

We fully complied with all the principles and code provisions, and almost all the recommended best practices of the *Corporate Governance Code* set out in Appendix 14 to the Hong Kong Listing Rules during the reporting period.

The Board of Directors actively performed its corporate governance duties, continuously refined the relevant systems for corporate governance, and continuously evaluated and improved our corporate governance. The special committees under the Board of Directors performed their duties strictly in accordance with the applicable requirements of corporate governance.

Evaluation of Corporate Governance

During the reporting period, in line with the requirements of the CBIRC, we conducted a comprehensive and detailed self-evaluation of our corporate governance system and its constructions through 162 indicators of eight aspects, such as leadership of the Party, governance of shareholders, governance of the Board of Directors, governance of the Board of Supervisors and the Senior Management, internal control on risks, governance of related party transactions, market constraints and governance of other stakeholders, and we also received a regulatory evaluation from the CBIRC.

During the reporting period, in line with the requirements of the CSRC, we combed through our corporate governance for 2018, 2019 and 2020, completed corporate governance self-check and submitted the *Corporate Governance Self-check List for Listed Companies*.

Significant Changes to the Articles of Association

There was no significant change to our Articles of Association during the reporting period.

Securities Transactions by Directors and Supervisors

The Bank has adopted a code of conduct for securities transactions by Directors and Supervisors with terms no less strictly than those set out in the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 to the Hong Kong Listing Rules. The Directors and Supervisors of the Bank have confirmed that they have complied with such code of conduct throughout the year ended 31 December 2021.

Report of the Board of Directors

Principal Business and Business Review

Our principal business is to provide banking and related financial services. Details of our business operations and business review as required by Schedule 5 to the *Companies Ordinance* of Hong Kong are set out in relevant sections including “Discussion and Analysis”, “Information on Environmental, Social and Corporate Governance”, “Corporate Governance Report”, “Significant Events”, “Notes to the Consolidated Financial Statements” and this “Report of the Board of Directors”.

In particular, please refer to “Business Review” and “Risk Management” under “Discussion and Analysis” and “Risk Governance” under “Corporate Governance Report” for our business review, discussion and analysis of the performance for the reporting year, principal risks and uncertainties faced by us and future business development. Please refer to “Discussion and Analysis — Financial Statement Analysis” for the analysis of the financial key performance indicators. Please refer to “Information on Environmental, Social and Corporate Governance” for the environmental and social performance and policies of the Bank. Please refer to “Discussion and Analysis — Risk Management” and “Corporate Governance Report — Internal Control” for the compliance with the relevant laws and regulations that would have a significant impact on the Bank. Please refer to “Business Review — Human Resources Management and Institution Management”, “Information on Environmental, Social and Corporate Governance” and “Communication with Stakeholders” under “Corporate Governance Report” for the Bank’s relationships with its employees, clients and shareholders.

Major Customers

For the year ended 31 December 2021, the interest income and other operating income from the five largest customers of the Bank accounted for no more than 30% of the interest income and other operating income of the Bank.

Share Capital and Public Float

At 31 December 2021, our total share capital of ordinary shares amounted to 349,983,033,873 shares, including 319,244,210,777 A Shares and 30,738,823,096 H Shares. At the date of this announcement, we maintained sufficient public float in compliance with the minimum requirement of the Hong Kong Listing Rules and the waiver granted by the Hong Kong Stock Exchange upon our listing.

Purchase, Sale or Redemption of the Bank’s Shares

For the year ended 31 December 2021, neither the Bank nor its subsidiaries purchased, sold or redeemed any of its listed shares.

Pre-emptive Rights

There is no mandatory provision in relation to pre-emptive rights in the Articles of Association. According to the Articles of Association, we are entitled to increase the registered capital by issuing shares through public or non-public offering, allotting new shares to the existing shareholders (except holders of our preference shares), transferring the capital reserve funds to increase share capital and through other methods as permitted by laws, administrative regulations and relevant authorities.

Equity-linked Agreement

We issued preference shares “農行優1” (stock code: 360001) and “農行優2” (stock code: 360009) on 31 October 2014 and 6 March 2015, respectively.

We set the events triggering mandatory conversion of the preference shares “農行優1” and “農行優2” into ordinary A Shares, respectively, in accordance with relevant regulations, including:

- (i) If our Common Equity Tier 1 (“CET1”) capital adequacy ratio decreases to 5.125% (or below), the preference shares will be fully or partially converted into ordinary A Shares, in order to restore our CET1 capital adequacy ratio to above 5.125%.
- (ii) All preference shares issued will be converted into ordinary A Shares upon the earlier occurrence of the following two situations:
 - (a) the CBIRC is of the view that we can no longer subsist if the preference shares are not converted;
 - (b) relevant authorities consider that we could not subsist without capital injection from public sector or any support to the same effect.

If any of the triggering events above happens and all of preference shares “農行優1” and “農行優2” are mandatorily converted into ordinary A Shares at the conversion price, the number of ordinary A Shares upon conversion will not exceed 32,520,325,204 shares. No events have happened so far which would trigger the mandatory conversion of the preference shares “農行優1” or “農行優2” into ordinary A Shares.

During the reporting period, except for the above disclosure, we did not enter into, nor did there subsist, any other equity-linked agreement.

Profits and Dividends Distribution

The Board of Directors proposed distribution of cash dividends of RMB2.068 (tax inclusive) for each ten shares of 349,983,033,873 ordinary shares for 2021 with a total amount of approximately RMB72,376 million (tax inclusive). The distribution plan will be submitted for approval at the 2021 Annual General Meeting. Please refer to “Corporate Governance Report — Shareholding Structure — Particulars of Ordinary Shares” for details.

The Dividends Distribution Policy and Implementation of the Cash Dividend Policy

Please refer to “Corporate Governance Report — Shareholding Structure — Particulars of Ordinary Shares” for details.

Reserves

Details of the changes of reserves for the year ended 31 December 2021 are set out in “Consolidated Statement of Changes in Equity” in the Consolidated Financial Statements.

Financial Summary

Summary of operating results, assets and liabilities for the five years ended 31 December 2021 is set out in “Basic Corporate Information and Major Financial Indicators”.

Donations

During the year ended 31 December 2021, our external donations (domestic) amounted to RMB100.60 million.

Property and Equipment

Details of the changes of property and equipment for the year ended 31 December 2021 are set out in “Note IV. 21 Property and Equipment to the Consolidated Financial Statements”.

Employee Benefit Plans

For details of employee benefit plans, please refer to “Note IV. 31 Other Liabilities (1) Staff costs payable to the Consolidated Financial Statements”. Same as previous years, there was no forfeited contribution available to reduce the contribution payable by the Bank under the defined contribution schemes for 2021.

Management Contracts

Except for the service contracts with our management personnel, we have not entered into any contract with any person, company or legal entity to manage or handle the whole or any material part of its businesses.

Directors’ and Supervisors’ Interests in Material Transactions, Arrangements or Contracts

For the year ended 31 December 2021, none of our Directors or Supervisors or parties related to such Directors and Supervisors had any material interests, either directly or indirectly, in any material transaction, arrangement or contract regarding our business to which the Bank or any of its subsidiaries, the controlling shareholders of the Bank or any of their subsidiaries was a party. None of our Directors or Supervisors has entered into any service contract with the Bank or any of its subsidiaries, pursuant to which the Bank needs to pay compensation (other than statutory compensation) for terminating the contract within one year.

Directors’ Interests in Competing Businesses

None of our Directors held any interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Bank.

Rights of Directors and Supervisors to Acquire Shares or Debentures

For the year ended 31 December 2021, the Bank did not grant any rights to acquire shares or debentures to any Directors or Supervisors, nor was any of such rights exercised by any Directors or Supervisors. Neither the Bank nor its subsidiaries entered into any agreements or arrangements enabling the Directors or Supervisors to obtain benefits by acquiring shares or debentures of the Bank or any other corporations.

Interests in Shares, Underlying Shares and Debentures Held by Directors and Supervisors

None of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the *Securities and Futures Ordinance* of Hong Kong) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the *Securities and Futures Ordinance* of Hong Kong (including interests and short positions deemed to be owned by them under such provisions of the *Securities and Futures Ordinance* of Hong Kong), or any interests or short positions which were required to be recorded in the register referred to in Section 352 of the *Securities and Futures Ordinance* of Hong Kong, or any interests or short positions which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 to the Hong Kong Listing Rules. For the interests and short positions of substantial shareholders of the Bank and other persons, please refer to “Corporate Governance Report — Shareholding Structure — Particulars of Ordinary Shares”.

Remuneration of Directors, Supervisors and Senior Management

We have made specific rules on remuneration of the Directors, Supervisors and Senior management, and continuously improve performance assessment system and incentive & constraint mechanism of the Directors, Supervisors and Senior management. In the performance appraisal of the Senior Management by the Board of Directors, requirements such as supporting the real economy, developing green finance, preventing and controlling financial risks, deepening financial system reform, and performing social responsibility are included in the review assessment. The appraisal results will be the important basis for determining the annual performance salary of the Senior Management. The remuneration of Chairman of the Board of Directors, President, Chairman of the Board of Supervisors and other persons in charge shall be implemented in line with the relevant policy of the state on the remuneration reform of persons in charge of central enterprises. The remuneration consists of the annual basic salary, the annual performance salary and the tenure incentive income linked to the tenure assessment. The remuneration of the Senior Management shall be reviewed and approved by the Board of Directors and the remuneration of Directors and Supervisors shall be considered and approved by the Shareholders’ General Meeting. For details of the remuneration standards, please refer to “Corporate Governance Report — Directors, Supervisors and Senior Management — Remuneration of Directors, Supervisors and Senior Management”. We did not formulate any share incentive plan for the Directors, Supervisors and senior management members.

Permitted Indemnity Provisions

According to the Articles of Association, we will undertake the civil liability arising from the discharge of the duties of our Directors, Supervisors and senior management members to the largest extent permitted by, or unless prohibited by, the applicable laws and administrative regulations, except that such Directors, Supervisors and senior management members were proven to have failed to perform their duties honestly or in good faith. We have maintained liability insurance for potential liabilities that may arise from the indemnification claims against the misconducts of the Directors, Supervisors and senior management members.

During the reporting period, we have renewed the liability insurance for our Directors, Supervisors and senior management members.

Financial, Business and Family Relationship among Directors

The Directors had no relationship (including financial, business, familial or other material relationships) with each other.

Use of Proceeds

All the proceeds raised were used to strengthen our capital base to support the future development of our business as disclosed in the prospectus, offering documents and other documents.

Significant Projects Invested by Non-raised Capital

For the year ended 31 December 2021, we had no significant projects invested by non-raised capital.

Issued Debentures

For details of issued debentures during the reporting period, please refer to “Note IV. 30 Debt Securities Issued to the Consolidated Financial Statements”.

Subsidiaries

Particulars of our principal subsidiaries at 31 December 2021 are set out in “Discussion and Analysis — Business Review”.

Related Party Transactions

Please refer to “Corporate Governance Report — Related Party Transactions and Intra-group Transactions”.

Auditors

Please refer to “Corporate Governance Report — External Audit”.

Members of the Board of Directors

As of the date of this report of the Board of Directors, the composition of the Board of Directors is as follows:

Executive Directors: Mr. GU Shu, Mr. ZHANG Qingsong, Mr. ZHANG Xuguang and Mr. LIN Li;

Non-executive Directors: Mr. LIAO Luming, Mr. LI Wei, Ms. ZHOU Ji, Mr. LIU Xiaopeng and Mr. XIAO Xiang; and

Independent Non-executive Directors: Mr. WANG Xinxin, Mr. HUANG Zhenzhong, Ms. LEUNG KO May Yee, Margaret, Mr. LIU Shouying and Mr. WU Liansheng.

By Order of the Board of Directors
GU Shu
Chairman of the Board of Directors

30 March 2022

Report of the Board of Supervisors

Work of the Board of Supervisors

In 2021, the Board of Supervisors of Agricultural Bank of China implemented the financial regulatory requirements and corporate governance regulations, conscientiously fulfilled its supervisory duties, innovated supervisory methods and improved its supervisory mechanism. The enhancement of supervisory quality and effectiveness exerted the important role of the Board of Supervisors in corporate governance so as to promote the Bank's operation and development in accordance with the laws and regulations.

The Board of Supervisors closely focused on the decisions and plans of the CPC Central Committee and the State Council and carried out in-depth supervision. The Board of Supervisors monitored the implementation of rural revitalization strategy of the Bank, paid close attention to the implementation results of business development planning, policies and measures, and the basic management systems of Sannong, and conducted special investigations, supervisions and evaluations on the efforts serving Sannong, so as to promote financial services for national food security and improve the quality and efficiency of serving Sannong. The Board of Supervisors monitored the Bank's supports for high-quality development of the real economy, paid attention to the concrete effectiveness of implementing the decisions and plans of the CPC Central Committee and the State Council on serving for ensuring stability on six key fronts and maintaining security in six key areas and inclusive finance, conducted surveys and studies in some branches, visited scientific and technological innovation enterprises, and made suggestions and recommendations to promote the improvement of financial services in key areas such as manufacturing, scientific and technological innovation, and small and micro enterprises. It also monitored the Bank's efforts on preventing and mitigating financial risks, for which it monitored and analyzed credit risks of key regions, industries, products and customers, listened to reports on real estate related credit business, and investigated the collateral management and formulated the *Proposals of the Board of Supervisors*, so as to facilitate risk prevention and control in key areas.

The Board of Supervisors put forward suggestions and recommendations focusing on key issues in the Bank's business development. It fulfilled its supervisory duties on the management of consolidated statements, carried out in-depth research on the development and reform of integrated operations subsidiaries and formulated the *Proposals of the Board of Supervisors* to promote the improvement of its subsidiaries' quality of development. The Board of Supervisors paid attention to the quality of development of the Bank's deposit business, measures on enhancing the competitiveness of deposit business and their results, improvement and implementation of complementary mechanisms for deposit business, etc., to promote and strengthen the management for quality of development of deposit business. It paid attention to capital management and put forward suggestions and recommendations to promote strengthening the foundation of capital management, implement capital saving measures and improve capital management efficiency. It implemented the relevant regulatory requirements of the PBOC and the CBIRC on consumer' interests protection, and strengthened its attention and supervision on consumers' interests protection work, carried out investigation and analysis and formulated the *Proposals of the Board of Supervisors*, to facilitate the improvement of customer service mechanism. The Board of Supervisors paid attention to the audit work carried out by the National Audit Office on the Bank's

economic responsibility and the supervision opinions from the PBOC and the CBIRC on the Bank, analyzed the problems found in internal and external inspections and regulatory penalties, followed up and supervised the rectification implementation so as to facilitate the improvement in the quality of the rectification.

The Board of Supervisors solidly carried out regular supervision work and played its functional role. It carried out supervision on duty performance, completed annual due diligence evaluation, implemented daily supervision, strengthened system construction, and enriched the information carrier for recording supervision to further improve the scientificity and standardability of due diligence evaluation. It carried out financial and operational supervision, for the purpose of which it monitored the important financial decision-making of the Board of Directors and senior management and their implementation, kept abreast of the problems existing in the Bank's financial affairs as well as its operation and management, and reviewed the regular reports, profit distribution plans, etc. in accordance with the laws, to promote the compliance operation of finance. The Board of Supervisors carried out supervision on internal control and prevention of cases of violations, continued to pay attention to the Bank's internal control construction, anti-money laundering and anti-terrorist financing, compliance management of overseas institutions, and management of foreign exchange compliance, and regularly listened to the reports on relevant work and rectification status, to facilitate the improvement of internal control construction.

The Board of Supervisors continued to strengthen its own construction to improve its capability. It has improved the mechanism of transmitting and implementing supervision suggestions, including the timely delivery of supervision suggestions by the Board of Supervisors, the active cooperation by senior management, and building a closed-loop management mechanism including research and decomposition, rectification and implementation, evaluation and feedback, and continuous improvement of suggestions given by the Board of Supervisors, so as to efficiently ensure the implementation and effectiveness of supervision opinions. It expanded and enriched the forms of meeting, including listening to relevant work reports in the form of special sessions of the Board of Supervisors, and promoting supervision work at multiple levels. The Board of Supervisors did a good job in the reappointment, selection and election of supervisors upon term expiration, which enriched the professional composition of the Board of Supervisors. It strengthened the self-learning and training for supervisors, which improved the ability of supervisors to perform their duties. The Board of Supervisors strengthened the tracking and guidance to its office and enhanced its office's work planning and effectiveness, as well as roles of monitoring, analysis and performance supports.

Annual Due Diligence Evaluation of Directors, Supervisors and Senior Management Members by the Board of Supervisors

In accordance with regulatory requirements, the Board of Supervisors formulated the *Measures on Performance Evaluation for Directors, Supervisors and Senior Management (Trial)*, to further regulate the performance of Directors, Supervisors and senior management, and strengthen the performance supervision and evaluation responsibilities of the Board of Supervisors. It improved the performance record and the information carrier for recording performance supervision, by formulating the *Record Management Regulations on Performance of Supervisors* for this purpose, and compiling regular dynamics with respect to performance supervision, to further consolidate the basis for supervision and evaluation. It also carried out multi-level performance interviews, collected performance information from different sources, organized self-evaluation and mutual evaluation for Directors and Supervisors, and conducted the evaluation on Supervisors for the first time, completing due diligence evaluation of the Board of Directors, the Board of Supervisors and the Senior Management and their members in 2021.

Independent Opinions of the Board of Supervisors

Operation Compliance

During the reporting period, the Bank strictly adhered to operation compliance in accordance with applicable laws and regulations, and continued to optimize the internal control system. The Directors and the senior management members performed their duties diligently. The Board of Supervisors did not find any act by the Directors and the senior management members in performing their duties that might breach the laws, regulations and the Articles of Association or impair the interests of the Bank.

Results Announcement

The preparation and review procedures of this results announcement are in compliance with laws, administrative regulations and regulatory requirements. The announcement gives a true, accurate and complete view of the consolidated financial position and operating results of the Group.

Information Disclosure

During the reporting period, the Bank conscientiously implemented the relevant policies and measures on information disclosure, performed the duties of the information disclosure and disclosed the information in a true, accurate and complete manner, without any false report, misleading statement or material omission.

County Area Banking Business

During the reporting period, the Bank's County Area Banking Division operated in compliance with the external regulatory requirements.

Asset Acquisition and Disposal

During the reporting period, the Board of Supervisors did not find any insider trading or any act which might result in the impairment of the interests of the shareholders or loss of our assets in the process of asset acquisition or disposal by the Bank.

Related Party Transactions

During the reporting period, the Board of Supervisors did not find any act in the related party transactions that might result in the impairment of the interests of the Bank.

Internal Control

The Board of Supervisors had no objection to the conclusion of the *2021 Internal Control Assessment Report of Agricultural Bank of China Limited*.

Due Diligence Evaluation of Directors, Supervisors and Senior Management Members

The annual due diligence evaluation results of the Directors, Supervisors and senior management members are competent.

Saved as disclosed above, the Board of Supervisors had no objection to other matters subject to its supervision during the reporting period.

By Order of the Board of Supervisors
WANG Jingdong
Chairman of the Board of Supervisors

30 March 2022

Significant Events

Commitments

Subject of Commitment	Commitments	Details of commitment	Date of commitment	Due date of commitment	Performance up to date
Huijin	Non-competition commitment	<p>(1) So long as Huijin continues to hold any of our shares or is deemed to be a controlling shareholder or a connected person of a controlling shareholder or de facto controller of the Bank in accordance with the laws or listing rules of China or of the place where our shares are listed, it will not engage or participate in any competing commercial banking activities in China or abroad. If Huijin engages or participates in any competing commercial banking activities or activities which evolve into competing commercial banking activities in China or abroad, it will immediately cease to participate in, manage or engage in such competing commercial banking activities.</p> <p>(2) If Huijin obtains any governmental approval, authorization or license to operate commercial banking activities directly, or obtains any other opportunities to operate commercial banking activities, Huijin will immediately relinquish such approval, authorization or license, and will not operate any commercial banking activities.</p> <p>(3) Notwithstanding the above provisions (1) and (2), Huijin, as a state-owned investment vehicle established by the PRC government to invest in financial/banking industry, may through its investments in other companies and in any form (including but not limited to its wholly-owned entities, joint ventures, contractual joint ventures, or through its direct or indirect ownership of shares or other interests in such companies), operate or participate in any competing commercial banking activities in China or abroad.</p> <p>(4) Huijin, as a state-owned investment vehicle established by the PRC government to invest in financial/banking industry, will treat its investments in commercial banks on an equal footing, and will not confer upon any commercial banks any governmental approval, authorization or license to operate commercial banking activities or any business opportunities it obtains or may obtain, nor will it take advantage of its status as a holder of our shares or the information obtained by virtue of such status to make decisions or judgments against us or in favor of other commercial banks, and will avoid such circumstances' arising. It will exercise its shareholder's rights in our maximum or best interests as if we were its sole investment in a commercial bank, and will exercise its commercial judgment as our shareholder to maximize our best interests, and such judgment shall not be affected by its investments in other commercial banks.</p>	15 July 2010	Valid for long time	Continuous commitment and duly performed

Note: In compliance with the Notice of the State Council on Printing and Distributing the Implementation Plan of Transferring Part of State-owned Capital to Replenish Social Security Funds (Guo Fa [2017] No. 49), the SSF shall be obligated to observe a lock-up period not less than three years from the date on which the shares are credited to the account. At 31 December 2021, the SSF strictly fulfilled the above commitment, and there was no violation of the commitment.

Material Litigations and Arbitrations

During the reporting period, there was no litigation or arbitration with material impact on our operations.

At 31 December 2021, the value of the claims of the pending litigation or arbitration in which the Bank was involved as a defendant, a respondent or a third party amounted to approximately RMB3.5 billion. The management believes that the Bank has made full provision for potential losses arising from the aforesaid litigation or arbitration, and they will not have any material adverse effect on our financial position or operating results.

Material Equity Investments and Material Non-equity Investments in Progress

In July 2018, we entered into the *Promoters' Agreement on National Financing Guarantee Fund Co., Ltd.*, pursuant to which, we shall invest RMB3 billion in National Financing Guarantee Fund Co., Ltd., which shall be paid up annually in four years from 2018. In November 2018, June 2019, April 2020 and May 2021, we completed the first, second, third and fourth contributions with RMB0.75 billion each, respectively.

In July 2020, we entered into the *Promoters' Agreement on the National Green Development Fund Co., Ltd.*, pursuant to which, we shall invest in the National Green Development Fund Co., Ltd. In April 2021, we received the *Approval of the CBIRC on Agricultural Bank's Participation in the Establishment of National Green Development Fund Co., Ltd. (Yin Bao Jian Fu [2021] No. 321)*, and were approved investing in National Green Development Fund Co., Ltd. We shall invest RMB8 billion in the National Green Development Fund, which will be paid in five instalments. In May 2021, we paid for the first instalment in the amount of RMB0.8 billion.

In December 2020, the Board of Directors of the Bank considered and approved to increase the share capital of ABC Financial Asset Investment Co., Ltd. (a subsidiary of the Bank) by RMB10 billion. Upon CBIRC's approval in January 2021, the Bank has completed this capital increase.

Please refer to our relevant announcements published on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk) for details.

During the reporting period, saved as disclosed above, we did not have any other material equity and non-equity investment.

Miscellaneous

Major Asset Acquisition, Disposal and Merger

During the reporting period, we did not carry out any major asset acquisition, disposal or merger.

Implementation of Share Incentive Plan

During the reporting period, we did not implement any share incentive schemes such as share appreciation rights scheme for the management or employee share ownership scheme.

Material Related Party Transactions

During the reporting period, we did not enter into any material related party transaction.

Material Contracts and Their Performance

Material custody, contract and lease

During the reporting period, we did not enter into any material custody, contracting or leasing arrangements on the assets of other companies, which were subject to disclosure and no other companies entered into any custody, contracting or leasing arrangements on our assets, which were subject to disclosure.

Material Guarantees

Provision of guarantees is one of our off-balance-sheet businesses in our usual course of business. During the reporting period, we did not have any material guarantees required to be disclosed, except for the financial guarantee services within the business scope as approved by the PBOC and the CBIRC.

External guarantee

During the reporting period, the Bank did not enter into any guarantee contracts in violation of laws, administrative regulations or the external guarantee resolution procedures stipulated by the CSRC.

Major Centralized Procurement

During the reporting period, there were no centralized procurement which had material impact on our cost and expenses.

Misappropriation of the Bank's Funds by Controlling Shareholders and Other Related Parties for Non-operating Purposes

None of our controlling shareholders or other related parties misappropriated any of the Bank's funds for non-operating purposes. KPMG Huazhen LLP issued the *Special Statement on the Fund Occupation without Operating Purpose and other Fund Transfer between Related Parties of Agricultural Bank of China Limited for the Year of 2021*.

Penalties Imposed on the Bank and its Directors, Supervisors, Senior Management and Controlling Shareholders

During the reporting period, we were not under investigation in accordance with the law for suspected crimes, and the controlling shareholders, Directors, Supervisors and senior management of the Bank were not subject to compulsory measures in accordance with the law for suspected crimes; the Bank or its controlling shareholders, Directors, Supervisors and senior management have not been subject to any criminal punishment, nor have they been subject to any investigation by the CSRC or administrative punishment by the CSRC for suspected violation of laws or regulations, and have not been subject to any material administrative punishment by other competent authorities; none of the controlling shareholders, Directors, Supervisors and senior management of the Bank has been subject to detention by the disciplinary inspection and supervision authorities for suspected serious violations of discipline or law, or duty-related crimes, which may affect their performance of duties; the Directors, Supervisors and senior management of the Bank have not been subject to compulsory measures by other authorities due to suspected violation of laws and regulations, which may affect their performance of duties.

Integrity of the Bank and Controlling Shareholders

There was no circumstance where we or our controlling shareholders have failed to fulfill an effective court judgment or repay any outstanding debt of a significant amount that matured.

Honors and Awards

Organizations

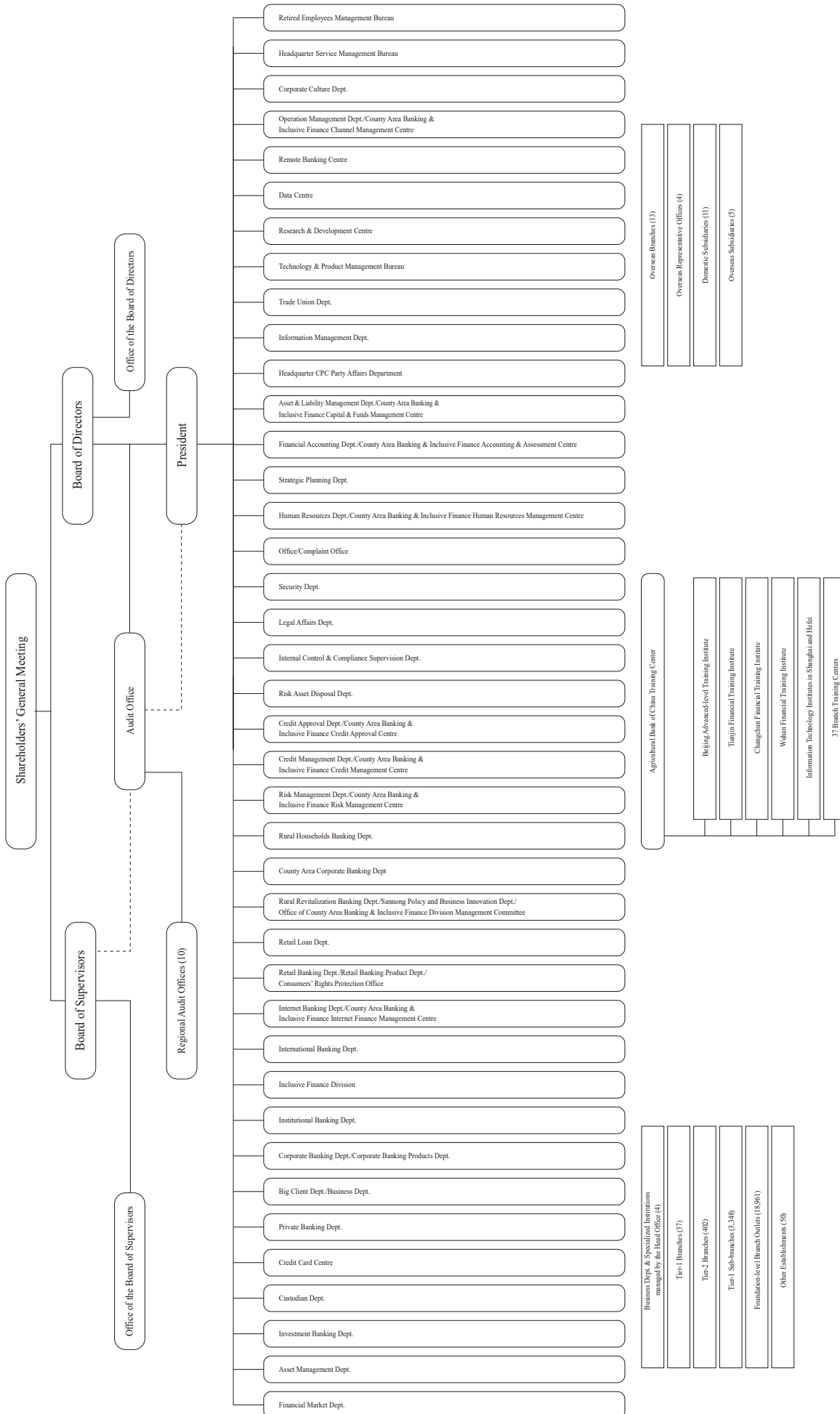
Honors and Awards

Securities Times	The Twelfth Tianma Award for Investor Relations of Chinese Listed Companies • Best Investor Relations Award for Chinese Listed Companies
The Asset	2021 ESG Golden Award China Best Digital Bank of the Year Best Risk Management Project Award Best Blockchain Project Award Best Retail Social Media Banking Experience Award Best Emerging Digital Technologies Project Award Editors' Triple Star, Business Strategy Top Investment House, Bank, China/Hong Kong, Rank 3, Asian G3 Bond Best Syndicated Loan Award
Asiamoney	Best Green Finance Bank of the Year
China Foreign Exchange Trade System	2020 Core Trader in Interbank Local Currency Market 2020 Excellent Bonds Market Trader 2020 Opening-up Contribution Award 2020 Market Innovation Award 2020 Best RMB-Foreign Exchange Market Maker 2020 Excellent Market Maker in Direct Trading 2020 Best Foreign Exchange Market Maker
Southern Weekly	2020 Outstanding Responsible Enterprise of the Year 2021 Outstanding CSR Report 2021 Model Responsible Enterprise of the Year
The Banker	2021 China Financial Innovation Award • Top 10 Investment Bank Innovation Award 2021 China Financial Innovation Award • Top 10 Retail Bank Innovation Award 2021 China Financial Innovation Award • Top 10 Intelligent Risk Control Innovation Award 2021 China Financial Innovation Award • Top 10 Inclusive Finance Service Innovation Award
Global Finance	“Best Custodian Bank” in China Best Innovative Payment Star

Organizations	Honors and Awards
Shanghai Commercial Paper Exchange	Outstanding Member in 2020 Outstanding Banking Dealer in 2020 Excellent Custody and Settlement Institution in 2020 Excellent Bill Payment Service Institution in 2020 Excellent Scientific & Technological Work Institution in 2020
Caijing	2021 Evergreen Award • Rural Revitalization Bank of the Year
Hexun.com	2021 Brand Influence Bank of the Year
China Business	2021 Outstanding Model Institution of Rural Revitalization with Outstanding Competitiveness
Sina Finance	Best Responsible Investment Bank Award Top 500 China ESG Excellent Enterprises
The Economic Observer, Jing Guan Culture Media	2020–2021 Rating of Trustworthy Financial Institution of the Year • Trustworthy Private Bank 2020–2021 Outstanding Financial Enterprise • Outstanding Green Bank of the Year 2020–2021 Outstanding Financial Enterprise • Outstanding Inclusive Finance Bank of the Year 2020–2021 Rating of Trustworthy Financial Institution of the Year • Trustworthy Wealth Management Bank
National Interbank Funding Center	Market Innovation Award Excellent Custodian Bank in Interbank Local Currency Market
Shanghai Gold Exchange	2020 Best Inquiry Trading Market-maker of the year 2020 Best Priced Trading Member of the year
Bond Connect	2020 Bond Connect Excellent Market Maker
ifeng.com	Top 10 Philanthropy Enterprise of the Year
Asian Financial Cooperation Association	Financial Technology Excellent Practice Case
Zhaopin.com and Harvard Business Review	2021 Top 100 Best Employers in China
CBN	2021 China Business News Financial Value Ranking — Bank of the Year”.

Organizations	Honors and Awards
China Central Depository & Clearing Co., Ltd.	2020 Excellent Institution for Investment in Sample Bonds of CCDCC Green Bonds Index
CLS	Best Contribution Bank of the Year ABC Wealth Management - Best Green Financial Product Award of the Year
Xinhua News Agency Liaowang Think Tank	Demonstrative Case of “Boosting Rural Revitalization” in Financial Sector at Beginning of the Fourteenth Five-year Plan
Financial Times	Best Rural Revitalization Service Bank of the Year

Organizational Chart



List of Branches and Institutions

Domestic Institutions

- **BEIJING BRANCH**

ADD: 13 Chaoyangmen North Avenue
Dongcheng District
Beijing 100010
PRC

TEL: 010-68358266

FAX: 010-61128239

- **TIANJIN BRANCH**

ADD: Zeng 6 No. 3 Zijinshan Road
Hexi District
Tianjin 300074
PRC

TEL: 022-23338701

FAX: 022-23338733

- **HEBEI BRANCH**

ADD: 39 Ziqiang Road
Shijiazhuang
Hebei Province 050000
PRC

TEL: 0311-86275220

FAX: 0311-87019961

- **SHANXI BRANCH**

ADD: 33 Southern Inner Ring Road West
Taiyuan
Shanxi Province 030024
PRC

TEL: 0351-6240801

FAX: 0351-4956999

- **INNER MONGOLIA BRANCH**

ADD: 83 Zhelimu Road
Hohhot
Inner Mongolia 010010
PRC

TEL: 0471-6903401

FAX: 0471-6904750

- **LIAONING BRANCH**

ADD: 27 Qingnian North Avenue
Shenyang
Liaoning Province 110013
PRC

TEL: 024-22550004

FAX: 024-22550007

- **JILIN BRANCH**

ADD: 926 Renmin Avenue
Changchun
Jilin Province 130051
PRC

TEL: 0431-82093001

FAX: 0431-82093517

- **HEILONGJIANG BRANCH**

ADD: 131 Xidazhi Street
Nangang District
Harbin
Heilongjiang Province 150006
PRC

TEL: 0451-86208845

FAX: 0451-86216843

- **SHANGHAI BRANCH**

ADD: 9 Yincheng Road
Pudong New District
Shanghai 200120
PRC

TEL: 021-53961888

FAX: 021-53961900

- **JIANGSU BRANCH**

ADD: 357 Hongwu Road
Nanjing
Jiangsu Province 210002
PRC

TEL: 025-84571888

FAX: 025-84577017

• **ZHEJIANG BRANCH**

ADD: 100 Jiangjin Road
Jiangan District
Hangzhou
Zhejiang Province 310003
PRC

TEL: 0571-87226000

FAX: 0571-87226177

• **ANHUI BRANCH**

ADD: 1888 Chengdu Road
Hefei
Anhui Province 230091
PRC

TEL: 0551-62843475

FAX: 0551-62843573

• **FUJIAN BRANCH**

ADD: 177 Hualin Road
Fuzhou
Fujian Province 350003
PRC

TEL: 0591-87909908

FAX: 0591-87909620

• **JIANGXI BRANCH**

ADD: 339 Zhongshan Road
Nanchang
Jiangxi Province 330008
PRC

TEL: 0791-86693775

FAX: 0791-86693972

• **SHANDONG BRANCH**

ADD: 168 Jingqi Road
Ji'nan
Shandong Province 250001
PRC

TEL: 0531-85858888

FAX: 0531-82056558

• **HENAN BRANCH**

ADD: 16 Outer Ring Road
CBD Zhengdong New District
Zhengzhou
Henan Province 450016
PRC

TEL: 0371-69196850

FAX: 0371-69196724

• **HUBEI BRANCH**

ADD: Block A
66 Zhongbei Road
Wuchang District
Wuhan
Hubei Province 430071
PRC

TEL: 027-87326666

FAX: 027-87326693

• **HUNAN BRANCH**

ADD: 540 Furongzhong Road
Section 1
Changsha
Hunan Province 410005
PRC

TEL: 0731-84300265

FAX: 0731-84300261

• **GUANGDONG BRANCH**

ADD: 425 East Zhujiang Road
Zhujiang New Town
Tianhe District
Guangzhou
Guangdong Province 510623
PRC

TEL: 020-38008008

FAX: 020-38008210

• **GUANGXI BRANCH**

ADD: 56 Jinhua Road
Nanning
Guangxi Autonomous Region 530028
PRC

TEL: 0771-2106036

FAX: 0771-2106035

• **HAINAN BRANCH**

ADD: 11 Guoxing Avenue
Haikou
Hainan Province 570203
PRC

TEL: 0898-66777728

FAX: 0898-66791452

• **SICHUAN BRANCH**
ADD: 666 Tianfu Third Street
Chengdu
Sichuan Province 610000
PRC
TEL: 028-61016035
FAX: 028-61016019

• **CHONGQING BRANCH**
ADD: 1 Jiangbeichengnan Avenue
Jiangbei District,
Chongqing 400020
PRC
TEL: 023-63551188
FAX: 023-63844275

• **GUIZHOU BRANCH**
ADD: West Fourth Tower
Convention and Exhibition Business District
Changling North Road
Guiyang
Guizhou Province 550081
PRC
TEL: 0851-87119657
FAX: 0851-85221009

• **YUNNAN BRANCH**
ADD: 36 Chuanjin Road
Kunming
Yunnan Province 650051
PRC
TEL: 0871-63203405
FAX: 0871-63203584

• **TIBET BRANCH**
ADD: 44 West Jinzhu Road
Lhasa
Tibet 850000
PRC
TEL: 0891-6959822
FAX: 0891-6959822

• **SHAANXI BRANCH**
ADD: 31 Tangyan Road
Gaoxin District
Xi'an
Shaanxi Province 710065
PRC
TEL: 029-88990821
FAX: 029-88990819

• **GANSU BRANCH**
ADD: 108 North Jinchang Road
Lanzhou
Gansu Province 730030
PRC
TEL: 0931-8895082
FAX: 0931-8895040

• **QINGHAI BRANCH**
ADD: 96 Huanghe Road
Xining
Qinghai Province 810001
PRC
TEL: 0971-6145105
FAX: 0971-6114575

• **NINGXIA BRANCH**
ADD: 95 West Jiefang Street
Xingqing District
Yinchuan
Ningxia Autonomous Region 750001
PRC
TEL: 0951-6027614
FAX: 0951-6027430

• **XINJIANG BRANCH**
ADD: 66 South Jiefang Road
Urumqi 830002
PRC
TEL: 0991-2369407
FAX: 0991-2815229

• **XINJIANG PRODUCTION AND
CONSTRUCTION CORPS BRANCH**
ADD: 173 South Jiefang Road
Urumqi 830002
PRC
TEL: 0991-2217109
FAX: 0991-2217300

• **DALIAN BRANCH**
ADD: 10 Zhongshan Road
Zhongshan District
Dalian
Liaoning Province 116001
PRC
TEL: 0411-82510089
FAX: 0411-82510646

• **QINGDAO BRANCH**
ADD: 19 Shandong Road
Qingdao
Shandong Province 266071
PRC
TEL: 0532-85802215
FAX: 0532-85814102

• **NINGBO BRANCH**
ADD: 518 East Zhongshan Road
Ningbo
Zhejiang Province 315040
PRC
TEL: 0574-87363537
FAX: 0574-87363537

• **XIAMEN BRANCH**
ADD: 98-100 Jiahe Road
Siming District
Xiamen
Fujian Province 361009
PRC
TEL: 0592-5578855
FAX: 0592-5578899

• **SHENZHEN BRANCH**
ADD: 5008 East Shennan Road
Shenzhen
Guangdong Province 518001
PRC
TEL: 0775-25590960
FAX: 0755-25572255

• **BEIJING ADVANCED-LEVEL
TRAINING INSTITUTE**
ADD: 5 Hongluo East Road
Huairou District
Beijing 101400
PRC
TEL: 010-60682727
FAX: 010-60682727

• **TIANJIN FINANCIAL TRAINING
INSTITUTE**
ADD: 88 South Weijin Road
Nankai District
Tianjin 300381
PRC
TEL: 022-23381289
FAX: 022-23389307

• **CHANGCHUN FINANCIAL
TRAINING INSTITUTE**
ADD: 1408 Qianjin Avenue
Chaoyang District
Changchun
Jilin Province 130012
PRC
TEL: 0431-86822002
FAX: 0431-86822002

• **WUHAN FINANCIAL TRAINING
INSTITUTE**
ADD: 186 Zhongbei Road
Wuchang District
Wuhan
Hubei Province 430077
PRC
TEL: 027-86783669
FAX: 027-86795502

• **SUZHOU BRANCH**
ADD: 65 Shishan Road
New District
Suzhou
Jiangsu Province 215011
PRC
TEL: 0512-68258999
FAX: 0512-68417800

• **XIONGAN BRANCH**
ADD: No. 48, Yonggui South Street
Rongcheng County
Baoding City
Hebei Province 071700
PRC
TEL: 0312-6587088
FAX: 0312-6587088

• **ABC-CA FUND MANAGEMENT
CO., LTD.**
ADD: 7/F, Lujiazui Business Plaza
1600 Century Avenue
Pudong New District
Shanghai 200122
PRC
TEL: 021-61095588
FAX: 021-61095556

• **ABC FINANCIAL LEASING CO., LTD.**

ADD: 5-6/F, 518 East Yan'an Road
Huangpu District
Shanghai 200001
PRC

TEL: 021-20686888

FAX: 021-58958611

• **ABC LIFE INSURANCE CO., LTD.**

ADD: Block A, Minsheng Financial Center
28 Jianguomen Nei Avenue
Dongcheng District
Beijing 100005
PRC

TEL: 010-82828899

FAX: 010-82827966

• **ABC FINANCIAL ASSET INVESTMENT CO., LTD.**

ADD: No. 23, Fuxing Road Jia
Haidian District
Beijing 100036
PRC

TEL: 010-85101290

FAX: 010-65287757

• **AGRICULTURAL BANK OF CHINA WEALTH MANAGEMENT CO., LTD.**

ADD: 11/F, Block B,
Minsheng Financial Center
28 Jianguomen Nei Avenue
Dongcheng District
Beijing 100005
PRC

TEL: 010-85101611

FAX: 010-65212368

• **ABC HUBEI HANCHUAN RURAL BANK LIMITED LIABILITY COMPANY**

ADD: Dianchangjianshece Road
Xinhe Town
Hanchuan
Hubei Province 431600
PRC

TEL: 0712-8412338

• **ABC HEXIGTEN RURAL BANK LIMITED LIABILITY COMPANY**

ADD: Jiefang Road Middle Section
Jingpeng Township
Hexigten 025350
PRC

TEL: 0476-5263191

FAX: 0476-5263191

• **ABC ANSAI RURAL BANK LIMITED LIABILITY COMPANY**

ADD: Shop A-02, Jinmingmeidi Community
Yingbin Road
An sai District
Yan'an
Shaanxi Province 717400
PRC

TEL: 0911-6229906

FAX: 0911-6229906

• **ABC JIXI RURAL BANK LIMITED LIABILITY COMPANY**

ADD: 40 Yangzhi North Road
Jixi County
Xuancheng
Anhui Province 245300
PRC

TEL: 0563-8158913

FAX: 0563-8158916

• **ABC XIAMEN TONG'AN RURAL BANK LIMITED LIABILITY COMPANY**

ADD: No. 185-199 Zhaoyuan Community
Committee Complex Building
Zhaoyuan Road
Tong'an District
Xiamen
Fujian Province 361100
PRC

TEL: 0592-7319223

FAX: 0592-7319221

• **ABC ZHEJIANG YONGKANG RURAL BANK LIMITED LIABILITY COMPANY**

ADD: 1/F, Jinsong Building
Headquarters Center Yongkang
Zhejiang Province 321300
PRC

TEL: 0579-87017378

FAX: 0579-87017378

Overseas Institutions

- **HONG KONG BRANCH**

ADD: 25/F, Agricultural Bank of China Tower,
50 Connaught Road Central,
Hong Kong, China

TEL: 00852-28618000

FAX: 00852-28660133

- **SINGAPORE BRANCH**

ADD: 7 Temasek Boulevard #30-01/02/03,
Suntec Tower 1, 038987, Singapore

TEL: 0065-65355255

FAX: 0065-65387960

- **SEOUL BRANCH**

ADD: 14F Seoul Finance Center, 136,
Sejong-daero, Jung-gu,
Seoul, 04520, Korea

TEL: 0082-2-37883900

FAX: 0082-2-37883901

- **NEW YORK BRANCH**

ADD: 277 Park Ave, 30th Floor, New York,
NY, 10172, USA

TEL: 001-212-8888998

FAX: 001-646-7385291

- **DUBAI INTERNATIONAL
FINANCIAL CENTRE (DIFC)
BRANCH**

ADD: Office 2901, Level 29,
Al Fattan Currency House Tower 2,
DIFC, Dubai, 124803, UAE

TEL: 00971-45676900

FAX: 00971-45676910

- **DUBAI BRANCH**

ADD: Office No. 201, Second Floor,
Building No.1, Emaar Business Park,
Sheikh Mohamed bin Zayed Road,
Dubai, 336760, UAE

TEL: 00971-45676901

FAX: 00971-45676909

- **TOKYO BRANCH**

ADD: Yusen Building, 2-3-2 Marunouchi,
Tokyo, 100-0005, Japan

TEL: 0081-3-62506911

FAX: 0081-3-62506924

- **FRANKFURT BRANCH**

ADD: Ulmenstrasse 37-39,
Frankfurt am Main, 60325,
Germany

TEL: 0049-69-401255-0

FAX: 0049-69-401255-139

- **SYDNEY BRANCH**

ADD: Level 18, Chifley Tower,
2 Chifley Square, Sydney NSW,
2000, Australia

TEL: 0061-2-82278888

FAX: 0061-2-82278800

- **LUXEMBOURG BRANCH**

ADD: 65, Boulevard Grande-Duchesse
Charlotte,
1331, Luxembourg

TEL: 00352-279559900

FAX: 00352-279550005

- **LONDON BRANCH**

ADD: 7/F, 1 Bartholomew Lane, London,
EC2N 2AX, UK

TEL: 0044-20-73748900

FAX: 0044-20-73746425

- **MACAO BRANCH**

ADD: Avenida Doutor Mário Soares,
No.300-322, Edifício Finance and
IT Center of Macau,
21 andar, em Macau, China

TEL: 00853-8599-5599

FAX: 00853-8599-5509

- **HANOI BRANCH**
 ADD: Unit 901–907, 9th Floor, TNR Building,
 54A Nguyen Chi Thanh,
 Lang Thuong Ward, Dong Da District,
 Hanoi, Vietnam
 TEL: 0084-24-39460599
 FAX: 0044-24-39460587
- **ABC INTERNATIONAL HOLDINGS LIMITED**
 ADD: 16/F, Agricultural Bank of China Tower,
 50 Connaught Road Central,
 Hong Kong, China
 TEL: 00852-36660000
 FAX: 00852-36660009
- **CHINA AGRICULTURAL FINANCE CO., LTD.**
 ADD: 26/F, Agricultural Bank of China Tower,
 50 Connaught Road Central,
 Hong Kong, China
 TEL: 00852-28631916
 FAX: 00852-28661936
- **AGRICULTURAL BANK OF CHINA (UK) LIMITED**
 ADD: 7/F, 1 Bartholomew Lane, London,
 EC2N 2AX, UK
 TEL: 0044-20-73748900
 FAX: 0044-20-73746425
- **AGRICULTURAL BANK OF CHINA (LUXEMBOURG) LIMITED**
 ADD: 65, Boulevard Grande-Duchesse Charlotte,
 1331, Luxembourg
 TEL: 00352-279559900
 FAX: 00352-279550005
- **AGRICULTURAL BANK OF CHINA (MOSCOW) LIMITED**
 ADD: Floor 4, Lesnaya Street 5B, Moscow,
 125047, Russia
 TEL: 007-499-9295599
 FAX: 007-499-9290180
- **VANCOUVER REPRESENTATIVE OFFICE**
 ADD: Suite 2220, 510 W. Georgia Street,
 Vancouver, BC, V6B 0M3, Canada
 TEL: 001-604-6828468
 FAX: 001-888-3899279
- **TAIPEI REPRESENTATIVE OFFICE**
 ADD: 3203, No. 333, Keelung Road, Sec.1,
 Xinyi District, Taipei City, 11012,
 Taiwan, China
 TEL: 00886-2-27293636
 FAX: 00886-2-23452020
- **DUSHANBE REPRESENTATIVE OFFICE**
 ADD: Huvaydulloev str. 1/2, District
 Sino, Dushanbe, 734049,
 Tajikistan
- **SAO PAULO REPRESENTATIVE OFFICE**
 ADD: 4/F, No. 86 Sao Tome Road
 (Corporate Plaza), Vila Olimpia,
 Sao Paulo, 04551-080, Brazil
 TEL: 0055-11-31818526

Appendix I Liquidity Coverage Ratio Information

The Bank disclosed the following information of liquidity coverage ratio in accordance with relevant regulations of the China Banking and Insurance Regulatory Commission.

Regulatory Requirements of Liquidity Coverage Ratio

In accordance with the Rules on Liquidity Risk Management of Commercial Banks issued by the CBIRC, it is required that the liquidity coverage ratio of commercial banks should be no less than 100%. In addition, in accordance with the *Rules on Disclosure for Liquidity Coverage Ratio Information of Commercial Banks*, commercial banks are required to disclose the liquidity coverage ratio information at the same frequency as the frequency at which they issue the financial report, and starting from 2017, to disclose the simple arithmetic average of the liquidity coverage ratios based on daily data of every quarter and the number of daily data adopted in calculation of such average.

Liquidity Coverage Ratio

The Bank calculated the liquidity coverage ratio in accordance with the *Rules on Liquidity Risk management of Commercial Banks* and applicable calculation requirements. The average of daily liquidity coverage ratio of the Bank was 121.1% in the fourth quarter of 2021, representing a decrease of 6.8 percentage points over the previous quarter, and 92 numerical values of liquidity coverage ratios were used in calculating such average. Our high-quality liquid assets mainly include cash, excess reserve with the central bank able to be withdrawn under stress conditions, and bonds falling within the Level 1 and Level 2 assets as defined in the *Rules on Liquidity Risk Management of Commercial Banks*.

The averages of the daily liquidity coverage ratio and individual line items over the fourth quarter in 2021 are as follows:

In millions of RMB, except for percentages

No.		Total unweighted value	Total weighted value
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		5,766,716
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	13,549,543	1,268,231
3	<i>Stable deposits</i>	1,734,411	86,718
4	<i>Less stable deposits</i>	11,815,132	1,181,513
5	Unsecured wholesale funding, of which:	8,967,300	3,407,155
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	3,005,249	736,887
7	<i>Non-operational deposits (all counterparties)</i>	5,916,799	2,625,016
8	<i>Unsecured debt</i>	45,252	45,252
9	Secured wholesale funding		493
10	Additional requirements, of which:	3,143,003	1,147,788
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	977,342	977,342
12	<i>Outflows related to loss of funding on debt products</i>	101	101
13	<i>Credit and liquidity facilities</i>	2,165,560	170,345
14	Other contractual funding obligations	152,321	152,321
15	Other contingent funding obligations	2,107,560	31,975
16	TOTAL CASH OUTFLOWS		6,007,963
CASH INFLOWS			
17	Secured lending (e.g. reverse repos and borrowed securities)	451,861	451,861
18	Inflows from fully performing exposures	1,219,507	654,344
19	Other cash inflows	1,049,604	1,049,604
20	TOTAL CASH INFLOWS	2,720,972	2,155,809
			Total Adjusted Value
21	TOTAL HQLA		4,662,201
22	TOTAL NET CASH OUTFLOWS		3,852,154
23	LIQUIDITY COVERAGE RATIO (%)		121.1%

Appendix II Leverage Ratio Information

As of 31 December 2021, the Bank's leverage ratio, calculated in accordance with the *Rules for the Administration of the Leverage Ratio of Commercial Banks (amended)* issued by the CBIRC, was 7.83%, higher than the regulatory requirement.

In millions of RMB, except for percentages

Item	31 December 2021	30 September 2021	30 June 2021	31 March 2021
Tier 1 capital, net	2,402,361	2,307,222	2,245,341	2,253,523
Adjusted on-and off-balance sheet assets	30,678,596	30,918,813	30,555,010	30,951,031
Leverage ratio	7.83%	7.46%	7.35%	7.28%

In millions of RMB

No.	Item	Balance
1	Total consolidated assets	29,069,155
2	Adjustment for consolidation	(109,716)
3	Adjustment for clients' assets	—
4	Adjustment for derivatives	39,273
5	Adjustment for securities financing transactions	1,862
6	Adjustment for off-balance sheet items	1,689,279
7	Other adjustments	(11,257)
8	Adjusted on-and off-balance sheet assets	30,678,596

In millions of RMB, except for percentages

No.	Item	Balance
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	28,100,333
2	Less: Deductions from Tier 1 capital	(11,257)
3	Adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)	28,089,076
4	Replacement cost of all derivatives (net of eligible margin)	20,436
5	Potential risk exposure of all derivatives	41,181
6	Gross-up of collaterals deducted from the balance sheet	—
7	Less: receivables assets resulting from providing eligible margin	(367)
8	Less: Derivative assets resulting from transactions with the central counterparty when providing clearance services to client	—
9	Notional principal amount of written credit derivatives	—
10	Less: Deductible amounts of written credit derivative assets	—
11	Derivative assets	61,250

No.	Item	Balance
12	Securities financing transaction assets for accounting purpose	837,129
13	Less: Deductible amounts of securities financing transaction assets	—
14	Counterparty credit risk exposure for securities financing transaction	1,862
15	Securities financing transaction assets resulting from agent transaction	—
16	Securities financing transaction assets	838,991
17	Off-balance sheet items	2,888,789
18	Less: Adjustments for conversion to credit equivalent amounts	(1,199,510)
19	Adjusted off-balance sheet items	1,689,279
20	Tier 1 capital, net	2,402,361
21	Adjusted on-and off-balance sheet assets	30,678,596
22	Leverage ratio	7.83%

Appendix III Net Stable Funding Ratio Information

The Bank disclosed the following information of net stable funding ratio in accordance with relevant regulations of the China Banking and Insurance Regulatory Commission.

Regulatory Requirements of Net Stable Funding Ratio

In accordance with the *Rules on Liquidity Risk Management of Commercial Banks* issued by the CBIRC, it is required that the net stable funding ratio of commercial banks should be no less than 100%. In addition, as required by the *Rules on Disclosure of Net Stable Funding Ratio Information of Commercial Banks*, commercial banks shall disclose the net stable funding ratio information of the latest two quarters in a financial report or on their official websites on a semi-annual basis at least.

Net Stable Funding Ratio

The Bank calculated net stable funding ratio in accordance with the *Rules on Liquidity Risk Management of Commercial Banks* and applicable statistical requirements. The net stable funding ratio of the Bank in the third quarter of 2021 increased by 1.2 percentage points to 128.6% compared to the previous quarter, with a weighted value of RMB20,554.2 billion for available stable funds and a weighted value of RMB15,978.7 billion for required stable funds. In the fourth quarter of 2021, the net stable funding ratio decreased by 1.5 percentage points to 127.1% compared to the previous quarter, with a weighted value of RMB20,646.3 billion for available stable funds and a weighted value of RMB16,244.6 billion for required stable funds.

The net stable funding ratios of the third quarter of 2021 and the fourth quarter of 2021 and all related individual items were set out in the following table:

Net Stable Funding Ratio of the Third Quarter of 2021

(Unit: In millions of RMB)

No.		Unweighted value by residual maturity				Total weighted value
		No maturity	Less than 6 months	6–12 months	Over 1 year	
Available stable funding (ASF) item						
1	Capital	2,287,034	—	—	284,924	2,571,958
2	Regulatory capital	2,287,034	—	—	254,924	2,541,958
3	Other capital instruments	—	—	—	30,000	30,000
4	Retail deposits and deposits from small business customers	6,866,810	7,018,522	163	185	12,589,423
5	Stable deposits	1,845,856	—	—	—	1,753,563
6	Less stable deposits	5,020,954	7,018,522	163	185	10,835,860
7	Wholesale funding	5,769,905	4,046,242	728,861	499,578	5,143,360
8	Operational deposits	3,027,153	—	—	—	1,513,576
9	Other wholesale funding	2,742,752	4,046,242	728,861	499,578	3,629,784
10	Liabilities with matching interdependent assets	—	—	—	—	—
11	Other liabilities	100	1,601,543	158,253	172,156	249,427
12	NSFR derivative liabilities				1,856	—
13	All other liabilities and equity not included in the above categories	100	1,601,543	158,253	170,300	249,427
14	Total ASF					20,554,168
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					928,327
16	Deposits held at other financial institutions for operational purpose	1,224	176,184	101,260	—	139,334
17	Performing loans and securities	5,731	3,616,227	2,486,986	11,492,735	12,414,073
18	Performing loans to financial institutions secured by Level 1 HQLA	—	1,313	226	85,991	86,301
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	3,645	1,185,044	175,950	47,022	319,762

No.		Unweighted value by residual maturity				Total weighted value
		No maturity	Less than 6 months	6–12 months	Over 1 year	
20	Performing loans to retail and small business customers, loans to non-financial corporate clients, and loans to sovereigns, central banks and PSEs, of which:	64	2,271,319	2,155,660	6,241,787	7,497,805
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	10	95,454	57,626	148,011	167,980
22	Performing residential mortgages, of which:	—	105,997	106,703	4,831,888	4,213,442
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	—	2	3	66	46
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2,022	52,554	48,447	286,047	296,763
25	Assets with matching interdependent liabilities	—	—	—	—	—
26	Other assets	157,795	661,868	685,874	943,938	2,353,837
27	Physical traded commodities, including gold	—				—
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				1,509	1,283
29	NSFR derivative assets				24,850	22,994
30	NSFR derivative liabilities before deduction of variation margin posted ¹				2,978	2,978
31	All other assets not included in the above categories	157,795	661,868	685,874	917,579	2,326,582
32	Off-balance Sheet Items				4,235,686	143,159
33	Total RSF					15,978,731
34	Net stable funding ratio (%)					128.6%

¹ In the unweighted cell, the amount of derivative liabilities is reported, that is, the proportion of NSFR derivative liabilities before deducting variation margin posted. There is no need to differentiate by maturities. The unweighted item 30 is not included in the unweighted item 26 “other assets” aggregate.

Net Stable Funding Ratio of the Fourth Quarter of 2021

(Unit: In millions of RMB)

No.		Unweighted value by residual maturity				Total weighted value
		No maturity	Less than 6 months	6–12 months	Over 1 year	
Available stable funding (ASF) item						
1	Capital	2,388,703	—	—	284,931	2,673,634
2	Regulatory capital	2,388,703	—	—	254,931	2,643,634
3	Other capital instruments	—	—	—	30,000	30,000
4	Retail deposits and deposits from small business customers	6,889,654	7,029,523	148	176	12,623,753
5	Stable deposits	1,923,694	—	—	—	1,827,509
6	Less stable deposits	4,965,960	7,029,523	148	176	10,796,244
7	Wholesale funding	5,676,090	4,054,751	962,770	419,976	5,098,432
8	Operational deposits	2,890,569	—	—	—	1,445,284
9	Other wholesale funding	2,785,521	4,054,751	962,770	419,976	3,653,148
10	Liabilities with matching interdependent assets	—	—	—	—	—
11	Other liabilities	85	1,510,147	126,231	198,306	250,487
12	NSFR derivative liabilities				10,934	—
13	All other liabilities and equity not included in the above categories	85	1,510,147	126,231	187,372	250,487
14	Total ASF					20,646,306
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					1,081,352
16	Deposits held at other financial institutions for operational purpose	392	154,870	56,081	—	105,671
17	Performing loans and securities	4,575	3,652,497	2,443,797	11,673,203	12,548,607
18	Performing loans to financial institutions secured by Level 1 HQLA	—	9,729	—	72,182	73,641
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	1,338	1,169,871	200,633	46,819	322,817

No.		Unweighted value by residual maturity				Total weighted value
		No maturity	Less than 6 months	6–12 months	Over 1 year	
20	Performing loans to retail and small business customers, loans to non-financial corporate clients, and loans to sovereigns, central banks and PSEs, of which:	64	2,314,250	2,085,856	6,255,401	7,485,892
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	10	70,692	41,472	147,178	147,642
22	Performing residential mortgages, of which:	—	108,019	109,182	5,016,419	4,372,546
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	—	2	2	70	51
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	3,173	50,628	48,126	282,382	293,711
25	Assets with matching interdependent liabilities	—	—	—	—	—
26	Other assets	258,365	625,935	674,855	904,393	2,383,150
27	Physical traded commodities, including gold	—				—
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				1,511	1,285
29	NSFR derivative assets				21,792	10,858
30	NSFR derivative liabilities before deduction of variation margin posted ¹				3,778	3,778
31	All other assets not included in the above categories	258,365	625,935	674,855	881,090	2,367,229
32	Off-balance Sheet Items				4,064,385	125,796
33	Total RSF					16,244,576
34	Net stable funding ratio (%)					127.1%

¹ In the unweighted cell, the amount of derivative liabilities is reported, that is, the proportion of NSFR derivative liabilities before deducting variation margin posted. There is no need to differentiate by maturities. The unweighted item 30 is not included in the unweighted item 26 “other assets” aggregate.

Appendix IV The Indicators for Assessing Systematic Importance of Commercial Banks

I. The Indicators for Assessing Global Systematic Importance of Commercial Banks

The following disclosure was made in accordance with the relevant requirements of the *Guidelines for the Disclosure of Indicators for Assessing Global Systematic Importance of Commercial Banks* promulgated by the CBIRC and the *Instructions for G-SIB Assessment Exercise* issued by the Basel Committee on Banking Supervision.

In millions of RMB

Category	Indicators	Balance/ Amount in 2021
Size	1. Total adjusted on- and off-balance sheet assets	30,788,334
Interconnectedness	2. Intra-financial system assets	1,456,768
	3. Intra-financial system liabilities	1,986,697
	4. Securities outstanding	2,873,467
Substitutability	5. Payments activity	407,917,637
	6. Assets under custody	12,454,663
	7. Underwritten transactions	2,400,719
	8. Trading volume of fixed income securities	7,221,495
	9. Trading volume of listed equities and other securities	232,941
Complexity	10. Notional amount of OTC derivatives	2,613,456
	11. Trading and available-for-sale securities	383,825
	12. Level 3 assets	102,265
Cross-Jurisdictional Activity	13. Cross-jurisdictional claims	518,519
	14. Cross-jurisdictional liabilities	697,246

II. The Indicators for Assessing Domestic Systematic Importance of Banks

In October 2021, the PBOC and the CBIRC published the list of domestic systemically important banks. The following disclosure was made in accordance with the relevant requirements of the *Methodology and Notification for Assessing Systemically Important Banks* issued by the PBOC and the CBIRC.

In millions of RMB, unless otherwise stated

Category	Indicators¹	Balance/ Amount in 2020
Size	1. Total adjusted on- and off-balance sheet assets	29,572,540
Interconnectedness	2. Intra-financial system assets	2,774,190
	3. Intra-financial system liabilities	2,802,129
	4. Securities outstanding	1,862,060
Substitutability	5. Payments activity	352,600,045
	6. Assets under custody	10,105,008
	7. Agency and distribution business	2,854,508
	8. Number of corporate customers (10 thousand)	799
	9. Number of personal customers (10 thousand)	86,219
	10. Number of domestic branch outlets	22,883
Complexity	11. Derivatives	2,989,497
	12. Securities measured at fair value	1,838,106
	13. Assets of non-bank subsidiaries	340,913
	14. Balance of non-principal guaranteed wealth management products issued by the Bank	1,077,913
	15. Balance of wealth management products issued by wealth management subsidiary	949,814
	16. Cross-jurisdictional claims and liabilities	1,306,245

¹ The above indicators are calculated differently from the G-SIBs indicators.

Agricultural Bank of China Limited
(Incorporated in the People's Republic of China
with Limited Liability)

Auditor's Report and
Consolidated Financial Statements
For the year ended 31 December 2021

Independent auditor's report to the shareholders of Agricultural Bank of China Limited

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

Opinion

We have audited the consolidated financial statements of Agricultural Bank of China Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 1 to 208, which comprise: the consolidated statement of financial position as at 31 December 2021; the consolidated statement of profit or loss; the consolidated statement of comprehensive income; the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the IASB. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("the Code"), together with any ethical requirements that are relevant to our audit of the consolidated 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Independent auditor’s report to the shareholders of
Agricultural Bank of China Limited (continued)**
(Incorporated in the People’s Republic of China with limited liability)

Key audit matters (continued)

Measurement of expected credit losses for loans and advances to customers	
<p><i>Refer to the accounting policy in “Note II 8.5 Impairment of financial instruments, Note III 2 Measurement of the expected credit loss allowance”, and “Note IV 8 Credit impairment losses, Note IV 17 Loans and advances to customers, Note IV 44.1 Credit risk” to the consolidated financial statements.</i></p>	
The Key Audit Matter	How the matter was addressed in our audit
<p>The Group uses an expected credit loss (“ECL”) model to measure the loss allowance for loans and advances to customers in accordance with International Financial Reporting Standard 9, Financial instruments.</p> <p>The determination of loss allowance for loans and advances to customers using the expected credit loss model is subject to the application of a number of key parameters and assumptions, including the credit risk staging, probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Extensive management judgment is involved in the selection of those parameters and the application of the assumptions.</p>	<p>Our audit procedures to assess ECL for loans and advances to customers included the following:</p> <ul style="list-style-type: none"> • with the assistance of KPMG’s IT specialists, understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and advances to customers, the credit risk staging process and the measurement of ECL for loans and advances to customers. • with the assistance of KPMG’s financial risk specialists, assessing the appropriateness of the ECL model in determining loss allowances and the appropriateness of the key parameters and assumptions in the model, which included credit risk staging, probability of default, loss given default, exposure at default, adjustments for forward-looking information and other adjustments, and assessing the appropriateness of related key management judgment.

Independent auditor’s report to the shareholders of
Agricultural Bank of China Limited (continued)
(Incorporated in the People’s Republic of China with limited liability)

Key audit matters (continued)

Measurement of expected credit losses for loans and advances to customers (continued)	
<i>Refer to the accounting policy in “Note II 8.5 Impairment of financial instruments, Note III 2 Measurement of the expected credit loss allowance”, and “Note IV 8 Credit impairment losses, Note IV 17 Loans and advances to customers, Note IV 44.1 Credit risk” to the consolidated financial statements.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>In particular, the determination of the loss allowance is heavily dependent on the external macro environment and the Group’s internal credit risk management strategy. The ECL for corporate loans and advances are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The ECL for personal loans and advances are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors.</p>	<ul style="list-style-type: none"> • for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group’s internal records including historical loss experience and type of collateral. As part of these procedures, we challenged management’s revisions to estimates and input parameters by comparing with prior period and considered the consistency of judgement. • comparing the macroeconomic forward-looking information used in the model with market information to assess whether they were aligned with market and economic development. • assessing the completeness and accuracy of data used in the ECL model. For key internal data, we compared the total balance of the loans and advances’ list used by management to assess the ECL with the general ledger to check the completeness of the data. We also selected samples to compare individual loan and advance information with the underlying agreements and other related documentation, to check the accuracy of the data and samples to check the accuracy of external data by comparing them with public resources.

**Independent auditor’s report to the shareholders of
Agricultural Bank of China Limited (continued)**
(Incorporated in the People’s Republic of China with limited liability)

Key audit matters (continued)

Measurement of expected credit losses for loans and advances to customers (continued)	
<i>Refer to the accounting policy in “Note II 8.5 Impairment of financial instruments, Note III 2 Measurement of the expected credit loss allowance”, and “Note IV 8 Credit impairment losses, Note IV 17 Loans and advances to customers, Note IV 44.1 Credit risk” to the consolidated financial statements.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include the financial situation of the borrower, the security type, the seniority of the claim, the recoverable amount of collateral, and other repayment sources of the borrower. Management refers to valuation reports of collateral issued by qualified third party valuers and considers the influence of various factors including the market price, status and use when assessing the value of collaterals. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral.</p>	<ul style="list-style-type: none"> • for key parameters used in the ECL model which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis. In addition, we involved KPMG’s IT specialists to assess the logics and compilation of the loans and advances’ overdue information on a sample basis. • evaluating the reasonableness of management’s assessment on whether the credit risk of the loan and advance has, or has not, increased significantly since initial recognition and whether the loan and advance is credit-impaired by selecting risk-based samples. We analysed the portfolio by industry sector to select samples in industries more vulnerable to the current economic situation with reference to other borrowers with potential credit risk. We checked loan overdue information, making enquiries of the credit managers about the borrowers’ business operations, checking borrowers’ financial information and researching market information about borrowers’ businesses, to check the credit risk status of the borrower, and the reasonableness of the loans’ credit risk stage.

Independent auditor’s report to the shareholders of
Agricultural Bank of China Limited (continued)
(Incorporated in the People’s Republic of China with limited liability)

Key audit matters (continued)

Measurement of expected credit losses for loans and advances to customers (continued)	
<i>Refer to the accounting policy in “Note II 8.5 Impairment of financial instruments, Note III 2 Measurement of the expected credit loss allowance”, and “Note IV 8 Credit impairment losses, Note IV 17 Loans and advances to customers, Note IV 44.1 Credit risk” to the consolidated financial statements.</i>	
The Key Audit Matter	How the matter was addressed in our audit
We identified the measurement of ECL of loans and advances to customers as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Group.	<ul style="list-style-type: none"> evaluating the reasonableness of loss given default for selected samples of corporate loans and advances to customers that are credit-impaired, by checking the financial situation of the borrower, the security type, the seniority of the claim, the recoverable amount of collateral, and other repayment sources of the borrower. Evaluating management’s assessment of the value of any collateral, by comparison with evaluation result based on the category, status, use of the collateral and market prices. For valuation reports of collateral issued by qualified third party, we evaluated the competence, professional quality and objectivity of the external appraiser. We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows, challenged the viability of the Group’s recovery plans; based on the above work, we selected samples and assessed the accuracy of calculation for loans and advances’ credit losses by using the ECL model.

Independent auditor’s report to the shareholders of
Agricultural Bank of China Limited (continued)
(Incorporated in the People’s Republic of China with limited liability)

Key audit matters (continued)

Measurement of expected credit losses for loans and advances to customers (continued)	
<i>Refer to the accounting policy in “Note II 8.5 Impairment of financial instruments, Note III 2 Measurement of the expected credit loss allowance”, and “Note IV 8 Credit impairment losses, Note IV 17 Loans and advances to customers, Note IV 44.1 Credit risk” to the consolidated financial statements.</i>	
The Key Audit Matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> • performing retrospective review of expected credit loss model components and significant assumptions, to back-test past estimates element against actual outcomes, and assess whether the results indicate possible management bias on loss estimation. • assessing the reasonableness of the disclosures in the financial statements in relation to expected credit losses for loans and advances against prevailing accounting standards.

**Independent auditor’s report to the shareholders of
Agricultural Bank of China Limited (continued)**
(Incorporated in the People’s Republic of China with limited liability)

Key audit matters (continued)

Measurement of interests in and consolidation of structured entities	
<i>Refer to the accounting policy in “Note II 2 Consolidation, Note III 5 Consolidation of structured entities”, and “Note IV 41 Structured entities” to the consolidated financial statements.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities.</p> <p>The Group may acquire an ownership interest in a structured entity, through initiating, investing or retaining shares in a Wealth Management Products (“WMPs”), securitization products, funds, trust investment plans, debt investment plans and asset management plans. The Group may also retain partial interests in derecognised assets due to guarantees or securitisation structures.</p>	<p>Our audit procedures to assess the measurement of interests in and consolidation of structured entities included the following:</p> <ul style="list-style-type: none"> • assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over measurement of interests in and consolidation of structured entities. • selecting significant structured entities of each key product type and performing the following procedures: <ul style="list-style-type: none"> - inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management’s judgment over whether the Group has the ability to exercise power over the structured entity; - 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 judgment as to the exposure, or rights, to variable returns from the Group’s involvement in such an entity;

Independent auditor’s report to the shareholders of
Agricultural Bank of China Limited (continued)
(Incorporated in the People’s Republic of China with limited liability)

Key audit matters (continued)

Measurement of interests in and consolidation of structured entities (continued)	
<i>Refer to the accounting policy in “Note II 2 Consolidation, Note III 5 Consolidation of structured entities”, and “Note IV 41 Structured entities” to the consolidated financial statements.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>In determining whether the Group retain any partial interests in a structured entity or should consolidate a structured entity, management is required to consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns. 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 because of the judgment exercised by management in the qualitative assessment of the terms and the nature of each entity.</p>	<ul style="list-style-type: none"> - inspecting management’s analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Group’s economic interests in the structured entity, to assess management’s judgment over the Group’s ability to affect its own returns from the structured entity; - assessing management’s judgment over whether the structured entity should be consolidated or not. • assessing the reasonableness of the disclosures in the financial statements in relation to the measurement of interests in and consolidation of structured entities against prevailing accounting standards.

**Independent auditor’s report to the shareholders of
Agricultural Bank of China Limited (continued)**
(Incorporated in the People’s Republic of China with limited liability)

Key audit matters (continued)

Measurement of financial instruments’ fair value	
<i>Refer to the accounting policy in “Note II 8.3 Determination of fair value, Note III 3 Fair value of financial instruments”, and “Note IV 46 Fair value of financial instruments” to the consolidated financial statements.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>Financial instruments carried at fair value account for a significant part of the Group’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 valuation of the Group’s financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation models for which use quoted market prices and observable inputs, respectively. Where one or more significant unobservable inputs, such as credit risk, liquidity and discount rate, are involved in the valuation techniques, as in the case of level 3 financial instruments, then estimates need to be developed which can involve extensive management judgments.</p>	<p>Our audit procedures to assess measurement of financial instruments’ fair value included the following:</p> <ul style="list-style-type: none"> • assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the model building, model validation, independent valuation and front office and back office reconciliations for financial instruments. • assessing the level 1 fair value of financial instruments, on a sample basis, by comparing the fair value applied by the Group with publicly available market data.

Independent auditor’s report to the shareholders of
Agricultural Bank of China Limited (continued)
(Incorporated in the People’s Republic of China with limited liability)

Key audit matters (continued)

Measurement of financial instruments’ fair value (continued)	
<i>Refer to the accounting policy in “Note II 8.3 Determination of fair value, Note III 3 Fair value of financial instruments”, and “Note IV 46 Fair value of financial instruments” to the consolidated financial statements.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>We identified measurement of financial instruments’ fair value as a key audit matter because of the assets and liabilities measured at fair value are material to the group and the degree of complexity involved in the valuation techniques and the degree of judgment exercised by management in determining the inputs used in the valuation models.</p>	<ul style="list-style-type: none"> • for level 2 and level 3 financial instruments, on a sample basis, involving KPMG’s valuation specialists to assess whether the valuation method selected is appropriate with reference to the prevailing accounting standards. Our procedures included: developing parallel models, obtaining inputs independently and verifying the inputs; assessing the appropriate application of fair value adjustment that form an integral part of fair value, by inquiring of management about any changes in the fair value adjustment methodologies and assessing the appropriateness of the inputs applied; and comparing our valuation results with that of the Group. • assessing the reasonableness of the disclosures in the consolidated financial statements in relation to fair value of financial instruments against prevailing accounting standards, including fair value hierarchy information and sensitivity to key inputs.

Independent auditor's report to the shareholders of Agricultural Bank of China Limited (continued) *(Incorporated in the People's Republic of China with limited liability)*

Information other than the consolidated financial statements and auditor's report thereon

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent auditor's report to the shareholders of Agricultural Bank of China Limited (continued) *(Incorporated in the People's Republic of China with limited liability)*

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

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

**Independent auditor's report to the shareholders of
Agricultural Bank of China Limited (continued)**
(Incorporated in the People's Republic of China with limited liability)

**Auditor's responsibilities for the audit of the consolidated financial statements
(continued)**

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Yuen Shan.

KPMG

Certified Public Accountants

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

30 March 2022

Consolidated statement of profit or loss for the year ended 31 December 2021

(Amounts in millions of Renminbi, unless otherwise stated)

	Note IV	Year ended 31 December	
		2021	2020
Interest income	1	1,008,014	930,932
Interest expense	1	(430,027)	(385,853)
Net interest income	1	577,987	545,079
Fee and commission income	2	98,721	91,166
Fee and commission expense	2	(18,392)	(16,621)
Net fee and commission income	2	80,329	74,545
Net trading gain	3	14,241	16,405
Net gain/(loss) on financial investments	4	15,035	(7,312)
Net gain on derecognition of financial assets measured at amortized cost		11	1
Other operating income	5	34,143	30,614
Operating income		721,746	659,332
Operating expenses	6	(260,275)	(229,897)
Credit impairment losses	8	(165,886)	(164,699)
Impairment losses on other assets		(114)	(204)
Operating profit		295,471	264,532
Share of results of associates and joint ventures		409	518
Profit before tax		295,880	265,050
Income tax expense	9	(53,944)	(48,650)
Profit for the year		241,936	216,400

Consolidated statement of profit or loss for the year ended 31 December 2021 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

	<i>Note IV</i>	<i>Year ended 31 December</i>	
		<i>2021</i>	<i>2020</i>
Attributable to:			
Equity holders of the Bank		241,183	215,925
Non-controlling interests		753	475
		241,936	216,400
Earnings per share attributable to the ordinary equity holders of the Bank (expressed in RMB yuan per share)			
- Basic and diluted	11	0.65	0.59

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

Consolidated statement of comprehensive income for the year ended 31 December 2021

(Amounts in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2021	2020
Profit for the year	241,936	216,400
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on other debt instrument investments at fair value through other comprehensive income	8,504	(8,855)
Loss allowance on other debt instrument investments at fair value through other comprehensive income	3,572	3,754
Income tax impact for fair value changes and loss allowance on other debt instrument investments at fair value through other comprehensive income	(2,865)	1,440
Foreign currency translation differences	(1,724)	(2,591)
Subtotal	7,487	(6,252)
Items that will not be reclassified subsequently to profit or loss:		
Fair value changes on other equity investments designated at fair value through other comprehensive income	(282)	(114)
Income tax impact for fair value changes on other equity investments designated at fair value through other comprehensive income	115	29
Subtotal	(167)	(85)
Other comprehensive income, net of tax	7,320	(6,337)
Total comprehensive income for the year	249,256	210,063

Consolidated statement of comprehensive income for the year ended 31 December 2021 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

	<u>Year ended 31 December</u>	
	<u>2021</u>	<u>2020</u>
Total comprehensive income attributable to:		
Equity holders of the Bank	248,399	209,637
Non-controlling interests	<u>857</u>	<u>426</u>
	<u>249,256</u>	<u>210,063</u>

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

Consolidated statement of financial position as at 31 December 2021

(Amounts in millions of Renminbi, unless otherwise stated)

	Note IV	As at 31 December	
		2021	2020
Assets			
Cash and balances with central banks	12	2,321,406	2,437,275
Deposits with banks and other financial institutions	13	218,500	434,185
Precious metals		96,504	87,357
Placements with and loans to banks and other financial institutions	14	446,944	546,948
Derivative financial assets	15	21,978	61,937
Financial assets held under resale agreements	16	837,637	816,206
Loans and advances to customers	17	16,454,503	14,552,433
Financial investments	18		
Financial assets at fair value through profit or loss		460,241	583,069
Debt instrument investments at amortized cost		6,372,522	5,684,220
Other debt instrument and other equity investments at fair value through other comprehensive income		1,397,280	1,555,370
Investment in associates and joint ventures	20	8,297	8,865
Property and equipment	21	153,299	151,154
Goodwill		1,381	1,381
Deferred tax assets	22	143,027	133,355
Other assets	23	135,636	151,292
Total assets		<u>29,069,155</u>	<u>27,205,047</u>

Consolidated statement of financial position as at 31 December 2021 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

	<i>Note IV</i>	<i>As at 31 December</i>	
		<i>2021</i>	<i>2020</i>
Liabilities			
Borrowings from central banks	24	747,213	737,161
Deposits from banks and other financial institutions	25	1,622,366	1,394,516
Placements from banks and other financial institutions	26	291,105	390,660
Financial liabilities at fair value through profit or loss	27	15,860	27,817
Derivative financial liabilities	15	19,337	65,282
Financial assets sold under repurchase agreements	28	36,033	109,195
Due to customers	29	21,907,127	20,372,901
Debt securities issued	30	1,507,657	1,371,845
Deferred tax liabilities	22	655	334
Other liabilities	31	500,443	524,590
		26,647,796	24,994,301
Total liabilities			

Consolidated statement of financial position as at 31 December 2021 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

	Note IV	As at 31 December	
		2021	2020
Equity			
Ordinary shares	32	349,983	349,983
Other equity instruments	33	359,872	319,875
Preference shares		79,899	79,899
Perpetual bonds		279,973	239,976
Capital reserve	34	173,556	173,556
Investment revaluation reserve	35	34,927	25,987
Surplus reserve	36	220,792	196,071
General reserve	37	351,616	311,449
Retained earnings		925,955	828,240
Foreign currency translation reserve		(2,096)	(372)
		2,414,605	2,204,789
Equity attributable to equity holders of the Bank			
Non-controlling interests		6,754	5,957
		2,421,359	2,210,746
Total equity			
		29,069,155	27,205,047
Total equity and liabilities			

Approved and authorized for issue by the Board of Directors on 30 March 2022.

Gu Shu
Chairman

Zhang Qingsong
Vice Chairman

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

Consolidated statement of changes in equity for the year ended 31 December 2021 (Amounts in millions of Renminbi, unless otherwise stated)

<i>Total equity attributable to equity holders of the Bank</i>												
	<i>Note IV</i>	<i>Ordinary shares</i>	<i>Other equity instruments</i>	<i>Capital reserve</i>	<i>Investment revaluation reserve</i>	<i>Surplus reserve</i>	<i>General reserve</i>	<i>Retained earnings</i>	<i>Foreign currency translation reserve</i>	<i>Subtotal</i>	<i>Non- controlling interests</i>	<i>Total</i>
As at 31 December 2020		349,983	319,875	173,556	25,987	196,071	311,449	828,240	(372)	2,204,789	5,957	2,210,746
Profit for the year		-	-	-	-	-	-	241,183	-	241,183	753	241,936
Other comprehensive income		-	-	-	8,940	-	-	-	(1,724)	7,216	104	7,320
Total comprehensive income for the year		-	-	-	8,940	-	-	241,183	(1,724)	248,399	857	249,256
Capital contribution from equity holders	33	-	39,997	-	-	-	-	-	-	39,997	37	40,034
Appropriation to surplus reserve	36	-	-	-	-	24,721	-	(24,721)	-	-	-	-
Appropriation to general reserve	37	-	-	-	-	-	40,167	(40,167)	-	-	-	-
Dividends paid to ordinary equity holders	10	-	-	-	-	-	-	(64,782)	-	(64,782)	-	(64,782)
Dividends paid to other equity instrument holders	10	-	-	-	-	-	-	(13,798)	-	(13,798)	-	(13,798)
Dividends paid to non-controlling equity holders		-	-	-	-	-	-	-	-	-	(97)	(97)
As at 31 December 2021		349,983	359,872	173,556	34,927	220,792	351,616	925,955	(2,096)	2,414,605	6,754	2,421,359

Consolidated statement of changes in equity for the year ended 31 December 2021 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

<i>Total equity attributable to equity holders of the Bank</i>												
	<i>Note IV</i>	<i>Ordinary shares</i>	<i>Other equity instruments</i>	<i>Capital reserve</i>	<i>Investment revaluation reserve</i>	<i>Surplus reserve</i>	<i>General reserve</i>	<i>Retained earnings</i>	<i>Foreign currency translation reserve</i>	<i>Subtotal</i>	<i>Non- controlling interests</i>	<i>Total</i>
As at 31 December 2019		349,983	199,886	173,556	29,684	174,910	277,016	741,101	2,219	1,948,355	5,506	1,953,861
Profit for the year		-	-	-	-	-	-	215,925	-	215,925	475	216,400
Other comprehensive income		-	-	-	(3,697)	-	-	-	(2,591)	(6,288)	(49)	(6,337)
Total comprehensive income for the year		-	-	-	(3,697)	-	-	215,925	(2,591)	209,637	426	210,063
Capital contribution from equity holders	33	-	119,989	-	-	-	-	-	-	119,989	25	120,014
Appropriation to surplus reserve	36	-	-	-	-	21,161	-	(21,161)	-	-	-	-
Appropriation to general reserve	37	-	-	-	-	-	34,433	(34,433)	-	-	-	-
Dividends paid to ordinary equity holders	10	-	-	-	-	-	-	(63,662)	-	(63,662)	-	(63,662)
Dividends paid to other equity instrument holders	10	-	-	-	-	-	-	(9,530)	-	(9,530)	-	(9,530)
As at 31 December 2020		349,983	319,875	173,556	25,987	196,071	311,449	828,240	(372)	2,204,789	5,957	2,210,746

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

Consolidated statement of cash flows for the year ended 31 December 2021

(Amounts in millions of Renminbi, unless otherwise stated)

	Note IV	Year ended 31 December	
		2021	2020
Cash flows from operating activities			
Profit before tax		295,880	265,050
Adjustments for:			
Amortization of intangible assets and other assets		2,322	2,147
Depreciation of property, equipment and right-of-use assets		17,475	17,404
Credit impairment losses		165,886	164,699
Impairment losses on other assets		114	204
Interest income arising from investment securities		(252,804)	(238,995)
Interest expense on debt securities issued		39,188	35,746
Revaluation loss/(gain) on financial instruments at fair value through profit or loss		4,019	(2,968)
Net gain on investment securities		(1,285)	(750)
Share of result of associates and joint ventures		(409)	(518)
Net gain on disposal of property, equipment and other assets		(921)	(1,003)
Net foreign exchange loss		16,877	26,972
		286,342	267,988

Consolidated statement of cash flows for the year ended 31 December 2021 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

	Note IV	Year ended 31 December	
		2021	2020
Cash flows from operating activities (continued)			
Net change in operating assets and operating liabilities:			
Net decrease/(increase) in balances with central banks, deposits with banks and other financial institutions		313,337	(330,552)
Net (increase)/decrease in placements with and loans to banks and other financial institutions		(4,992)	29,377
Net decrease/(increase) in financial assets held under resale agreements		48,919	(49,415)
Net increase in loans and advances to customers		(2,026,482)	(1,832,315)
Net increase in borrowings from central banks		10,483	128,514
Net (decrease)/increase in placements from banks and other financial institutions		(99,232)	65,941
Net increase in due to customers and deposits from banks and other financial institutions		1,712,770	1,375,364
Decrease in other operating assets		173,587	94,748
(Decrease)/increase in other operating liabilities		(116,370)	253,209
		298,362	2,859
Cash from operations		298,362	2,859
Income tax paid		(58,747)	(63,795)
		239,615	(60,936)
Net cash from/(used in) operating activities		239,615	(60,936)

Consolidated statement of cash flows for the year ended 31 December 2021 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

	Note IV	Year ended 31 December	
		2021	2020
Cash flows from investing activities			
Cash received from disposal/redemption of investment securities		1,619,583	1,987,387
Cash received from investment income		247,470	228,563
Cash received from disposal of investment in associates and joint ventures		2,793	-
Cash received from disposal of property, equipment and other assets		5,790	8,350
Cash paid for purchase of investment securities		(2,178,694)	(2,669,040)
Increase in investment in associates and joint ventures		(2,146)	(1,676)
Cash paid for purchase of property, equipment and other assets		(26,033)	(22,844)
		(331,237)	(469,260)
Net cash used in investing activities			
Cash flows from financing activities			
Contribution from issues of other equity instruments		40,000	120,000
Cash payments for transaction cost of other equity instruments issued		(3)	(11)
Cash received from debt securities issued		1,635,127	1,731,396
Repayments of debt securities issued		(1,497,003)	(1,468,391)
Cash payments for interest on debt securities issued		(40,429)	(35,050)
Cash payments for transaction cost of debt securities issued		(39)	(6)
Cash payments for principal portion and interest portion of lease liability		(5,010)	(4,968)
Capital contribution from non-controlling interests		37	25
Dividends paid		(78,677)	(73,192)
		54,003	269,803
Net cash from financing activities			
Net decrease in cash and cash equivalents		(37,619)	(260,393)
Cash and cash equivalents as at 1 January		1,175,153	1,454,581
Effect of exchange rate changes on cash and cash equivalents		(12,772)	(19,035)
		1,124,762	1,175,153
Cash and cash equivalents as at 31 December	38	1,124,762	1,175,153

Consolidated statement of cash flows for the year ended 31 December 2021 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
	IV	2021	2020
Net cash flows from operating activities			
include:			
Interest received		717,022	655,726
Interest paid		(342,465)	(315,177)

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

Notes to the consolidated financial statements for the year ended 31 December 2021

(Amounts in millions of Renminbi, unless otherwise stated)

I GENERAL INFORMATION

Agricultural Bank of China Limited (the “Bank”) is the successor entity to the Agricultural Bank of China (the “Predecessor Entity”) which was a wholly state-owned commercial bank approved for setup by the People’s Bank of China (the “PBOC”) and founded on 23 February 1979 in the People’s Republic of China (the “PRC”). On 15 January 2009, the Bank was established after the completion of the financial restructuring of the Predecessor Entity. The Bank’s establishment was authorized by the PBOC. The Bank was listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited on 15 July 2010 and 16 July 2010, respectively.

The Bank operates under financial services certificate No. B0002H111000001 issued by the China Banking and Insurance Regulatory Commission (the “CBIRC”), and business license No. 911100001000054748 issued by Beijing Administration of Industry and Commerce. The registered office of the Bank is located at No. 69 Jianguomen Nei Avenue, Dongcheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively, the “Group”) include Renminbi (“RMB”) and foreign currency deposits, loans, clearing and settlement services, assets custodian services, fund management, financial leasing services, insurance services and other services as approved by relevant regulators, and the provision of related services by its overseas establishments as approved by the respective local regulators.

The head office and domestic branches of the Bank and its subsidiaries operating in the Mainland China are referred to as the “Domestic Operations”. Branches and subsidiaries registered and operating outside of the Mainland China are referred to as the “Overseas Operations”.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), as issued by the International Accounting Standards Board (“IASB”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance for this financial year and the comparative period.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1 Basis of preparation (continued)

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of consideration given in exchange for assets and that is received (or in some circumstances the amount expected to be paid) with respect to liabilities.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note III.

1.1 Other amendments to the standards effective in 2021 relevant to and adopted by the Group

The Group has adopted the following International Financial Reporting Standards ("IFRSs") and amendments issued by the International Accounting Standards Board ("IASB"), that are mandatorily effective for the current reporting period.

			<i>Notes</i>
(1)	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform - Phase 2	(i)
(2)	Amendment to IFRS 16	Covid-19-Related Rent Concessions	(ii)
(i)	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform - phase 2.		

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

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1 Basis of preparation (continued)

The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform, including: 1. For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. 2. Require an entity to prospectively cease to apply the Phase 1 reliefs to a non contractually specified risk component at the earlier of when changes are made to the non contractually specified risk component, or when the hedging relationship is discontinued. 3. Additional temporary exceptions from applying specific hedge accounting requirement. 4. Additional IFRS 7 disclosure requirements related to IBOR reform. The adoption of the amendments does not have a significant impact on the consolidated financial statements of the Group.

(ii) Amendment to IFRS 16: Covid-19-Related Rent Concessions

On 31 March 2021, the IASB issued amendments to IFRS 16: to provide a one-year extension to one of the eligibility criteria for the use of the practical expedient (the “PE”). As a result, rent concessions that reduce only lease payments originally due on or before 30 June 2022 would become eligible (compared to 30 June 2021 as in PE 2020). The adoption of the amendments does not have a significant impact on the consolidated financial statements of the Group.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1 Basis of preparation (continued)

1.2 **Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2021**

The Group has not adopted the following new or amended standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (“IFRIC”), that have been issued but are not yet effective.

			<i>Effective for annual periods beginning on or after</i>	<i>Notes</i>
(1)	Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022	(i)
(2)	Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022	(ii)
(3)	Amendments to IAS 16	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022	(iii)
(4)	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	IASB Annual Improvements 2018 - 2020 cycle	1 January 2022	(iv)
(5)	Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023	(v)
(6)	Amendments to IFRS 17	Insurance Contracts	1 January 2023	(vi)
(7)	Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023	(vii)
(8)	Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023	(viii)
(9)	Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	(ix)
(10)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The effective date has now been deferred	(x)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1 Basis of preparation (continued)

(i) Amendments to IFRS 3: Reference to the Conceptual Framework

The IASB issued amendments to IFRS 3: Reference to the Conceptual Framework. The amendments have updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(ii) Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract

The IASB issued amendments to IAS 37: Cost of Fulfilling a Contract. The amendments clarify the meaning of 'costs to fulfil a contract', they explain that the direct cost of fulfilling a contract comprises: the incremental costs of fulfilling that contract and; an allocation of other costs that relate directly to fulfilling contracts. The amendments also clarify that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. The amendments could result in the recognition of more onerous contract provisions, because previously some entities only included incremental costs in the costs to fulfil a contract. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(iii) Amendments to IAS 16: Property, Plant and Equipment - Proceeds before Intended Use

The IASB issued amendments to IAS 16: Proceeds before Intended Use. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The amendment also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management. The amendment requires entities to separately disclose the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. An entity should also disclose the line item in the statement of comprehensive income where the proceeds are included. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1 Basis of preparation (continued)

- (iv) Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: IASB Annual Improvements 2018 - 2020 cycle

The IASB issued amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: Annual improvements 2018 - 2020 cycle, which include optional relief for the measurement of cumulative translation differences to those first-time adopters, clarifying fees included when assessing the derecognition of financial liability, the amendment to illustrative example accompanying HKFRS 16, 'Leases', and the removal of the requirement to exclude taxation cash flows when measuring fair value. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

- (v) Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The IASB issued a narrow-scope amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period.

The amendment changes the guidance for the classification of liabilities as current or non-current. It could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. All entities should reconsider their existing classification in the light of the amendment and determine whether any changes are required. The Group anticipates that the adoption of the amendments will have no impact on the Group's consolidated financial statements.

- (vi) Amendments to IFRS 17: Insurance Contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. IFRS 17 is issued to resolve the comparison problems created by IFRS 4 by setting out a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

The IASB issued the amendments to IFRS 17: Insurance contracts on 25 June 2020, together with an amendment to IFRS 4, so that eligible insurers can still apply IFRS 9 alongside IFRS 17. This concluded the IASB's targeted amendments to IFRS 17 which aimed to ease implementation of the standard by reducing implementation costs and making it easier for entities to explain, to investors and others, the results from applying IFRS 17. IFRS 17 should be applied to annual reporting periods beginning on or after 1 January 2023, with earlier application permitted, and the amendments should be applied at the same time.

The Group has not completed its assessment of the impact on the Group's consolidated financial statements of adopting IFRS 17.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1 Basis of preparation (continued)

(vii) Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

The IASB issued the amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies. The amendments include: An entity will be required to disclose its material accounting policy information instead of its significant accounting policies; Additional guidance has been provided on how an entity can identify material accounting policy information; and IFRS Practice Statement 2 Making Materiality Judgements has been amended by adding guidance and examples to explain and illustrate the application of the “four-step materiality process” to accounting policy information. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

(viii) Amendments to IAS 8: Definition of Accounting Estimates

The IASB issued the amendments to IAS 8: Definition of Accounting Estimates. The amendment defined the “Accounting estimates” are now as “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The definition of “a change in accounting estimate” is removed. The amendment also clarifies that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates unless they result from the correction of prior period errors. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

(ix) Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The IASB issued targeted amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments specified how companies should account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

(x) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture

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

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

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2 Consolidation

Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiaries as well as structured entities controlled by the Group. The Group controls an entity when the Group is exposed to, 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.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date on which control ceases, respectively.

Adjustments are made to the financial statements of subsidiaries, where appropriate, to consistently reflect the accounting policies of the Group.

When merging, all intra-group transactions, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests of consolidated subsidiaries are presented separately from the controlling party's equity therein.

The carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Further, total comprehensive income of a subsidiary is attributed, based on the proportion of their respective holdings, to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost, less impairment losses, if any.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognized in the consolidated income statement as incurred.

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognized at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 - Income Taxes and IAS 19 - Employee Benefits, respectively.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2 Consolidation (continued)

Non-controlling interests that represent ownership interests in the acquiree, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are accounted for at either fair value or the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Goodwill

Goodwill represents the excess of the cost of an acquisition less the fair value of the Group's share of the net identifiable assets of acquired subsidiaries and associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") or groups of CGUs that is expected to benefit from the synergies of the business combination.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount, the deficit, reflecting an impairment loss, is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis, based on the carrying amount of each asset in the CGU. Any goodwill impairment loss is recognized directly in the consolidated income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Investment in associate and joint venture

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement through a separate entity, and have rights to the net assets of the arrangement based on legal form, contract terms, and other facts and circumstances. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control or joint control over those policy decisions. Joint control is the contractually agreed sharing of control over an activity, and exists only when the decisions relating to the activity require the unanimous consent of the Group and other parties sharing the control.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2 Consolidation (continued)

The post-acquisition profit or loss of an associate or a joint venture is incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate or a joint venture is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of loss of an associate or a joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further loss. Additional loss is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

At the end of each reporting period, the Group considers whether there are circumstances that indicate the possibility of impairment of the Group's investment in an associate or a joint venture; when that is the case, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 - Impairment of Assets, as a single asset by comparing its recoverable amount (the higher of fair value less costs to sell and value in use) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of an impairment loss is recognized in accordance with IAS 36, to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with the Group's associate or joint venture, profits and losses resulting from the transaction are recognized in the Group's consolidated financial statements only to the extent of the interest in the associate or joint venture that are not related to the Group. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

3 Interest income and expenses

Interest income and expenses of financial instruments are calculated using the effective interest method and included in the current profit and loss.

The Group uses the effective interest method to calculate the interest income and expenses of financial assets and liabilities measured at amortized cost or at fair value through other comprehensive income, presented as "interest income" and "interest expenses" respectively. For specific accounting policies, please refer to the Note II 8.4 subsequent measurement of financial instruments.

4 Fee and commission income

Fee and commission income is recognized when the Group fulfills its performance obligation, either over time or at a point in time when a customer obtains control of the service.

For the performance obligations satisfied at a point in time, the Group recognizes revenue when control is passed to the customer at a certain point in time, including insurance agency fee, merchant acquiring service fee, settlement & clearing services and bond underwriting fee, etc. For the performance obligations satisfied over time, the Group recognizes revenue according to the progress toward satisfaction of the obligation over the time, including consultancy and advisory fee and custodial fee, etc.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5 Foreign currency translation

The functional currency of the Domestic Operations is RMB. The presentation currency of the Group and the Bank is RMB.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in the consolidated income statement in the period in which they arise, except for the following:

- (i) exchange differences arising on a monetary item that forms part of the Bank's net investment in the Overseas Operations;
- (ii) changes in the fair value of monetary assets denominated in foreign currency classified as financial investments at fair value through other comprehensive income are analyzed between translation differences resulting from changes in the amortized cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortized cost are recognized in the consolidated income statement, and other changes in the carrying amount are recognized in other comprehensive income.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's Overseas Operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the foreign currency translation reserve and non-controlling interests, as appropriate. The accumulated foreign currency translation reserve related to the Overseas Operations will be reclassified from equity to the consolidated income statement on disposal of all or part of the Overseas Operations.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6 Taxation

Income tax comprises current and deferred income tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax assets and liabilities are not recognized for temporary difference related to goodwill or the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that the temporary difference will not reverse in the foreseeable future or it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognized in the consolidated income statement, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized in other comprehensive income or directly in equity, respectively.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6 Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Value-added Taxes ("VAT")

The Group mainly provides financial services such as loan services, direct-charge financial services, insurance services and transfer of financial commodities, which are subject to the VAT rate of 6%. For other services, VAT is calculated and paid in accordance with the tax rates stipulated in the tax law.

Pursuant to the "Circular of the Ministry of Finance and the State Administration of Taxation on Further Clarification of Relevant Policies Applicable to the Financial Sector in the Comprehensive Implementation of the VAT Pilot Programs" (Cai Shui [2016] No. 46), the Bank elected to adopt a simplified methodology to calculate VAT at 3% on interest income derived from loans granted to farming households, rural enterprises and other rural institutions by county-level sub-branches included in the Bank's pilot programs of the County Area Banking Division, including those under the Bank's provincial branches in provinces, autonomous regions, municipalities directly under the central government and municipalities with independent budgetary status as well as those under the Xinjiang Production and Construction Corps Branch.

In accordance with the Ministry of Finance and the State Administration of Taxation's "Circular regarding the Value-added Taxes Policies for Financial, Real Estate Development and Education Ancillary and Other Services" (Cai Shui [2016] No. 140), the "Supplementary Circular regarding Issues concerning Value-added Taxes Policies for Asset Management Products" (Cai Shui [2017] No. 2) and the "Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products" (Cai Shui [2017] No. 56), the Group shall pay VAT at 3% for taxable asset management activities undertaken after 1 January 2018.

7 Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditure incurred by the Group in exchange for services rendered by employees or for termination of the employment contracts. These benefits include short-term employee benefits, post-employment benefits and early retirement benefits.

Short-term employee benefits

Short-term employee benefits include salaries, bonuses, allowance and subsidies, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds as well as labor union fees and staff education expenses. In the reporting period in which an employee has rendered services, the Group recognizes the short-term employee benefits payable for those services as a liability with a corresponding increase in the expenses in the consolidated income statement or capitalization as cost of related assets.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7 Employee benefits (continued)

Post-employment benefits

The Group's post-employment benefits are primarily the payments for basic pensions and unemployment insurance related to government mandated social welfare programs, as well as the annuity scheme established. All these post-employment benefits are defined contribution plans, under which, the Group makes fixed contributions into a separate fund and will have no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods.

Contributions to the basic pensions and unemployment insurance plan are recognized in the consolidated income statement for the period or capitalization as cost of related assets in which the related payment obligation is incurred.

The employees of the Bank's head office and domestic branches ("Domestic Institutions") participate in an annuity scheme established by the Bank (the "Annuity Scheme"). The Bank pays annuity contributions with reference to employees' salaries, and such contributions are expensed in the consolidated income statement or capitalized as cost of related assets when incurred. The Bank has no further obligation if the Annuity Scheme does not have sufficient assets for the payment of any retirement benefits to employees funded by the Annuity Scheme.

Early retirement benefits

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date, as approved by management. The related benefit payments are made from the date of early retirement to the normal retirement date.

The accounting treatment of the Group's early retirement benefits is in accordance with termination benefits as determined in IAS 19. The liability is recognized for the early retirement benefit payments from the date of early retirement to the normal retirement date when the criteria for recognition as termination benefit is met with a corresponding charge in the consolidated income statement. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognized in the consolidated income statement when incurred.

8 Financial instruments

8.1 *Initial recognition, classification and measurement of financial instruments*

Financial assets or financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

For purchases or sales of financial assets in a regular way, the related assets and liabilities are recognized or sold assets are derecognized at the trade date, along with the recognition of gains or losses on disposal and the receivables due from the buyer. The trade date is the date on which the Group commits to purchase or sell the financial asset.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8 Financial instruments (continued)

At initial recognition, the Group measures a financial asset or financial liability at its fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. For other classes of financial assets or financial liabilities, the relevant transaction costs are included in the initial recognition amount.

(1) Financial assets

Financial assets are classified in the following measurement categories based on the Group's business model for managing the asset and the cash flow characteristics of the assets:

- (i) Amortized cost ("AC");
- (ii) Fair value through other comprehensive income ("FVOCI"); or
- (iii) Fair value through profit or loss ("FVPL").

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes consideration for the time value of money, credit risk associated with the principal amount outstanding during a particular period of time, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. The Group 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.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8 Financial instruments (continued)

The classification requirements for debt instruments and equity instruments in the Group are described as below:

Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds. Classification and measurement of debt instruments depend on the Group's business models for managing the asset and the cash flow characteristics of the asset.

Based on these factors, the debt instruments of the Group are classified into three categories below:

- (i) AC: Debt instruments that are held within a business model whose objective is to hold assets to collect contractual cash flows; and contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and that are not designated as at FVPL, are measured at amortized cost.
- (ii) FVOCI: Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and that are not designated as at FVPL, are measured at FVOCI.
- (iii) FVPL: All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVPL.

The Group may also irrevocably designate financial assets at FVPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective referring to Note II 8.9, examples of equity instruments include basic ordinary shares. The Group subsequently measures all equity investments at FVPL, except for the equity investment not held for trading where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8 Financial instruments (continued)

(2) Financial liabilities

The Group's financial liabilities are classified into financial liabilities at FVPL and other financial liabilities carried at amortized cost on initial recognition. Financial liabilities at FVPL is applied to derivatives, financial liabilities held for trading and financial liabilities designated as such at initial recognition.

The Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either:

- (i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- (ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel.

Once the designation is made, it shall not be revoked.

Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, if the enterprise retains substantially all the risks and rewards of the ownership of the transferred financial asset and does not qualified for derecognition, the Group shall continue to recognize the transferred financial asset in its entirety and recognize a financial liability for the consideration received. In applying the continued involvement approach of accounting, please refer to the Note II 8.7 Derecognition of financial assets for the measurement of the transferred liability.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8 Financial instruments (continued)

8.2 *Reclassification of financial assets*

When the Group changes the business model for managing its financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

8.3 *Determination of fair value*

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. For financial instruments traded in active markets the determination of fair values of financial assets and financial liabilities is based on quoted market prices. Active market is a place in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. In an active market, the quoted prices of relevant assets or liabilities should be readily and regularly available from exchanges, dealers, brokers, industry groups, pricing institutions or regulatory institutions by the enterprise. The current market may not be active when there is a significant decline in the volume of transaction or level of activity, price quotations vary substantially either over time or among market-makers and current prices are not available. For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, fair value of other financial instruments that are substantially the same, discounted cash flow analysis, option pricing models and others commonly used by market participants. When measuring the asset or liability at fair value, the Group shall use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value, select inputs that are consistent with the characteristics of the asset or liability that market participants would take into account in a transaction for the asset or liability. These valuation techniques include the use of observable and/or unobservable inputs, and observable inputs are preferred.

8.4 *Subsequent measurement of financial instruments*

Subsequent measurement of financial instruments depends on the categories:

(1) Amortized cost

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount; (iii) for financial assets, adjusted for any loss allowance. Interest income and interest expenses from these financial assets and liabilities are included in "Interest income" and "Interest expenses" using the effective interest rate method.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8 Financial instruments (continued)

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses (“ECL”) and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired (“POCI”) financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is included in “Interest income”, except for:

- (i) POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost; and
 - (ii) financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost (i.e.net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.
- (2) Fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument’s amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in “interest income” using the effective interest rate method.

Equity instruments

The equity instrument investments that are not held for trading are designated as FVOCI. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as investment income when the Group’s right to receive payments is established. Other net gains or losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8 Financial instruments (continued)

(3) Financial assets at fair value through profit or loss

The financial asset is measured at fair value and net gains or losses are recognized in profit or loss.

(4) Financial liabilities at fair value through profit or loss

Financial liabilities at FVPL are measured at fair value with all gains or losses recognized in the profit or loss of the current period, except for financial liabilities designated as at fair value through profit or loss, where gains or losses on the financial liabilities are treated as follows:

- (i) changes in fair value of such financial liabilities due to changes in the Group's own credit risk are recognized in other comprehensive income; and
- (ii) other changes in fair value of such financial liabilities are recognized in profit or loss of the current period. If the accounting of changes in the credit risk of the financial liabilities in accordance with (i) will create or enlarge accounting mismatches in profit or loss, the Group recognizes all gains or losses on such financial liabilities (including amounts arising from changes in its own credit risk) in the profit or loss.

When the liabilities designated as at fair value through profit or loss is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to retained earnings.

8.5 Impairment of financial instruments

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI and exposures arising from some loan commitments and financial guarantee contracts.

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, which are all cash shortfalls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

The Group measures ECL of a financial instrument reflects:

- (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (ii) the time value of money; and
- (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8 Financial instruments (continued)

For financial instruments whose impairment losses are measured using the ECL models, the Group applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

- Stage I: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in stage I.
- Stage II: If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is moved to Stage II. The description of how the Group determines when a significant increase in credit risk has occurred is disclosed in Note IV 44.1.
- Stage III: If the financial instrument is credit-impaired, the financial instrument is then moved to Stage III. The definition of credit-impaired financial assets is disclosed in Note IV 44.1.

Financial instruments in Stage I have their ECL measured at an amount equivalent to the ECL of the financial asset for the next 12 months ("12m ECL"). Financial instruments in Stage II or Stage III have their ECL measured at an amount equivalent to the ECL over the lifetime of the financial instruments ("Lifetime ECL"). The description of inputs, assumptions and estimation techniques used in measuring the ECL is disclosed in Note IV 44.1.

For accounts receivable, lease receivables and contract assets, the Group always recognise lifetime expected credit losses. The Group uses provision matrix based on its historical credit loss experience for above-mentioned financial assets to estimate ECLs. The historical credit experience is appropriately adjusted to reflect the specific factors of borrowers, current events and forecast future conditions as at reporting date.

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognized in other comprehensive income and the impairment loss is recognized in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

If the Group has measured the loss allowance for a financial instrument other than POCI at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on the financial instruments has increased significantly since initial recognition is no longer met, the Group measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date and the amount of expected credit losses reversal is recognized in profit or loss. For POCI financial assets, at the reporting date, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8 Financial instruments (continued)

8.6 *Modification of loans*

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether the new terms are substantially different to the original terms.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

8.7 *Derecognition of financial assets*

Financial asset is derecognized when one of the following conditions is met:

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

The financial asset has been transferred, if the Group neither transfers nor retains substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset, whereby the related liabilities is recognized accordingly.

On derecognition of a financial asset in its entirety, the difference between the sum of the consideration received for the part derecognized any cumulative amount of fair value recognized in other comprehensive income (if the transfer involves any debt investments measured at fair value through other comprehensive income) and the carrying amount allocated to the part derecognized on the date of derecognition shall be included in profit and loss for the current period.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8 Financial instruments (continued)

8.8 *Derecognition of financial liabilities*

A financial liability (or a part of a financial liability) is removed when the obligation specified in the contract is discharged or cancelled or expires in whole or in part. An exchange between the group and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss.

8.9 *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met: (i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and(ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of direct issuance expenses.

8.10 *Derivative financial instruments and hedge accounting*

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of the reporting period. The resulting gain or loss is recognized in the consolidated income statement.

The Group documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8 Financial instruments (continued)

(a) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss or other comprehensive income.

The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in profit or loss or other comprehensive income, together with the changes in fair value of the hedged item attributable to the hedged risk.

For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item and the face value is amortised over the remaining term of the original hedge using the effective interest rate method.

The Group discontinues fair value hedge accounting 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. If the hedged items are derecognised, the unamortised fair value is recorded in profit or loss.

(b) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction that could ultimately affect the profit or loss.

The effective portion of changes in the net gains and losses of hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity in the "other comprehensive income". The ineffective portion is recognised immediately in the profit or loss.

Amounts accumulated in other comprehensive income are reclassified to the profit or loss in the same periods when the hedged item affects the profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the periods when the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur (for example, the recognised hedged asset is disposed of), the cumulative gain or loss previously recognised in other comprehensive income is immediately reclassified to the statement of profit or loss.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8 Financial instruments (continued)

8.11 *Embedded derivative financial instruments*

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

- (i) Their economic characteristics and risks are not closely related to those of the host contract;
- (ii) A separate instrument with the same terms would meet the definition of a derivative; and
- (iii) The hybrid contract is not measured at fair value through profit or loss.

Where an embedded derivative is separated from a hybrid contract, the Group accounts for the host contract of the hybrid contract in accordance with the provisions of the applicable accounting standards. Where the fair value of the embedded derivative is unable to be reliably measured on the basis of the terms and conditions, the fair value of the embedded derivative is determined as the difference between the fair value of the hybrid contract and the fair value of the host contract. If, after using the above method, the fair value of the embedded derivative at the acquisition date or at the end of a subsequent financial reporting period is still unable to separately measurable, the Group designates the entire hybrid contract as a fair value through profit or loss.

8.12 *Offsetting financial assets and financial liabilities*

When the Group has a legal right to set off the recognized amounts and the legal right is currently enforceable, and the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position. Besides, financial assets and liabilities shall be settled respectively but not offset each other. The legally enforceable right of set-off must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

8.13 *Financial assets purchased under resale agreements and financial assets sold under repurchase agreements*

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognized. They continue to be recorded as investments classified as financial assets before sale or loan. The corresponding liability is included in financial assets sold under repurchase agreements. The items which are not derecognized are disclosed in Note IV 42 Contingent Liabilities and Commitments - Collateral.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8 Financial instruments (continued)

Consideration paid for financial assets held under agreements to resell are recorded as Financial assets held under resale agreements, the related financial assets accepted is not recognized in the consolidated financial statements (Note IV 42 Contingent Liabilities and Commitments - Collateral).

The difference between the purchase and sale price is recognized as gain or loss in the current period using the effective interest method.

9 Insurance contracts

Insurance contract classification

Insurance contracts are those contracts under which the Group has accepted significant insurance risk. The Group issues primarily life insurance contracts, which insure events associated with mortality over a long duration. The Group also issues non-life insurance contracts, which cover casualty and health insurance risk. When necessary, the Group enters into reinsurance contracts to transfer insurance risks to the reinsurer. A significant insurance risk test is performed at inception of the insurance contracts.

Some insurance contracts contain both an insurance component and a deposit component. The Group unbundles those components, if the insurance component and the deposit component are separately measurable. The unbundled insurance component is accounted for according to IFRS 4 - Insurance Contracts and the unbundled deposit component is accounted for as a financial liability.

Insurance income recognition

Insurance premium income is recognized when the following conditions are met: the insurance contract is issued and related insurance risk is undertaken by the Group, the related economic benefits are likely to flow to the Group, and the related income can be reliably measured.

Insurance contract liabilities

Insurance contract liabilities are measured based on a reasonable estimate of the amount of payments that the Group will be required to make to fulfill its obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows related to such contracts. A reasonable estimate of expected future net cash flows is determined based on information currently available as at the end of the reporting period. The Group has considered the impact of time value in the liability calculation for long-term life insurance.

The Group performs liability adequacy tests based on information currently available, as at the reporting date. Additional insurance contract liabilities will be recorded if any deficiency exists.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10 Precious metals

Precious metals comprise gold, silver and other precious metals.

Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realizable value. Precious metals that are related to the Group's trading activities are initially recognized at fair value, with changes in fair value arising from re-measurement recognized directly in the consolidated income statement in the period in which they arise.

11 Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property and equipment.

Subsequent expenditure incurred for the property and equipment (other than construction in progress) is included in the cost of the property and equipment (other than construction in progress) if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured, and the carrying amount of the replaced part is derecognized. Other subsequent expenditure is recognized in the consolidated income statement in the period in which they are incurred.

Depreciation is recognized as a component of operating expenses in the consolidated income statement so as to recognize the consumption of the economic value of property and equipment (other than construction in progress), less their estimated residual values, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation rates are reviewed at the end of each reporting period.

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

<i>Classes</i>	<i>Useful lives</i>	<i>Estimated residual value rates</i>	<i>Annual depreciation rates</i>
Buildings	5 - 50 years	3%	1.94% - 19.40%
Electronic equipment, furniture and fixtures	3 - 11 years	3%	8.82% - 32.33%
Motor vehicles	5 - 8 years	3%	12.13% - 19.40%

Properties in the course of construction for supply of services or administrative purposes are carried at cost, as construction in progress, less any impairment loss. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11 Property and equipment (continued)

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its continued use. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in other operating income or operating expenses in the consolidated income statement. The accounting policies of impairment of property and equipment are included in Note II 17 Impairment of Non-financial Assets other than Goodwill.

12 Land use rights

Land use rights are classified in other assets and amortized over a straight-line basis over their authorized useful lives.

13 Foreclosed assets

The Group initially recognizes at fair value the foreclosed financial assets. Non-financial foreclosed assets are initially recognized at the fair value of the rights given up by creditors and other costs such as taxes directly attributable to the asset.

When the debtor pays off the debts with multiple assets or in form of restructuring arrangement, the group firstly recognizes and measures the foreclosed financial assets and restructured rights according to provision illustrated in Note II 8.1 Initial recognition, classification and measurement of financial instruments. The net amount, of the fair value of the rights given up by creditor deducted the initial amount recognized for the transferred financial assets and restructured rights, should be distributed in accordance with the proportion of the fair value of each non-financial asset. The distributed amount should be recognized as the initial book value of each non-financial foreclosed assets.

The difference between the fair value and book value of the rights given up by creditor is recorded in profit and loss.

14 Investment property

Investment property is property held to earn rental income or for capital appreciation, or both.

Investment properties are measured using the cost model. Depreciation and amortization is recognized the same way as property and equipment and land use rights. Subsequent expenditure incurred for the investment property is included in the cost of the investment property if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured reliably. Other subsequent expenditure is recognized in the consolidated income statement in the period in which they are incurred.

The accounting policies of impairment of investment property are included in Note II 17 Impairment of Non-financial Assets other than Goodwill.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14 Investment property (continued)

Where an impairment loss subsequently reverses, the carrying amount of the investment property is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated income statement.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal, net of the carrying amount and related taxes, in the consolidated income statement.

15 Leasing

Lease is a contract or part of a contract that conveys the right to use an asset for a period of time in exchange for consideration.

The Group as lessee

The Group recognized the right-of-use assets at the commencement date, and recognized the lease liabilities at the present value of the outstanding lease payments. Lease payments include fixed payments, the amounts expected to be payable by the Group if the Group is reasonably certain to exercise a purchase option or a option to terminate the lease. Variable lease payments not included in the measurement of the lease liability are recognized as an expense in profit or loss when incurred.

The right-of-use assets of the Group are measured at costs, which include the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date, any initial direct costs and less any lease incentives received. If the Group could reasonably determine the ownership of the leased asset when the lease term expires, the right-of-use assets are depreciated over the asset's remaining useful life. Otherwise, the right-of-use assets are depreciated over the shorter period of the asset's useful life and the lease term on a straight-line basis. When the recoverable costs of right-of-use assets are lower than the carrying amount, the value of right-of-use assets will be decreased down to the recoverable costs.

Short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Leases of low value assets are the underlying assets are of low value when new.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

15 Leasing (continued)

The Group as lessor

When the Group is the lessor in a finance lease, a finance lease receivable as an amount equal to the net lease investment is recognized and the finance lease asset is derecognized at the commencement date. The finance lease receivables are recorded in the consolidated statement of financial position as Loans and advances to customers.

When the Group is the lessor in an operating lease, rental income from operating leases is recognized as operating income in the consolidated income statement on a straight-line basis over the term of the related lease. The initial direct costs are included in the carrying amount of the underlying assets and is recognized as expenses over the lease term on the same basis as the lease income.

16 Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment loss. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives which generally range from 5 to 20 years.

Intangible assets with indefinite useful lives are not amortized, but are subject to annual impairment assessment.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement.

17 Impairment of non-financial assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated income statement.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

18 Cash and cash equivalents

Cash and cash equivalents are short-term and highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents include cash and assets with original maturity of three months or less under cash and balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

19 Dividend distribution

Dividend distribution to the Bank's ordinary equity holders is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the ordinary equity holders in the annual general meeting of the Bank.

As authorized by the ordinary equity holders in the annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. Preference share dividend distribution is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the Board of Directors of the Bank.

20 Provisions, contingent liabilities and commitments

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21 Fiduciary activities

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with custody agreements between the Group and securities investment funds, social security funds, insurance companies, trust companies, qualified foreign institutional investors, annuity schemes and other institutions and individuals. The Group receives fees in return for its services provided under the custody agreements and does not have any interest in the economic risks and rewards related to assets under custody. Therefore, assets under custody are not recognized in the Group's consolidated statement of financial position.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the instruction of its customers who are the lenders providing funds for the entrusted loans. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the economic risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

22 Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognized at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of guarantee fees, and the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated income statement.

The impairment allowance of loan commitments provided by the Group is measured using ECL models. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognized as a provision.

23 Related parties

The Group determines the Group's related parties in accordance with IFRSs and other relevant provisions.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the application of the Group's accounting policies, which are described in Note II, management is required to make judgments, estimates and assumptions that affect the carrying amounts of assets and liabilities. The judgments, estimates and related assumptions are based on historical experience and other relevant factors including reasonable expectations for future events.

The judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods as appropriate.

The following are the critical judgments and key estimates management has made in the process of applying the Group's accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

1 Classification of financial assets

The critical judgments the Group has made in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows.

The Group determines the business model for managing financial assets at the level of financial asset portfolio. The factors considered include how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

When assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group has the following main judgments: Whether the principal may be subject to change in the duration or amount of money due to prepayments during the duration; whether interests only included time value of money, credit risk, other basic borrowing risks, and considerations for costs and profits. For example, whether the amount paid in advance reflect only the outstanding principal and interest on the outstanding principal, as well as reasonable compensation for early termination of the contract.

2 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI and for exposures arising from some loan commitments and financial guarantee contracts, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note IV 44.1 Credit risk.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

3 Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models. To the extent practical, market observable inputs and data, such as interest rate yield curves, foreign currency rates and implied option volatilities, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, liquidity, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

With respect to PRC government obligations related to large-scale policy directed financing transactions, fair value is determined using the stated terms of the related instrument and with reference to terms determined by the PRC government in similar transactions engaged in or directed by the PRC government. In this regard, there are no other relevant market prices or yields reflecting arm's length transactions of a comparable size and tenor.

4 Deferred taxes

There are certain transactions and activities in the ordinary course of the Group's business for which the ultimate tax effect is uncertain. The Group made certain estimation and judgement for items of uncertainty in the application of tax legislations, taking into account existing tax legislation and past practice of tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will affect the current income tax, deferred income tax and VAT during the period in which such a determination is made.

5 Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgement on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned as the asset manager, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

6 Derecognition of financial assets transferred

In its normal course of business, the Group transfers its financial assets through various types of transactions including regular way sales and transfers, securitization, financial assets sold under repurchase agreements, securities lending. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial derecognition.

Where the Group enters into structured transactions by which it transfers financial assets to structured entities, the Group analyzes whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities. This will determine whether the following derecognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets are transferred.

The Group analyzes the contractual rights and obligations in connection with such transfers to determine whether the derecognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualifies for the “pass through” of those cash flows to independent third parties.
- the extent to which the associated risks and rewards of ownership of the financial assets are transferred. Significant judgment is applied in the Group’s estimation with regard to the cash flows before and after the transfers and other factors that affect the outcomes of Group’s assessment on the extent that risks and rewards are transferred.
- where the Group has neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyzes whether it has relinquished its controls over these financial assets by assessing whether the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, and if the Group has continuing involvement in these transferred financial assets. Where the Group has not retained control, it derecognizes these financial assets and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer. Otherwise the Group continues to recognize these financial assets to the extent of its continuing involvement in the financial asset.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Net interest income

	<u>Year ended 31 December</u>	
	2021	2020
Interest income		
Loans and advances to customers	694,009	631,753
Including: Corporate loans and advances	380,351	351,898
Personal loans and advances	313,658	279,855
Financial investments		
Debt instrument investments at amortized cost	208,225	187,067
Other debt instrument investments at fair value through other comprehensive income	44,579	51,928
Balances with central banks	34,726	34,271
Placements with and loans to banks and other financial institutions	5,868	8,824
Financial assets held under resale agreements	11,989	9,984
Deposits with banks and other financial institutions	8,618	7,105
	<u>1,008,014</u>	<u>930,932</u>
Subtotal	----- 1,008,014	----- 930,932
Interest expense		
Due to customers	(329,593)	(284,552)
Deposits from banks and other financial institutions	(36,930)	(37,588)
Debt securities issued	(39,188)	(35,746)
Borrowings from central banks	(20,519)	(20,424)
Placements from banks and other financial institutions	(3,479)	(6,114)
Financial assets sold under repurchase agreements	(318)	(1,429)
	<u>(430,027)</u>	<u>(385,853)</u>
Subtotal	----- (430,027)	----- (385,853)
Net interest income	<u><u>577,987</u></u>	<u><u>545,079</u></u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 Net fee and commission income

	<i>Year ended 31 December</i>	
	<u>2021</u>	<u>2020</u>
Fee and commission income		
Electronic banking services	30,476	26,169
Agency services	23,677	21,043
Bank cards	15,435	14,702
Consultancy and advisory services	11,644	11,174
Settlement and clearing services	11,094	11,129
Custodian and other fiduciary services	3,832	4,435
Credit commitment	1,980	1,875
Others	583	639
	<u>98,721</u>	<u>91,166</u>
Subtotal	----- 98,721	----- 91,166
Fee and commission expense		
Bank cards	(11,942)	(10,760)
Electronic banking services	(3,509)	(3,182)
Settlement and clearing services	(1,598)	(1,483)
Others	(1,343)	(1,196)
	<u>(18,392)</u>	<u>(16,621)</u>
Subtotal	----- (18,392)	----- (16,621)
Net fee and commission income	<u><u>80,329</u></u>	<u><u>74,545</u></u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 Net trading gain

	Note	<u>Year ended 31 December</u>	
		2021	2020
Net gain on debt instruments held for trading		3,847	4,178
Net gain on precious metals	(i)	3,650	4,784
Net gain on foreign exchange rate derivatives		6,672	3,211
Net gain/(loss) on interest rate derivatives		440	(3,103)
Others		(368)	7,335
Total		<u>14,241</u>	<u>16,405</u>

- (i) Net gain on precious metals consists of net gain on precious metals and precious metal related derivative products.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Net gain/(loss) on financial investments

	<i>Year ended 31 December</i>	
	2021	2020
Net loss on debt instruments designated as at FVPL	(237)	(92)
Net gain on other debt instruments measured at FVPL	20,907	4,120
Net loss on financial liabilities designated as at FVPL (i)	(7,445)	(11,271)
Net gain on debt instruments measured at FVOCI	1,235	750
Net gain/(loss) on underlying assets and liabilities related to principal guaranteed wealth management products designated as at FVPL	1,068	(748)
Others	(493)	(71)
	<u>15,035</u>	<u>(7,312)</u>
Total	<u>15,035</u>	<u>(7,312)</u>

- (i) Net loss on financial liabilities designated as at FVPL consists of the amount paid upon the maturity of structured deposits designated at FVPL.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Other operating income

	<i>Year ended 31 December</i>	
	2021	2020
Insurance premium	29,188	26,151
Rental income	1,065	950
Gain on disposal of property and equipment	1,032	1,172
Government grant	948	784
Net gain/(loss) on foreign exchange	224	(95)
Others	1,686	1,652
	<u>34,143</u>	<u>30,614</u>
Total	<u>34,143</u>	<u>30,614</u>

6 Operating expenses

	<i>Notes</i>	<i>Year ended 31 December</i>	
		2021	2020
Staff costs	(1)	137,953	123,345
General operating and administrative expenses	(2)	61,558	49,452
Insurance benefits and claims		30,988	27,873
Depreciation and amortization		19,797	19,551
Tax and surcharges	(3)	6,606	5,813
Others		3,373	3,863
		<u>260,275</u>	<u>229,897</u>
Total		<u>260,275</u>	<u>229,897</u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 Operating expenses (continued)

(1) Staff costs

	<i>Year ended 31 December</i>	
	2021	2020
Short-term employee benefits		
Salaries, bonuses, allowance and subsidies	89,580	80,854
Housing funds	9,347	8,933
Social insurance	5,859	4,713
Including: Medical insurance	5,480	4,398
Maternity insurance	222	205
Employment injury insurance	157	110
Labor union fees and staff education expenses	4,001	3,613
Others	10,963	10,595
	119,750	108,708
Subtotal	119,750	108,708
Defined contribution benefits	18,188	14,632
Early retirement benefits	15	5
	137,953	123,345
Total	137,953	123,345

(2) Included in general operating and administrative expenses is auditor's remuneration of RMB106 million for the year, consisting of RMB105 million for financial statements audit service and RMB1 million for non-audit professional service (2020: RMB146 million for the year, consisting of RMB137 million for financial statements audit service and RMB9 million for non-audit professional service).

(3) City construction and maintenance tax is calculated at 1%, 5% or 7% of VAT and sales taxes for the Group's Domestic Operations.

Education surcharge is calculated at 3%, while local education surcharge is calculated at 2% of VAT and sales taxes for the Group's Domestic Operations.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 Benefits and interests of directors, supervisors and senior management

(1) *Details of the Directors', Supervisors' and Senior Management's emoluments are as follows (in thousands of RMB):*

Item	Notes	Year ended 31 December 2021				Total
		Fees	Basic salaries and allowance	Contribution to retirement benefit schemes	Other benefits in kind (xx)	
Executive Directors						
Gu Shu	(i)	-	619	120	81	820
Zhang Qingsong		-	619	120	81	820
Zhang Xuguang		-	557	113	81	751
Lin Li	(ii)	-	465	95	66	626
Independent Non-Executive Directors						
Wang Xinxin		381	-	-	-	381
Huang Zhenzhong		380	-	-	-	380
Ms. LEUNG KO May Yee		380	-	-	-	380
Liu Shouying		360	-	-	-	360
Wu Liansheng	(iii)	34	-	-	-	34
Non-Executive Directors						
Liao Luming		-	-	-	-	-
Li Wei		-	-	-	-	-
Zhou Ji	(iv)	-	-	-	-	-
Liu Xiaopeng	(v)	-	-	-	-	-
Xiao Xiang	(vi)	-	-	-	-	-
Supervisors						
Wang Jingdong		-	619	120	81	820
Fan Jianqiang		-	-	-	-	-
Shao Lihong		50	-	-	-	50
Wu Gang		50	-	-	-	50
Huang Tao	(vii)	-	-	-	-	-
Liu Hongxia		300	-	-	-	300
Xu Xianglin	(viii)	46	-	-	-	46
Wang Xixin	(ix)	39	-	-	-	39
Senior Management						
Cui Yong		-	557	113	81	751
Xu Han		-	557	117	84	758
Zhang Yi	(x)	-	186	38	27	251
Li Zhicheng		-	984	211	80	1,275
Han Guoqiang		-	981	183	81	1,245
Executive Director resigned						
Zhou Mubing	(xi)	-	354	120	81	555
Non-Executive Directors resigned						
Wu JiangTao	(xii)	-	-	-	-	-
Xiao Xing	(xiii)	370	-	-	-	370
Zhu Hailin	(xiv)	-	-	-	-	-
Li Qiyun	(xv)	-	-	-	-	-
Supervisors resigned						
Xia Taili	(xvi)	50	-	-	-	50
Li Wang	(xvii)	242	-	-	-	242
Zhang Jie	(xviii)	268	-	-	-	268
Senior Management resigned						
Zhan Dongsheng	(xix)	-	232	49	34	315
Total		<u>2,950</u>	<u>6,730</u>	<u>1,399</u>	<u>858</u>	<u>11,937</u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 Benefits and interests of directors, supervisors and senior management (continued)

- (i) Gu Shu was elected Executive Director effective 28 January 2021 and elected Chairman of the Board of Directors effective 9 February 2021.
- (ii) Lin Li was elected Executive Vice President effective 31 March 2021 and Executive Director effective 15 June 2021.
- (iii) Wu Liansheng was elected Independent Non-Executive Director effective 19 November 2021.
- (iv) Zhou Ji was elected Non-Executive Director effective 5 March 2021.
- (v) Liu Xiaopeng was elected Non-Executive Director effective 20 January 2022.
- (vi) Xiao Xiang was elected Non-Executive Director effective 20 January 2022.
- (vii) Huang Tao was elected Supervisor Representing Employees effective 26 July 2021.
- (viii) Xu Xianglin was elected External Supervisor effective 11 November 2021.
- (ix) Wang Xixin was elected External Supervisor effective 11 November 2021.
- (x) Zhang Yi was elected Executive Vice President effective 4 November 2021.
- (xi) Zhou Mubing ceased to be Chairman of the Board of Directors and Executive Director effective 7 January 2021.
- (xii) Wu Jiangtao ceased to be Non-Executive Director effective 27 July 2021.
- (xiii) Xiao Xing ceased to be Independent Non-Executive Director effective 19 November 2021.
- (xiv) Zhu Hailin ceased to be Non-Executive Director effective 28 September 2021.
- (xv) Li Qiyun ceased to be Non-Executive Director effective 31 December 2021.
- (xvi) Xia Taili ceased to be Supervisor Representing Employees effective 20 August 2021.
- (xvii) Li Wang ceased to be External Supervisor effective 11 November 2021.
- (xviii) Zhang Jie ceased to be External Supervisor effective 11 November 2021.
- (xix) Zhan Dongsheng ceased to be Executive Vice President effective 11 June 2021.
- (xx) Other benefits in kind include the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities.

The total compensation packages for the above Executive Directors, Supervisors and Senior Management for the year ended 31 December 2021 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC at the date of this consolidated financial statements. The final compensation will be disclosed in a separate announcement when determined.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 Benefits and interests of directors, supervisors and senior management (continued)

Year ended 31 December 2020 (Restated)						
Item	Notes	Fees	Basic salaries and allowance	Contribution to retirement benefit schemes	Other benefits in kind (xiii)	Total
Executive Directors						
Zhou Mubing	(i)	-	1,475	79	75	1,629
Zhang Qingsong	(ii)	-	1,112	79	75	1,266
Zhang Xuguang	(iii)	-	967	75	75	1,117
Independent Non-Executive Directors						
Xiao Xing		410	-	-	-	410
Wang Xinxin		380	-	-	-	380
Huang Zhenzhong		380	-	-	-	380
Ms. LEUNG KO May Yee		370	-	-	-	370
Liu Shouying		360	-	-	-	360
Non-Executive Directors						
Liao Luming		-	-	-	-	-
Li Qiyun		-	-	-	-	-
Li Wei		-	-	-	-	-
Wu Jiangtao		-	-	-	-	-
Zhu Hailin	(iv)	-	-	-	-	-
Supervisors						
Wang Jingdong		-	1,340	79	75	1,494
Xia Taili		50	-	-	-	50
Shao Lihong		50	-	-	-	50
Wu Gang		50	-	-	-	50
Li Wang		280	-	-	-	280
Zhang Jie		310	-	-	-	310
Liu Hongxia		300	-	-	-	300
Fan Jianqiang	(v)	-	-	-	-	-
Senior Management						
Zhan Dongsheng		-	1,132	75	104	1,311
Cui Yong		-	1,099	75	75	1,249
Xu Han	(vi)	-	556	51	44	651
Li Zhicheng		-	1,946	137	75	2,158
Han Guoqiang	(vii)	-	162	11	7	180
Executive Director resigned						
Zhang Keqiu	(viii)	-	1,247	68	68	1,383
Non-Executive Directors resigned						
Chen Jianbo	(ix)	-	-	-	-	-
Xu Jiandong	(x)	-	-	-	-	-
Supervisor resigned						
Wang Xingchun	(xi)	-	-	-	-	-
Senior Management resigned						
Zhou Wanfu	(xii)	-	486	32	18	536
Total		2,940	11,522	761	691	15,914

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 Benefits and interests of directors, supervisors and senior management (continued)

- (i) Zhou Mubing ceased to be Chairman of the Board of Directors and Executive Director effective 7 January 2021.
- (ii) Zhang Qingsong was elected Vice Chairman of the Board of Directors and Executive Director effective 14 January 2020.
- (iii) Zhang Xuguang was elected Executive Director effective 12 October 2020.
- (iv) Zhu Hailin was elected Non-Executive Director effective 29 June 2020.
- (v) Fan Jianqiang was elected Supervisor Representing Shareholders effective 27 November 2020.
- (vi) Xu Han was elected Executive Vice President effective 12 October 2020.
- (vii) Han Guoqiang was elected Secretary of the Board of Directors effective 3 November 2020.
- (viii) Zhang Keqiu ceased to be Executive Director and Executive Vice President effective 30 November 2020.
- (ix) Chen Jianbo ceased to be Non-Executive Director effective 29 June 2020.
- (x) Xu Jiandong ceased to be Non-Executive Director effective 18 June 2020.
- (xi) Wang Xingchun ceased to be Supervisor Representing Shareholders effective 29 June 2020.
- (xii) Zhou Wanfu ceased to be Secretary of the Board of Directors and the company secretary effective 24 March 2020.
- (xiii) Other benefits in kind include the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 Benefits and interests of directors, supervisors and senior management (continued)

(2) Five individuals with the highest emoluments in the Group

- (i) Of the five individuals with the highest emoluments in the Group, none of them are Directors, Supervisors or Senior Management whose emoluments are disclosed above. The emoluments of the five individuals whose emoluments were the highest in the Group for the year ended 31 December 2021 and 31 December 2020 were as follows:

	<i>Year ended 31 December</i>	
	<i>2021</i>	<i>2020</i>
Basic salaries and allowance	13	15
Discretionary bonuses	18	12
Contribution to retirement benefit schemes and others	1	1
Total	32	28

- (ii) The number of these five individuals whose emoluments fell within the following bands are as follows:

	<i>Year ended 31 December</i>	
	<i>2021</i>	<i>2020</i>
RMB4,500,001 to RMB5,000,000 yuan	2	3
RMB5,000,001 to RMB5,500,000 yuan	-	-
RMB5,500,001 to RMB6,000,000 yuan	-	-
RMB6,000,001 to RMB6,500,000 yuan	-	1
RMB6,500,001 to RMB7,000,000 yuan	1	-
RMB7,000,001 to RMB7,500,000 yuan	-	-
RMB7,500,001 to RMB8,000,000 yuan	1	1
RMB8,000,001 to RMB8,500,000 yuan	1	-

For the years ended 31 December 2021 and 31 December 2020, no emolument was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. For the years ended 31 December 2021 and 31 December 2020, none of the five highest paid individuals waived any emolument.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 Benefits and interests of directors, supervisors and senior management (continued)

(3) *Other benefits and interests of Directors and Supervisors pursuant to the Hong Kong Companies Ordinance (Cap.622).*

For the years ended 31 December 2021 and 31 December 2020, no emolument was paid by the Group to any of the Directors and Supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office. Except for the Annuity Scheme and Pension Scheme (Note II 7 Employee Benefits), there were no other retirement benefits for Directors or Supervisors, or consideration provided to third parties for making available Directors' or Supervisors' services; and none of the Directors or Supervisors waived any emolument, or had material interests, whether directly or indirectly, in any material transactions, arrangements or contracts in relation to the Group's business for the years ended 31 December 2021 and 31 December 2020.

The Group enters into credit transactions with the Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors at arm's length in the ordinary course of business. For the years ended 31 December 2021 and 31 December 2020 and as at 31 December 2021 and 31 December 2020, the respective balances of loans and advances from the Group to Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors were not significant. The Group did not provide any guarantee or security to the Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors in respect of their loans, quasi-loans or credit transactions.

8 Credit impairment losses

	<u>Year ended 31 December</u>	
	2021	2020
Loans and advances to customers	168,999	138,988
Financial investments		
Debt instrument investments at amortized cost	2,947	6,796
Other debt instruments investments at fair value through other comprehensive income	1,588	5,070
Provision for guarantees and commitments	(15,393)	10,575
Placements with and loans to banks and other financial institutions	(15)	1,419
Deposits with banks and other financial institutions	(442)	864
Financial assets held under resale agreements	367	936
Others	7,835	51
	<hr/>	<hr/>
Total	<u>165,886</u>	<u>164,699</u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9 Income tax expense

	<u>Year ended 31 December</u>	
	2021	2020
Current income tax		
- PRC Enterprise Income Tax	64,852	58,220
- Hong Kong SAR Income Tax	954	664
- Other jurisdictions Income Tax	239	(26)
	<hr/>	<hr/>
Subtotal	66,045	58,858
Deferred tax (Note IV 22)	(12,101)	(10,208)
	<hr/>	<hr/>
Total	<u>53,944</u>	<u>48,650</u>

PRC Enterprise Income Tax is calculated at 25% of the estimated taxable profit for both years, and also includes supplementary PRC tax on Overseas Operations as determined in accordance with the relevant PRC income tax rules and regulations. Pre-tax deduction items of enterprise income tax are governed by the relevant tax regulations in Mainland China. Taxation arising in other jurisdictions (including Hong Kong SAR) is calculated at the rates prevailing in the relevant jurisdictions.

The tax charges for the years ended 31 December 2021 and 31 December 2020 can be reconciled to the profit per the consolidated income statement as follows:

	Note	<u>Year ended 31 December</u>	
		2021	2020
Profit before tax		295,880	265,050
		<hr/>	<hr/>
Tax calculated at applicable PRC statutory tax rate of 25%		73,970	66,263
Tax effect of income not taxable for tax purpose	(1)	(42,983)	(36,294)
Tax effect of costs, expenses and losses not deductible for tax purpose		23,311	20,061
Tax effect of perpetual bond interest expense		(2,434)	(1,300)
Effect of different tax rates in other jurisdictions		(48)	(80)
Effect of others		2,128	-
		<hr/>	<hr/>
Income tax expense		<u>53,944</u>	<u>48,650</u>

- (1) Non-taxable income primarily includes interest income from PRC treasury bonds and municipal government bonds.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Dividends

	Notes	<u>Year ended 31 December</u>	
		2021	2020
Dividends on ordinary shares declared			
Cash dividend related to 2020	(1)	64,782	-
Cash dividend related to 2019	(2)	-	63,662
		<u>64,782</u>	<u>63,662</u>
Dividends on preference shares declared and paid	(3)	4,064	4,328
Interest on perpetual bonds declared and paid	(4)	9,734	5,202

(1) Distribution of final dividend for 2020

A cash dividend of RMB0.1851 per ordinary share related to 2020, amounting to RMB64,782 million in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2020 as determined in accordance with the relevant accounting rules and financial regulations applicable to PRC enterprises (the “PRC GAAP”), at the annual general meeting held on 27 May 2021.

The above dividend was recognized as distribution and distributed during the year ended 31 December 2021.

(2) Distribution of final dividend for 2019

A cash dividend of RMB0.1819 per ordinary share related to 2019, amounting to RMB63,662 million in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2019 as determined in accordance with the PRC GAAP, at the annual general meeting held on 29 June 2020.

The above dividend was recognized as distribution and distributed during the year ended 31 December 2020.

(3) Distribution of dividend on preference shares for 2021

A cash dividend at the dividend rate of 4.84% per annum related to the second tranche of preference shares of 2020 to 2021 amounting to RMB1,936 million in total was approved at the Board of Directors’ Meeting held on 27 January 2021 and distributed on 11 March 2021.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Dividends (continued)

A cash dividend at the dividend rate of 5.32% per annum related to the first tranche of preference shares of 2020 to 2021 amounting to RMB2,128 million in total was approved at the Board of Directors' Meeting held on 30 August 2021 and distributed on 5 November 2021.

Distribution of dividend on preference shares for 2020

A cash dividend at the dividend rate of 5.50% per annum related to the second tranche of preference shares of 2019 to 2020 amounting to RMB2,200 million in total was approved at the Board of Directors' Meeting held on 10 January 2020 and distributed on 11 March 2020.

A cash dividend at the dividend rate of 5.32% per annum related to the first tranche of preference shares of 2019 to 2020 amounting to RMB2,128 million in total was approved at the Board of Directors' Meeting held on 3 July 2020 and distributed on 5 November 2020.

(4) Distribution of interest on perpetual bonds for 2021

Perpetual bonds listed in the statement of financial position refer to undated tier 1 capital bonds. An interest at the interest rate of 3.48% per annum related to the first tranche of perpetual bonds of RMB85 billion amounting to RMB2,958 million in total was declared on 7 May 2021 and distributed on 12 May 2021.

An interest at the interest rate of 4.39% per annum related to the first tranche of perpetual bonds of RMB85 billion amounting to RMB3,731 million in total was declared on 17 August 2021 and distributed on 20 August 2021.

An interest at the interest rate of 4.50% per annum related to the second tranche of perpetual bonds of RMB35 billion amounting to RMB1,575 million in total was declared on 19 August 2021 and distributed on 24 August 2021.

An interest at the interest rate of 4.20% per annum related to the second tranche of perpetual bonds of RMB35 billion amounting to RMB1,470 million in total was declared on 2 September 2021 and distributed on 6 September 2021.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Dividends (continued)

Distribution of interest on perpetual bonds for 2020

Perpetual bonds listed in the statement of financial position refer to undated tier 1 capital bonds. An interest at the interest rate of 4.39% per annum related to the first tranche of perpetual bonds of RMB85 billion amounting to RMB3,732 million in total was declared on 17 August 2020 and distributed on 20 August 2020.

An interest at the interest rate of 4.20% per annum related to the second tranche of perpetual bonds of RMB35 billion amounting to RMB1,470 million in total was declared on 2 September 2020 and distributed on 7 September 2020.

- (5) A final dividend of RMB0.2068 per ordinary share in respect of the year ended 31 December 2021 totaling RMB72,376 million has been proposed by the directors and is subject to approval by the ordinary equity holders in the annual general meeting.

11 Earnings per share

The calculation of basic and diluted earnings per share is as follows:

	<i>Year ended 31 December</i>	
	<i>2021</i>	<i>2020</i>
Earnings:		
Profit for the year attributable to equity holders of the Bank	241,183	215,925
Less: profit for the year attributable to other equity instruments holders of the Bank	(13,798)	(9,530)
	227,385	206,395
Profit for the year attributable to ordinary equity holders of the Bank	227,385	206,395
Number of shares:		
Weighted average number of ordinary shares in issue (in millions)	349,983	349,983
Basic and diluted earnings per share (RMB yuan)	0.65	0.59

For the years ended 31 December 2015 and 31 December 2014, the Bank issued two non-cumulative preference shares, respectively, and the specific terms are included in Note IV 33 Other equity instruments.

For the year ended 31 December 2021, 31 December 2020 and 31 December 2019, the Bank issued five non-cumulative undated tier 1 capital bonds, respectively, and the specific terms are included in Note IV 33 Other equity instruments.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 Earnings per share (continued)

For the purpose of calculating basic earnings per share, cash dividends of RMB4,064 million of non-cumulative preference shares declared in respect of the year of 2021 and interests of RMB9,734 million of non-cumulative undated tier 1 capital bonds in respect of 2021 were deducted from the profit for the year attributable to equity holders of the Bank (2020: cash dividends of RMB4,328 million of non-cumulative preference shares and interests of RMB5,202 million of non-cumulative undated tier 1 capital bonds).

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the years ended 31 December 2021 and 31 December 2020, and therefore the conversion feature of preference shares has no dilutive effect on earnings per share calculation.

12 Cash and balances with central banks

	Notes	As at 31 December	
		2021	2020
Cash		74,610	76,281
Mandatory reserve deposits with central banks	(1)	1,973,077	2,126,330
Surplus reserve deposits with central banks	(2)	101,010	40,494
Other deposits with central banks	(3)	171,765	193,142
Subtotal		2,320,462	2,436,247
Accrued interest		944	1,028
Total		2,321,406	2,437,275

- (1) The Group places mandatory reserve deposits with the PBOC and overseas regulatory bodies. These include RMB reserve deposits and foreign currency reserve deposits that are not available for use in the Group's daily operations.

As at 31 December 2021, the mandatory deposit reserve ratios of the domestic branches of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC. The mandatory reserve funds placed with the central bank of domestic subsidiaries of the Group are determined by the PBOC. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Chinese mainland are determined by local jurisdictions.

- (2) Surplus reserve deposits with central banks include funds for the purpose of cash settlement and other kinds of unrestricted deposits.
- (3) Other deposits with central banks primarily represent fiscal deposits and foreign exchange risk reserve placed with the PBOC that are not available for use in the Group's daily operations.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13 Deposits with banks and other financial institutions

	<i>As at 31 December</i>	
	2021	2020
Deposits with:		
Domestic banks	184,968	391,366
Other domestic financial institutions	10,345	13,511
Overseas banks	22,507	27,826
	217,820	432,703
Subtotal	217,820	432,703
Accrued interest	2,140	3,387
Allowance for impairment losses	(1,460)	(1,905)
	218,500	434,185
Deposits with banks and other financial institutions, net	218,500	434,185

14 Placements with and loans to banks and other financial institutions

	<i>As at 31 December</i>	
	2021	2020
Placements with and loans to:		
Domestic banks	250,953	148,136
Other domestic financial institutions	93,315	219,887
Overseas banks and other financial institutions	104,295	179,927
	448,563	547,950
Subtotal	448,563	547,950
Accrued interest	1,080	1,750
Allowance for impairment losses	(2,699)	(2,752)
	446,944	546,948
Placements with and loans to banks and other financial institutions, net	446,944	546,948

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15 Derivative financial instruments and hedge accounting

The Group primarily enters into foreign exchange rate, interest rate and precious metal derivative contracts related to trading, asset and liability management, and customer initiated transactions.

The contractual/notional amounts and fair values of the derivative financial instruments entered into by the Group are set out in the following tables. The contractual / notional amounts of derivative financial instruments provide a basis for comparison with fair values of instruments recognized in the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The fair value of derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or precious metal prices relative to their terms. The aggregated fair values of derivative financial assets and liabilities can fluctuate significantly.

Certain financial assets and financial liabilities of the Group are subject to enforceable master net arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. The Group did not offset these financial assets and financial liabilities on a net basis. As at 31 December 2021 and 31 December 2020, the Group does not hold any other financial instruments, other than derivatives, that are subject to master netting arrangements or similar agreements.

	31 December 2021	
	Contractual/ notional amount	Fair value
		Assets Liabilities
Exchange rate derivatives		
Currency forwards and swaps, and cross - currency interest rate swaps	2,145,080	18,983 (14,402)
Currency options	51,631	1,133 (332)
Subtotal		20,116 (14,734)
Interest rate derivatives		
Interest rate swaps	271,371	1,141 (2,366)
Precious metal contracts	145,374	721 (2,237)
Total derivative financial assets and liabilities		21,978 (19,337)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15 Derivative financial instruments and hedge accounting (continued)

	<u>31 December 2020</u>		
	<i>Contractual/ notional amount</i>	<i>Fair value</i>	
		<i>Assets</i>	<i>Liabilities</i>
Exchange rate derivatives			
Currency forwards and swaps, and cross - currency interest rate swaps	2,411,639	54,466	(57,312)
Currency options	70,259	3,721	(444)
Subtotal		58,187	(57,756)
Interest rate derivatives			
Interest rate swaps	352,044	1,009	(4,357)
Precious metal contracts and others	155,555	2,741	(3,169)
Total derivative financial assets and liabilities		<u>61,937</u>	<u>(65,282)</u>

Credit risk weighted amount for derivative transaction counterparties represents the counterparty credit risk associated with derivative transactions and is calculated in accordance with the “Capital Rules for Commercial Banks (Provisional)” issued by the CBIRC which was effective from 1 January 2013 and “Measurement Rule of Counterparty Default Risk Weighted Assets on Derivatives” issued by the CBIRC which was effective from 1 January 2019, and is dependent on, among other factors, creditworthiness of customers and maturity characteristics of each type of contract. As at 31 December 2021 and 31 December 2020, the credit risk weighted amount for derivative transaction counterparties was measured under the Internal Ratings-Based approach.

	<u>As at 31 December</u>	
	<u>2021</u>	<u>2020</u>
Counterparty credit default risk-weighted assets	49,277	74,562
Credit value adjustment risk-weighted assets	6,943	11,905
Total	<u>56,220</u>	<u>86,467</u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15 Derivative financial instruments and hedge accounting (continued)

(1) Fair value hedges

The following designated fair value hedging instruments are included in the derivative financial instruments disclosed above.

	31 December 2021		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	48,716	33	(1,104)
	31 December 2020		
Contractual/ notional amount	Fair value		
	Assets	Liabilities	
Interest rate swaps	63,256	18	(2,860)

The Group uses interest rate swaps to hedge against changes arising from changes in interest rates in fair value of loans and advances to customers, other debt instrument investments at fair value through other comprehensive income.

The Group's net gains/(losses) on fair value hedges are as follow:

	Year ended 31 December	
	2021	2020
Net gains/(losses) on		
- hedging instruments	1,599	(1,996)
- hedged items	(1,566)	1,915

The gains and losses arising from the ineffective portion of fair value hedges were immaterial in 2021 and 2020.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15 Derivative financial instruments and hedge accounting (continued)

The following table shows maturity details with notional amount of hedging instruments disclosed above:

	<i>Fair value hedges</i>					<i>Total</i>
	<i>Less than 1 month</i>	<i>Between 1 and 3 months</i>	<i>Between 3 and 12 months</i>	<i>Between 1 and 5 years</i>	<i>Over 5 years</i>	
31 December 2021	861	3,958	9,203	30,412	4,282	48,716
31 December 2020	757	1,747	9,914	39,239	11,599	63,256

The following table sets out the details of the hedged items covered by the Group's fair value hedging strategies:

	<i>31 December 2021</i>				<i>Line items in the statement of financial position</i>
	<i>Carrying amount of hedged items</i>		<i>Accumulated amount of fair value adjustments on the hedged items</i>		
	<i>Assets</i>	<i>Liabilities</i>	<i>Assets</i>	<i>Liabilities</i>	
Bonds	51,356	-	-	-	Other debt instrument investments at fair value through other comprehensive income
Loans	2,551	-	52	-	Loans and advances to customers
Total	53,907	-	52	-	

	<i>31 December 2020</i>				<i>Line items in the statement of financial position</i>
	<i>Carrying amount of hedged items</i>		<i>Accumulated amount of fair value adjustments on the hedged items</i>		
	<i>Assets</i>	<i>Liabilities</i>	<i>Assets</i>	<i>Liabilities</i>	
Bonds	63,801	-	-	-	Other debt instrument investments at fair value through other comprehensive income
Loans	4,595	-	167	-	Loans and advances to customers
Total	68,396	-	167	-	

(2) Cash flow hedges

The Group uses interest rate swaps to hedge against exposures to cash flow variability primarily from interest rate risks of debt securities issued. As at 31 December 2021, the Group did not have cash flow hedge (In 2020, the Group's net gains from the cash flow hedge of RMB24 million was recognized in other comprehensive income and there exists no ineffective portion of cash flow hedge).

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Financial assets held under resale agreements

	<u>As at 31 December</u>	
	2021	2020
Analyzed by collateral type:		
Debt securities	780,571	761,081
Bills	59,378	56,801
Subtotal	839,949	817,882
Accrued interest	597	866
Allowance for impairment losses	(2,909)	(2,542)
Financial assets held under resale agreements, net	<u>837,637</u>	<u>816,206</u>

The collateral received in connection with financial assets held under resale agreement is disclosed in Note IV 42 Contingent Liabilities and Commitments - Collateral.

17 Loans and advances to customers

17.1 Analyzed by measurement basis

	<i>Notes</i>	<u>As at 31 December</u>	
		2021	2020
Measured at amortized cost	(1)	15,951,755	13,974,384
Measured at fair value through other comprehensive income	(2)	502,748	577,997
Measured at fair value through profit or Loss	(3)	-	52
Total		<u>16,454,503</u>	<u>14,552,433</u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Loans and advances to customers (continued)

(1) Measured at amortized cost:

	<i>As at 31 December</i>	
	2021	2020
Corporate loans and advances		
Loans and advances	9,496,436	8,339,235
Personal loans and advances	7,136,568	6,218,837
Subtotal	16,633,004	14,558,072
Accrued interest	39,321	34,321
Allowance for impairment losses	(720,570)	(618,009)
Carrying amount of loans and advances to customers measured at amortized cost	15,951,755	13,974,384

(2) Measured at fair value through other comprehensive income:

	<i>As at 31 December</i>	
	2021	2020
Corporate loans and advances		
Loans and advances	78,419	188,522
Discounted bills	424,329	389,475
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	502,748	577,997

(3) Measured at fair value through profit or loss:

	<i>As at 31 December</i>	
	2021	2020
Corporate loans and advances	-	52

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Loans and advances to customers (continued)

17.2 Analyzed by ECL assessment method

	Year ended 31 December 2021			Total
	Stage I	Stage II	Stage III (i)	
	<u>12m ECL</u>	<u>Lifetime ECL</u>		
Gross loans and advances measured at amortized cost	16,157,097	269,446	245,782	16,672,325
Allowance for impairment losses	(500,117)	(57,494)	(162,959)	(720,570)
Loans and advances to customers, net	<u>15,656,980</u>	<u>211,952</u>	<u>82,823</u>	<u>15,951,755</u>
Loans and advances measured at fair value through other comprehensive income	<u>502,701</u>	<u>47</u>	<u>-</u>	<u>502,748</u>
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	<u>(16,108)</u>	<u>(9)</u>	<u>-</u>	<u>(16,117)</u>
	Year ended 31 December 2020			
	Stage I	Stage II	Stage III (i)	Total
	<u>12m ECL</u>	<u>Lifetime ECL</u>		
Gross loans and advances measured at amortized cost	13,995,576	325,383	237,113	14,558,072
Allowance for impairment losses	(397,768)	(60,700)	(159,541)	(618,009)
Loans and advances to customers, net	<u>13,597,808</u>	<u>264,683</u>	<u>77,572</u>	<u>13,940,063</u>
Loans and advances measured at fair value through other comprehensive income	<u>577,972</u>	<u>25</u>	<u>-</u>	<u>577,997</u>
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	<u>(13,195)</u>	<u>(2)</u>	<u>-</u>	<u>(13,197)</u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Loans and advances to customers (continued)

The expected credit loss (“ECL”) for corporate loans and advances in stage I and stage II, as well as all personal loans and advances, were measured in accordance with the risk parameters modelling method. The ECL for corporate loans and advances in Stage III were calculated using the discounted cash flow method. For details, see Note IV 44.1 Credit Risk.

17.3 Analyzed by movements in loss allowance

The movements of loss allowance is mainly affected by:

- Transfers between stages due to loans and advances to customers experiencing significant increases (or decreases) in credit risk or becoming credit-impaired, and the corresponding transfer of the measurement basis of the loss allowance between 12 months and the entire lifetime ECL;
- Allowance for new loans and advances to customers recognized;
- Remeasurement includes the impact of changes in model assumptions, updates of model parameters, changes in probability of default and loss given default; changes in ECL due to transfer of loans and advances to customers between stages; changes in ECL due to unwinding of discount over time; changes in foreign exchange translations for assets denominated in foreign currencies and other movements;
- The reversal of allowances caused by repayment, write-offs and loans and advances to customers transferred out.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Loans and advances to customers (continued)

The following table shows the impact of above factors on the allowance for impairment losses:

<i>Corporate loans and advances</i>	<i>Year ended 31 December 2021</i>			<i>Total</i>
	<i>Stage I 12m ECL (i)</i>	<i>Stage II Lifetime ECL (ii)</i>	<i>Stage III</i>	
1 January 2021	282,549	53,699	135,634	471,882
Transfer:				
Stage I to stage II	(6,338)	6,338	-	-
Stage II to stage III	-	(21,124)	21,124	-
Stage II to stage I	2,448	(2,448)	-	-
Stage III to stage II	-	1,151	(1,151)	-
Originated or purchased financial assets	115,643	-	-	115,643
Remeasurement	19,839	29,179	50,760	99,778
Repayment and transfer out	(61,904)	(16,535)	(19,730)	(98,169)
Write-offs	-	-	(45,753)	(45,753)
31 December 2021	<u>352,237</u>	<u>50,260</u>	<u>140,884</u>	<u>543,381</u>
<i>Personal loans and advances</i>	<i>Year ended 31 December 2021</i>			
	<i>Stage I 12m ECL (iii)</i>	<i>Stage II Lifetime ECL (iv)</i>	<i>Stage III</i>	<i>Total</i>
1 January 2021	128,414	7,003	23,907	159,324
Transfer:				
Stage I to stage II	(1,899)	1,899	-	-
Stage II to stage III	-	(4,141)	4,141	-
Stage II to stage I	2,320	(2,320)	-	-
Stage III to stage II	-	1,269	(1,269)	-
Originated or purchased financial assets	69,982	-	-	69,982
Remeasurement	13,434	6,830	11,106	31,370
Repayment and transfer out	(48,263)	(3,297)	(2,311)	(53,871)
Write-offs	-	-	(13,499)	(13,499)
31 December 2021	<u>163,988</u>	<u>7,243</u>	<u>22,075</u>	<u>193,306</u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Loans and advances to customers (continued)

<i>Corporate loans and advances</i>	<i>Year ended 31 December 2020</i>			<i>Total</i>
	<i>Stage I</i>	<i>Stage II</i>	<i>Stage III</i>	
	<i>12m ECL (v)</i>	<i>Lifetime ECL (vi)</i>		
1 January 2020	249,600	53,391	110,480	413,471
Transfer:				
Stage I to stage II	(9,141)	9,141	-	-
Stage II to stage III	-	(24,807)	24,807	-
Stage II to stage I	3,555	(3,555)	-	-
Stage III to stage II	-	2,875	(2,875)	-
Originated or purchased financial assets	98,077	-	-	98,077
Remeasurement	(4,839)	23,299	63,387	81,847
Repayment and transfer out	(54,703)	(6,645)	(23,566)	(84,914)
Write-offs	-	-	(36,599)	(36,599)
31 December 2020	<u>282,549</u>	<u>53,699</u>	<u>135,634</u>	<u>471,882</u>
<i>Personal loans and advances</i>	<i>Year ended 31 December 2020</i>			<i>Total</i>
	<i>Stage I</i>	<i>Stage II</i>	<i>Stage III</i>	
	<i>12m ECL (vii)</i>	<i>Lifetime ECL (viii)</i>		
1 January 2020	114,445	4,329	20,870	139,644
Transfer:				
Stage I to stage II	(2,535)	2,535	-	-
Stage II to stage III	-	(6,305)	6,305	-
Stage II to stage I	755	(755)	-	-
Stage III to stage II	-	523	(523)	-
Originated or purchased financial assets	55,463	-	-	55,463
Remeasurement	644	11,846	18,501	30,991
Repayment and transfer out	(40,358)	(5,170)	(8,470)	(53,998)
Write-offs	-	-	(12,776)	(12,776)
31 December 2020	<u>128,414</u>	<u>7,003</u>	<u>23,907</u>	<u>159,324</u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Loans and advances to customers (continued)

- (i) In 2021, the changes of the Group's loss allowance of corporate loans and advances in Stage I, was mainly driven by the net increase of about 13% in the book balance of the corporate loans and advances compared with 1 January 2021, and the increase of the provision ratio.
- (ii) In 2021, the changes of the Group's loss allowance of corporate loans and advances in Stage II were mainly driven by the net decrease of about 21% in the book balance of the corporate loans and advances in Stage II compared with 1 January 2021. Its impact on the provision for losses was partially offset by an increase in the proportion of impairments related to loans and advances in 2021.

In 2021, the changes of Group's loss allowance of corporate loans and advances in Stage III were mainly driven by both the net transfer between stages which led to a net increase of nearly 5% in the corresponding gross amount compared with 1 January 2021, and the increase of provision ratio caused by the transfer of relevant loans and advances from Stage II to Stage III. This impact was partially offset by the repayment, transfer out and write-offs of corporate loans and advances.

- (iii) In 2021, the changes of the Group's loss allowance of personal loans and advances in Stage I were mainly driven by both a net increase of nearly 15% in the corresponding gross amount, and the increase of provision ratio.
- (iv) In 2021, the changes in loss allowance of the Group's personal loans and advances in Stage II were mainly driven by both the net transfer between Stages which led to a net increase of nearly 8% in the corresponding gross amount and increase in the proportion of provision resulting from transfer of relevant loans and advances from Stage I to Stage II. This impact was partially offset by the repayment of relevant loans and advances.

In 2021, the changes in loss allowance of the Group's personal loans and advances in Stage III were mainly driven by both the net transfer between Stages which led to a net decrease of nearly 5% in the corresponding gross amount and increase in the proportion of provision resulting from transfer of relevant loans and advances from Stage II to Stage III. This impact was offset partially by the repayment, transfer out and write-offs of relevant loans and advances.

- (v) In 2020, the provision rate of the Group's corporate loans and advances in Stage I remained stable. The changes of the Group's loss allowance of corporate loans and advances in Stage I were mainly driven by a net increase of nearly 13% in the corresponding gross amount.
- (vi) In 2020, the changes of the Group's loss allowance of corporate loans and advances in Stage II were mainly driven by a small increase of the provision rate of the Group's corporate loans and advances in Stage II. There was no significant change in the gross amount of Stage II corporate loans and advances as of 31 December 2020 compared to 1 January 2020.

In 2020, the changes of Group's loss allowance of corporate loans and advances in Stage III were mainly driven by both the net transfer between stages which led to a net increase of nearly 28% in the corresponding gross amount, and the net transfer in from Stage II and subsequent remeasurement. This impact was partially offset by the repayment, transfer out and write-offs of Stage III corporate loans and advances.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Loans and advances to customers (continued)

- (vii) In 2020, the provision rate of the Group's personal loans and advances in Stage I remained stable. The changes of the Group's loss allowance of personal loans and advances in Stage I were mainly driven a net increase of nearly 15% in the corresponding gross amount.
- (viii) In 2020, the changes in loss allowance of the Group's personal loans and advances in Stage II were mainly driven by both the net transfer between Stages which led to a net increase of nearly 24% in the corresponding gross amount and the net transfer in from Stage I and subsequent remeasurement. This impact was offset partially by the repayment of Stage II personal loans and advances.

In 2020, the changes in loss allowance of the Group's personal loans and advances in Stage III were mainly driven by both the net transfer between Stages which led to a net increase of nearly 21% in the corresponding gross amount and the net transfer in from Stage II and subsequent remeasurement. This impact was offset partially by the repayment, transfer out and write-offs of Stage III personal loans and advances.

18 Financial investments

	Notes	<i>As at 31 December</i>	
		<i>2021</i>	<i>2020</i>
Financial assets at fair value through profit or loss	18.1	460,241	583,069
Debt instrument investments at amortized cost	18.2	6,372,522	5,684,220
Other debt instrument and other equity investments at fair value through other comprehensive income	18.3	1,397,280	1,555,370
Total		<u>8,230,043</u>	<u>7,822,659</u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Financial investments (continued)

18.1 Financial assets at fair value through profit or loss

	Notes	<i>As at 31 December</i>	
		<u>2021</u>	<u>2020</u>
Financial assets held for trading	(1)	159,382	223,960
Other financial assets at fair value through profit or loss	(2)	298,546	260,240
Financial assets designated at fair value through profit or loss	(3)	<u>2,313</u>	<u>98,869</u>
Total		<u><u>460,241</u></u>	<u><u>583,069</u></u>
Analyzed as:			
Listed in Hong Kong		5,409	4,613
Listed outside Hong Kong	(i)	306,454	390,444
Unlisted		<u>148,378</u>	<u>188,012</u>
Total		<u><u>460,241</u></u>	<u><u>583,069</u></u>

- (i) Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Financial investments (continued)

(1) Financial assets held for trading

	<i>As at 31 December</i>	
	<u>2021</u>	<u>2020</u>
Debt securities issued by:		
Governments	8,925	7,904
Public sector and quasi-governments	25,144	49,764
Financial institutions	68,800	79,243
Corporates	25,268	45,614
	<hr/>	<hr/>
Subtotal	128,137	182,525
Precious metal contracts	21,389	21,959
Equity	5,279	4,944
Fund and others	4,577	14,532
	<hr/>	<hr/>
Total	<u>159,382</u>	<u>223,960</u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Financial investments (continued)

(2) Other financial assets at fair value through profit or loss (ii)

	<i>As at 31 December</i>	
	2021	2020
Debt securities issued by:		
Public sector and quasi-governments	22,636	25,372
Financial institutions	131,578	106,820
Corporates	645	1,816
Subtotal	154,859	134,008
Equity	104,676	97,401
Fund and others	39,011	28,831
Total	298,546	260,240

(ii) Other financial assets at fair value through profit or loss refer to financial assets that do not qualify for measurement at AC or FVOCI and are not held for trading, including bond investments, equity interests, funds, trust plans and asset management products of the Group.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Financial investments (continued)

(3) Financial assets designated at fair value through profit or loss (iii)

	<i>As at 31 December</i>	
	2021	2020
Debt securities issued by:		
Governments	-	9,440
Public sector and quasi-governments	-	18,071
Financial institutions	1,009	32,456
Corporates	1,304	3,899
Subtotal	2,313	63,866
Placements with and loans to banks and other financial institutions	-	27,935
Others	-	7,068
Total	2,313	98,869

(iii) Wealth management products with principal guaranteed by the Group designated at fair value through profit or loss have been settled before December 31, 2021.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Financial investments (continued)

18.2 Debt instrument investments at amortized cost

	Notes	<i>As at 31 December</i>	
		2021	2020
Debt securities issued by:			
Governments		4,117,564	3,545,856
Public sector and quasi-governments		1,506,965	1,311,556
Financial institutions		145,826	204,310
Corporates		100,576	129,738
Subtotal of debt securities		5,870,931	5,191,460
Receivable from the MOF	(i)	290,891	290,891
Special government bonds	(ii)	93,340	93,348
Others	(iii)	13,463	14,413
Subtotal		6,268,625	5,590,112
Accrued interest		122,924	110,212
Allowance for impairment losses		(19,027)	(16,104)
Debt instrument investments at amortized cost, net		6,372,522	5,684,220
Analyzed as:			
Listed in Hong Kong		19,994	19,630
Listed outside Hong Kong	(iv)	5,882,053	5,304,920
Unlisted		470,475	359,670
Total		6,372,522	5,684,220

- (i) The Group received a notice from the MOF in January 2020, clarifying that from 1 January 2020, the interest rate of the unpaid payments will be verified year by year based on the rate of return of the five-year treasury bond of the previous year.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Financial investments (continued)

- (ii) Special government bond refers to the non-transferable bond issued by the MOF in 1998 in the aggregated principal amount of RMB93.3 billion to the Predecessor Entity for capital replenishment. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum, starting from 1 December 2008.
- (iii) Other debt instruments classified as receivables are primarily related to investment in unconsolidated structured entities held by the Group (Note IV 41(2)).
- (iv) Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

(1) Analyzed by assessment method of ECL

	Year ended 31 December 2021			Total
	Stage I	Stage II	Stage III	
	<u>12m ECL</u>	<u>Lifetime ECL</u>		
Gross debt instrument investments at amortized cost	6,389,720	548	1,281	6,391,549
Allowance for impairment losses	(17,764)	-	(1,263)	(19,027)
Debt instrument investments at amortized cost, net	<u>6,371,956</u>	<u>548</u>	<u>18</u>	<u>6,372,522</u>
	Year ended 31 December 2020			
	Stage I	Stage II	Stage III	Total
	<u>12m ECL</u>	<u>Lifetime ECL</u>		
Gross debt instrument investments at amortized cost	5,697,187	2,064	1,073	5,700,324
Allowance for impairment losses	(14,850)	(190)	(1,064)	(16,104)
Debt instrument investments at amortized cost, net	<u>5,682,337</u>	<u>1,874</u>	<u>9</u>	<u>5,684,220</u>

Debt instrument investments at amortized cost in stage II and stage III mainly included corporates bond and other debt instruments investments.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Financial investments (continued)

(2) Analyzed by movements in loss allowance (i)

	<i>Year ended 31 December 2021</i>			<i>Total</i>
	<i>Stage I</i>	<i>Stage II</i>	<i>Stage III</i>	
	<u><i>12m ECL</i></u>	<u><i>Lifetime ECL</i></u>		
1 January 2021	14,850	190	1,064	16,104
Transfer:				
Stage I transfer to stage II	(1)	1	-	-
Stage I transfer to stage III	(1)	-	1	-
Stage II transfer to stage III	-	(7)	7	-
Stage II transfer to stage I	30	(30)	-	-
Originated or purchased financial assets	3,996	-	-	3,996
Remeasurement	586	(1)	191	776
Maturities or transfer out	(1,696)	(153)	-	(1,849)
31 December 2021	17,764	-	1,263	19,027

	<i>Year ended 31 December 2020</i>			<i>Total</i>
	<i>Stage I</i>	<i>Stage II</i>	<i>Stage III</i>	
	<u><i>12m ECL</i></u>	<u><i>Lifetime ECL</i></u>		
1 January 2020	8,409	32	1,047	9,488
Transfer:				
Stage I transfer to stage II	(33)	33	-	-
Originated or purchased financial assets	4,321	-	-	4,321
Remeasurement	3,295	126	144	3,565
Maturities or transfer out	(1,142)	(1)	-	(1,143)
Write-offs	-	-	(127)	(127)
31 December 2020	14,850	190	1,064	16,104

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Financial investments (continued)

- (i) As at 31 December 2021, the increases of the Group's loss allowance of debt instrument investments at amortized cost were mainly due to the increase of debt instrument investments and the remeasurement of remained debt instrument investments in the year. The decreases of the Group's loss allowance of debt instrument investments at amortized cost were mainly due to maturities or transfer out of debt instrument investments.

18.3 Other debt instrument and other equity investments at fair value through other comprehensive income

	Notes	Year ended 31 December 2021			
		Amortized cost of debt instruments/ cost of equity instruments	Fair value	Cumulative amount of change in fair value that is accrued to other comprehensive income	Cumulative amount of impairment
Debt instruments	(1)	1,373,040	1,392,691	19,651	(10,761)
Equity instruments	(2)	3,480	4,589	1,109	N/A
Total		1,376,520	1,397,280	20,760	(10,761)

	Notes	Year ended 31 December 2020			
		Amortized cost of debt instruments/ cost of equity instruments	Fair value	Cumulative amount of change in fair value that is accrued to other comprehensive income	Cumulative amount of impairment
Debt instruments	(1)	1,537,987	1,551,439	13,452	(10,074)
Equity instruments	(2)	2,784	3,931	1,147	N/A
Total		1,540,771	1,555,370	14,599	(10,074)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Financial investments (continued)

(1) Debt instruments

(a) Analyzed by measurement basis

	Note	<i>As at 31 December</i>	
		2021	2020
Debt securities issued by:			
Governments		649,753	702,202
Public sector and quasi-governments		241,828	242,345
Financial institutions		364,339	453,176
Corporates		105,803	119,079
Subtotal		1,361,723	1,516,802
Others	(i)	16,861	18,902
Subtotal of debt instruments		1,378,584	1,535,704
Accrued interest		14,107	15,735
Total		1,392,691	1,551,439
Analyzed as:			
Listed in Hong Kong		131,184	102,413
Listed outside Hong Kong		1,186,801	1,399,150
Unlisted		74,706	49,876
Total		1,392,691	1,551,439

- (i) Others primarily include investments in unconsolidated structured entities held by the Group (Note IV 41(2)), such as trust investment plans and debt investment plans.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Financial investments (continued)

(b) Analyzed by assessment method of ECL

	Year ended 31 December 2021			Total
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		
Other debt instruments at fair value through other comprehensive income	1,390,789	1,870	32	1,392,691
Allowance for impairment losses	(10,457)	(189)	(115)	(10,761)
	Year ended 31 December 2020			Total
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		
Other debt instruments at fair value through other comprehensive income	1,545,343	6,030	66	1,551,439
Allowance for impairment losses	(9,536)	(432)	(106)	(10,074)

Other debt instruments at fair value through other comprehensive income in stage II and stage III mainly included financial institutions bond and corporates bond.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Financial investments (continued)

(2) Equity instruments

	<i>As at 31 December</i>	
	<u>2021</u>	<u>2020</u>
Financial institutions	4,448	3,811
Other enterprises	<u>141</u>	<u>120</u>
Total	<u><u>4,589</u></u>	<u><u>3,931</u></u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 Investment in subsidiaries and structured entities

(1) Investment in subsidiaries

The following are the principal subsidiaries of the Bank as at 31 December 2021:

<i>Name of entity</i>	<i>Notes</i>	<i>Date of incorporation/ establishment</i>	<i>Place of incorporation/ establishment</i>	<i>Authorized/ paid-in capital</i>	<i>Percentage of equity interest (%)</i>	<i>Percentage of voting rights (%)</i>	<i>Principal activities</i>
China Agricultural Finance Co., Ltd.		1 November 1988	Hong Kong, PRC	HKD588,790,000	100.00	100.00	Investment holding
ABC International Holdings Limited		11 November 2009	Hong Kong, PRC	HKD4,113,392,450	100.00	100.00	Investment holding
ABC Financial Leasing Co., Ltd.		29 September 2010	Shanghai, PRC	RMB9,500,000,000	100.00	100.00	Financial leasing
Agricultural Bank of China (UK) Limited		29 November 2011	London, United Kingdom	USD100,000,002	100.00	100.00	Banking
ABC-CA Fund Management Co., Ltd.		18 March 2008	Shanghai, PRC	RMB1,750,000,001	51.67	51.67	Fund management
ABC Hexigten Rural Bank Limited Liability Company		12 August 2008	Inner Mongolia, PRC	RMB19,600,000	51.02	51.02	Banking
ABC Hubei Hanchuan Rural Bank Limited Liability Company	(i)	12 August 2008	Hubei, PRC	RMB31,000,000	50.00	66.67	Banking
ABC Jixi Rural Bank Limited Liability Company		25 May 2010	Anhui, PRC	RMB29,400,000	51.02	51.02	Banking
ABC Ansai Rural Bank Limited Liability Company		30 March 2010	Shaanxi, PRC	RMB40,000,000	51.00	51.00	Banking
ABC Zhejiang Yongkang Rural Bank Limited Liability Company		20 April 2012	Zhejiang, PRC	RMB210,000,000	51.00	51.00	Banking
ABC Xiamen Tong'an Rural Bank Limited Liability Company		24 May 2012	Fujian, PRC	RMB150,000,000	51.00	51.00	Banking
ABC Life Insurance Co., Ltd.	(ii)	19 December 2005	Beijing, PRC	RMB2,949,916,475	51.00	51.00	Life insurance
Agricultural Bank of China (Luxembourg) Limited		26 November 2014	Luxembourg, Luxembourg	EUR20,000,000	100.00	100.00	Banking
Agricultural Bank of China (Moscow) Limited		23 December 2014	Moscow, Russia	RUB7,556,038,271	100.00	100.00	Banking
ABC Financial Asset Investment Co., Ltd.	(iii)	1 August 2017	Beijing, PRC	RMB20,000,000,000	100.00	100.00	Debt-to-equity swap and related services
Agricultural Bank of China Wealth Management Co., Ltd.		25 July 2019	Beijing, PRC	RMB12,000,000,000	100.00	100.00	Wealth Management

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 Investment in subsidiaries and structured entities (continued)

During the year ended 31 December 2021 and 31 December 2020, there were no changes in the proportion of equity interest or voting rights the Bank held in its subsidiaries.

- (i) Two of the three directors on the board of ABC Hubei Hanchuan Rural Bank Limited Liability Company were appointed by the Bank. The Bank concluded that it has effective control over and has included this entity in its consolidation scope.
- (ii) On 31 December 2012, the Bank acquired 51% of the issued share capital of Jiahe Life Insurance Co., Ltd. and renamed it as ABC Life Insurance Co., Ltd. ("ABC Life Insurance"). The Group recognized goodwill of RMB1,381 million as a result of this acquisition. During the year ended 31 December 2016, the Bank and other investors contributed additional capital totalling RMB3,761 million to ABC Life Insurance, comprising registered capital of RMB917 million and capital reserve of RMB2,844 million. After the capital injection, the proportion of equity interest and voting rights the Bank held in ABC Life Insurance remained at 51%.

The Bank tests the impairment of goodwill annually. When performing the impairment test, the Bank compares the carrying amount of the assets (including goodwill and the value of the mergers and acquisitions after deduction of amortization) with the recoverable amount. The excess of carrying amount over recoverable amount is recognized in profit or loss of the current period.

The recoverable amount of the assets is based on adjusted net assets, value of in-force business, value of one year of new business, new business multiplier, and other data approved by the management of ABC Life Insurance. The actuarial valuation method is applied and the risk discount rate, return on investment, valuation discount rate, and other assumptions adopted to forecast cash flows respectively reflect the specific risks associated with them.

As at 31 December 2021 and 31 December 2020, there was no objective evidence noted for any goodwill impairment, and no impairment loss was recognized.

- (iii) The Bank increased the share capital of ABC Financial Asset Investment Co., Ltd. by RMB10 billion as at 25 January 2021, and the proportion of equity interest and voting rights the Bank held in this subsidiary remained at 100%.

(2) Structured entities

The Group also consolidated structured entities as disclosed in Note IV 41 Structured Entities.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 Investment in associates and joint ventures

(1) Investment in associates

Name of entity	Notes	Date of incorporation/ establishment	Place of incorporation/ establishment	Authorized capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
Sino-Congolese Bank of Africa	(i)	2015	Brazzaville, Congo	XAF53,342,800,000	50.00	50.00	Bank Equity investment, investment management and investment advisory service
Shenzhen Yuanzhifuhai No.6 Investment Enterprise (Limited Partnership)	(ii)	2015	Guangdong, PRC	RMB1,110,854,000	9.00	20.00	Non-securities investment activities and related advisory services
Beijing Guofa Aero Engine Industry Investment Fund Center (Limited Partnership)	(ii)	2018	Beijing, PRC	RMB6,343,200,000	15.61	20.00	Non-securities investment activities and related advisory services
Jilin Hongqizhiwang New Energy Automobile Fund Investment Management Center (Limited Partnership)	(ii)	2019	Jilin, PRC	RMB3,885,500,000	25.26	20.00	Non-securities investment activities and related advisory services
Xinyuan (Beijing) Debt-to-Equity Special Equity Investment Center (Limited Partnership)	(ii)	2020	Beijing, PRC	RMB6,000,000,000	15.67	14.29	Equity investment
National Green Development Fund Co., Ltd.	(iii)	2020	Shanghai, PRC	RMB88,500,000,000	9.04	9.04	Equity investment, project investment and investment management

- (i) On 28 May 2015, the Sino-Congolese Bank of Africa (La Banque Sino-Congolaise pour l’Afrique, hereinafter referred to as BSCA. Bank), established by the Bank and other investors with authorized capital denominated in Central African CFA franc (“XAF”), was granted the required banking license by the local regulatory authority. The Bank holds 50% equity interest and voting rights in BSCA. Bank, and has the right to participate in the financial and operational decisions of BSCA. Bank, but does not constitute control or joint control over those decisions.
- (ii) The Bank’s wholly-owned subsidiary, ABC Financial Asset Investment Co., Ltd. and other investors invested in the above mentioned enterprises. The Group has the right to participate in the financial and operational decisions of these enterprises, but does not constitute control or joint control over those decisions.
- (iii) The Bank was approved to participate in the investment in National Green Development Fund Co., Ltd. in 2021. The Bank holds 9.04% equity interest and has the right to participate in the financial and operational decisions, but does not constitute control or joint control over those decisions.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 Investment in associates and joint ventures (continued)

(2) Investment in joint ventures

<i>Name of entity</i>	<i>Date of incorporation/ establishment</i>	<i>Place of incorporation/ establishment</i>	<i>Authorized capital</i>	<i>Percentage of equity interest (%)</i>	<i>Percentage of voting rights (%)</i>	<i>Principal activities</i>
Jiangsu Jiequansuihe State-owned Enterprise Mixed Ownership Reform Fund (Limited Partnership)	2018	Jiangsu, PRC	RMB1,000,000,000	69.00	28.57	Equity investment, debt-to-equity and related supporting services
Nongjin Gaotou (Hubei) Debt-to-Equity Investment Fund (Limited Partnership)	2018	Hubei, PRC	RMB500,000,000	74.00	33.33	Non-securities equity investment activities and related advisory services
Suida (Jiaxing) Investment (Limited Partnership)	2018	Zhejiang, PRC	RMB1,200,000,000	41.71	40.00	Industrial investment
Jiaxing Suihe New Silk Road Investment Fund (Limited Partnership)	2018	Zhejiang, PRC	RMB1,500,000,000	66.67	50.00	Industrial investment and equity investment
Zhejiang New Power Fund (Limited Partnership)	2018	Zhejiang, PRC	RMB2,000,000,000	50.00	50.00	Industrial investment and equity investment
Inner Mongolia Mengxingzhuli Development Fund Investment Center (Limited Partnership)	2018	Inner Mongolia, PRC	RMB2,000,000,000	50.00	50.00	Equity investment, investment management and investment advisory service
Shanghai Guohua Oil&Gas Equity Investment Fund, Ltd.	2019	Shanghai, PRC	RMB1,800,000,000	66.67	50.00	Equity investment, debt-to-equity and related supporting services
Nongyizihuan (Jiaxing) Equity Investment Partnership (Limited Partnership)	2019	Zhejiang, PRC	RMB400,000,000	70.00	50.00	Investment and investment management
Jianxinjintou Infrastructure Equity Investment (Tianjin) Fund (Limited Partnership)	2019	Tianjin, PRC	RMB3,500,000,000	20.00	20.00	Equity investment and investment management
Shaanxi Suihe equity investment fund partnership (Limited Partnership)	2019	Shaanxi, PRC	RMB1,000,000,000	50.00	50.00	Equity investment
Shanghai Diantousuihe Equity Investment Fund (Limited Partnership)	2020	Shanghai, PRC	RMB5,000,000,000	80.00	50.00	Industrial investment, equity investment and investment consultation services
Ningbo Suiheyongshang Equity Investment Partnership (Limited Partnership)	2020	Zhejiang, PRC	RMB2,000,000,000	50.00	50.00	Equity investment

The wholly-owned subsidiary of the Bank, ABC Financial Assets Investment Co., Ltd. and other investors established the above-mentioned entities. According to the agreements, matters considered at the Meeting of Partners or investment decision-making committee shall be approved by the unanimous consent of all the partners or all the committee members. The Group constitutes joint control over the financial and operational decisions of these limited partnerships with the other investors.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21 Property and equipment

	<i>Buildings</i>	<i>Electronic equipment, furniture and fixtures</i>	<i>Motor vehicles</i>	<i>Construction in progress</i>	<i>Total</i>
Cost:					
1 January 2021	185,794	66,118	14,721	7,349	273,982
Additions	4,820	6,161	1,864	7,443	20,288
Transfers in/(out)	4,482	592	194	(5,268)	-
Disposals	(5,787)	(6,965)	(381)	(8)	(13,141)
31 December 2021	<u>189,309</u>	<u>65,906</u>	<u>16,398</u>	<u>9,516</u>	<u>281,129</u>
Accumulated depreciation:					
1 January 2021	(72,476)	(46,282)	(3,718)	-	(122,476)
Charge for the year	(6,801)	(5,951)	(771)	-	(13,523)
Disposals	1,672	6,509	379	-	8,560
31 December 2021	<u>(77,605)</u>	<u>(45,724)</u>	<u>(4,110)</u>	<u>-</u>	<u>(127,439)</u>
Allowance for impairment losses:					
1 January 2021	(262)	(9)	(47)	(34)	(352)
Impairment loss	(8)	-	(36)	-	(44)
Disposals	-	3	2	-	5
31 December 2021	<u>(270)</u>	<u>(6)</u>	<u>(81)</u>	<u>(34)</u>	<u>(391)</u>
Carrying value:					
1 January 2021	<u>113,056</u>	<u>19,827</u>	<u>10,956</u>	<u>7,315</u>	<u>151,154</u>
31 December 2021	<u>111,434</u>	<u>20,176</u>	<u>12,207</u>	<u>9,482</u>	<u>153,299</u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21 Property and equipment (continued)

	<i>Buildings</i>	<i>Electronic equipment, furniture and fixtures</i>	<i>Motor vehicles</i>	<i>Construction in progress</i>	<i>Total</i>
Cost:					
1 January 2020	193,465	67,116	13,364	4,321	278,266
Additions	4,918	7,060	1,519	5,484	18,981
Transfers in/(out)	933	1,289	223	(2,445)	-
Disposals	(13,522)	(9,347)	(385)	(11)	(23,265)
31 December 2020	<u>185,794</u>	<u>66,118</u>	<u>14,721</u>	<u>7,349</u>	<u>273,982</u>
Accumulated depreciation:					
1 January 2020	(73,609)	(48,465)	(3,393)	-	(125,467)
Charge for the year	(6,762)	(6,015)	(634)	-	(13,411)
Disposals	7,895	8,198	309	-	16,402
31 December 2020	<u>(72,476)</u>	<u>(46,282)</u>	<u>(3,718)</u>	<u>-</u>	<u>(122,476)</u>
Allowance for impairment losses:					
1 January 2020	(265)	(16)	-	(34)	(315)
Impairment loss	-	-	(49)	-	(49)
Disposals	3	7	2	-	12
31 December 2020	<u>(262)</u>	<u>(9)</u>	<u>(47)</u>	<u>(34)</u>	<u>(352)</u>
Carrying value:					
1 January 2020	<u>119,591</u>	<u>18,635</u>	<u>9,971</u>	<u>4,287</u>	<u>152,484</u>
31 December 2020	<u>113,056</u>	<u>19,827</u>	<u>10,956</u>	<u>7,315</u>	<u>151,154</u>

According to the relevant laws and regulations, subsequent to the Bank's transformation into a joint stock company, the legal title of properties previously held by the Predecessor Entity are to be transferred to the Bank. As at 31 December 2021, the registration transfer process of these transferred properties and other certain properties have not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those assets or adversely affect the Bank's operation.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22 Deferred taxation

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following is the analysis of the deferred tax balances:

	<i>As at 31 December</i>	
	2021	2020
Deferred tax assets	143,027	133,355
Deferred tax liabilities	(655)	(334)
Net	142,372	133,021

(1) The following are the movements and major deferred tax assets and liabilities recognized:

	<i>Allowance for impairment losses</i>	<i>Accrued but unpaid staff cost</i>	<i>Early retirement benefits</i>	<i>Provision</i>	<i>Fair value changes of financial instruments</i>	<i>Others</i>	<i>Total</i>
1 January 2021	121,944	10,426	388	10,525	(10,718)	456	133,021
Credit/(charge) to the consolidated income statement	14,115	1,418	(116)	(2,073)	(969)	(274)	12,101
Credit to other comprehensive income	-	-	-	-	(2,750)	-	(2,750)
31 December 2021	136,059	11,844	272	8,452	(14,437)	182	142,372
1 January 2020	114,140	9,175	533	7,640	(11,302)	246	120,432
Credit/(charge) to the consolidated income statement	7,804	1,251	(145)	2,885	(1,797)	210	10,208
Credit to other comprehensive income	-	-	-	-	2,381	-	2,381
31 December 2020	121,944	10,426	388	10,525	(10,718)	456	133,021

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22 Deferred taxation (continued)

(2) *Deferred income tax assets/(liabilities) and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:*

	31 December 2021		31 December 2020	
	<i>Deductible/ (taxable) temporary differences</i>	<i>Deferred tax assets/ (liabilities)</i>	<i>Deductible/ (taxable) temporary differences</i>	<i>Deferred tax assets/ (liabilities)</i>
Deferred tax assets				
Allowance for impairment losses	544,441	136,059	487,775	121,944
Fair value changes of financial instruments	28,267	7,087	58,107	14,527
Accrued but unpaid staff cost	47,379	11,844	41,705	10,426
Provision	33,809	8,452	42,100	10,525
Early retirement benefits	1,088	272	1,551	388
Others	780	182	1,827	456
Subtotal	655,764	163,896	633,065	158,266
Deferred tax liabilities				
Fair value changes of financial instruments	(86,404)	(21,524)	(100,981)	(25,245)
Subtotal	(86,404)	(21,524)	(100,981)	(25,245)
Net	569,360	142,372	532,084	133,021

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23 Other assets

	Notes	As at 31 December	
		2021	2020
Accounts receivable and temporary payments		75,176	97,619
Land use rights	(1)	20,384	19,340
Right-of-use assets	(2)	10,191	10,196
Intangible assets		6,188	4,154
Long-term deferred expenses		2,718	2,233
Investment properties		2,018	2,529
Interest receivable		1,836	3,070
Foreclosed assets		899	716
Premiums receivable, reinsurance receivable and reserves		659	655
Others		15,567	10,780
Total		135,636	151,292

- (1) According to relevant laws and regulations, subsequent to the Bank's transformation into a joint stock company, land use rights previously held by the Predecessor Entity are to be transferred to the Bank. As at 31 December 2021, the registration transfer process of certain land use rights has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those land use rights.
- (2) As at 31 December 2021, the right-of-use assets recognized by the Group mainly include buildings, and are mainly used for daily business. The depreciation expense for the year ended 31 December 2021 was amounting to RMB3,952 million (for the year ended 31 December 2020: RMB3,993 million), and the accumulated depreciation amounting to RMB8,903 million (31 December 2020: RMB7,361 million).

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24 Borrowings from central banks

	<i>As at 31 December</i>	
	<u>2021</u>	<u>2020</u>
Borrowings from central banks	740,629	730,146
Accrued interest	6,584	7,015
	<u>747,213</u>	<u>737,161</u>
Total	<u><u>747,213</u></u>	<u><u>737,161</u></u>

25 Deposits from banks and other financial institutions

	<i>As at 31 December</i>	
	<u>2021</u>	<u>2020</u>
Deposits from:		
Domestic banks	167,300	114,693
Other domestic financial institutions	1,401,314	1,229,313
Overseas banks	3,332	2,006
Other overseas financial institutions	41,446	42,691
	<u>1,613,392</u>	<u>1,388,703</u>
Subtotal	1,613,392	1,388,703
Accrued interest	8,974	5,813
	<u>1,622,366</u>	<u>1,394,516</u>
Total	<u><u>1,622,366</u></u>	<u><u>1,394,516</u></u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26 Placements from banks and other financial institutions

	<i>As at 31 December</i>	
	<u>2021</u>	<u>2020</u>
Placements from:		
Domestic banks and other financial institutions	129,317	222,377
Overseas banks and other financial institutions	161,119	167,291
	<u>290,436</u>	<u>389,668</u>
Subtotal	290,436	389,668
Accrued interest	669	992
	<u>669</u>	<u>992</u>
Total	<u><u>291,105</u></u>	<u><u>390,660</u></u>

27 Financial liabilities at fair value through profit or loss

	<i>Note</i>	<i>As at 31 December</i>	
		<u>2021</u>	<u>2020</u>
Financial liabilities held for trading			
Precious metal contracts		15,646	13,725
		<u>15,646</u>	<u>13,725</u>
Subtotal		----- 15,646	----- 13,725
Financial liabilities designated at fair value through profit or loss			
Placements from banks and other financial institutions by principal guaranteed wealth management	(1)	-	9,540
Liabilities of the controlled structured entities		214	4,452
Others		-	100
		<u>214</u>	<u>14,092</u>
Subtotal		----- 214	----- 14,092
Total		<u><u>15,860</u></u>	<u><u>27,817</u></u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27 Financial liabilities at fair value through profit or loss (continued)

- (1) The Group designates placements from banks and other financial institutions by principal guaranteed wealth management as financial liabilities at fair value through profit or loss.

For the current and prior year, there were no significant changes in the fair value of the Group's financial liabilities designated at fair value through profit or loss attributable to the changes in the Group's own credit risk.

28 Financial assets sold under repurchase agreements

	<i>As at 31 December</i>	
	<i>2021</i>	<i>2020</i>
Analyzed by type of collateral:		
Debt securities	31,298	107,844
Bills	4,720	1,325
	36,018	109,169
Subtotal		
Accrued interest	15	26
	36,033	109,195
Total	36,033	109,195

The collateral pledged under repurchase agreement is disclosed in Note IV 42 Contingent Liabilities and Commitments - Collateral.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29 Due to customers

	Note	<i>As at 31 December</i>	
		2021	2020
Demand deposits			
Corporate customers		5,383,210	5,236,566
Individual customers		5,942,411	5,872,736
Time deposits			
Corporate customers		2,761,506	2,477,710
Individual customers		7,000,805	6,062,167
Pledged deposits	(1)	339,588	299,962
Others		167,933	158,231
Subtotal		<u>21,595,453</u>	<u>20,107,372</u>
Accrued interest		<u>311,674</u>	<u>265,529</u>
Total		<u><u>21,907,127</u></u>	<u><u>20,372,901</u></u>

(1) Analyzed by activity to which pledged deposits are related to:

	<i>As at 31 December</i>	
	2021	2020
Trade finance	127,012	100,822
Guarantee and letters of guarantee	75,099	73,606
Bank acceptance	66,418	48,718
Letters of credit	32,948	39,309
Others	38,111	37,507
Total	<u><u>339,588</u></u>	<u><u>299,962</u></u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29 Due to customers (continued)

- (2) As at 31 December 2021, the principal-guaranteed WMPs has fully settled at maturity, the difference between the fair value of the structured deposits designated at fair value through profit or loss issued by the Group and the contractual amount payable to the holders of these products upon maturity was not material. As at 31 December 2020, the difference between the fair value of the principal-guaranteed WMPs and the structured deposits designated at fair value through profit or loss issued by the Group and the contractual amount payable to the holders of these products upon maturity was not material. As at 31 December 2021, due to customers measured at amortized cost of the Group amounted to RMB21,854,821 million (31 December 2020: RMB20,031,232 million), due to customers measured at fair value through profit or loss of the Group amounted to RMB52,306 million (31 December 2020: RMB341,669 million).

30 Debt securities issued

	Notes	<i>As at 31 December</i>	
		2021	2020
Bonds issued	(1)	420,813	430,703
Certificates of deposit issued	(2)	262,272	252,569
Other debt securities issued	(3)	816,321	679,261
Subtotal		1,499,406	1,362,533
Accrued Interest		8,251	9,312
Total		1,507,657	1,371,845

As at 31 December 2021 and 31 December 2020, there was no default on the principal, interest or redemption related to any debt securities issued by the Group.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 Debt securities issued (continued)

(1) Bonds issued

	Notes	<i>As at 31 December</i>	
		2021	2020
1.25% USD fixed rate Green Bonds maturing in January 2026	(i)	1,913	-
5.30% subordinated fixed rate bonds maturing in June 2026	(ii)	-	50,000
4.99% subordinated fixed rate bonds maturing in December 2027	(iii)	50,000	50,000
4.45% Tier-two capital fixed rate bonds maturing in October 2027	(iv)	40,000	40,000
4.45% Tier-two capital fixed rate bonds maturing in April 2028	(v)	40,000	40,000
4.28% Tier-two capital fixed rate bonds maturing in March 2029	(vi)	50,000	50,000
4.30% Tier-two capital fixed rate bonds maturing in April 2029	(vii)	40,000	40,000
3.10% Tier-two capital fixed rate bonds maturing in April 2030	(viii)	40,000	40,000
4.53% Tier-two capital fixed rate bonds maturing in March 2034	(ix)	10,000	10,000
4.63% Tier-two capital fixed rate bonds maturing in April 2034	(x)	20,000	20,000
Medium term notes issued	(xi)	56,305	42,643
1.99% fixed rate financial bonds maturing in April 2023	(xii)	20,000	20,000
3.38% fixed rate financial bonds maturing in April 2024	(xiii)	20,000	-
3.68% CNY fixed rate Green Bonds maturing in June 2022	(xiv)	2,770	2,720
3.90% fixed rate financial bonds maturing in November 2023	(xv)	2,000	1,650
3.06% fixed rate financial bonds maturing in August 2024	(xvi)	2,500	-
3.30% fixed rate financial bonds maturing in September 2022	(xvii)	3,870	3,870
2.68% fixed rate financial bonds maturing in March 2023	(xviii)	4,000	4,000
4.70% fixed rate capital replenishment bonds maturing in August 2021	(xix)	-	2,410
3.40% fixed rate financial bonds maturing in September 2024	(xx)	2,000	2,000
2.75% fixed rate financial bonds maturing in March 2025	(xxi)	6,000	6,000
3.80% fixed rate financial bonds maturing in June 2025	(xxii)	500	500
4.10% fixed rate financial bonds maturing in April 2026	(xxiii)	1,100	-
3.80% fixed rate financial bonds maturing in June 2026	(xxiv)	3,000	-
5.55% fixed rate capital replenishment bonds maturing in March 2028	(xxv)	3,500	3,500
3.60% fixed rate capital replenishment bonds maturing in March 2030	(xxvi)	1,500	1,500
Total nominal value		420,958	430,793
Less: Unamortized issuance cost and discounts		(145)	(90)
Total		420,813	430,703

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 Debt securities issued (continued)

Pursuant to the approval by relevant regulatory authorities, the bonds issued by the Group are set out as below:

- (i) The USD green bonds issued in January 2021 have a tenor of 5 years, with a fixed coupon rate 1.25%, payable semi-annually.
- (ii) The subordinated fixed rate bonds issued in June 2011 have a tenor of 15 years, with a fixed coupon rate of 5.30%, payable annually. The Bank has redeemed all of the bonds at face value on 6 June 2021.
- (iii) The subordinated fixed rate bonds issued in December 2012 have a tenor of 15 years, with a fixed coupon rate of 4.99%, payable annually. The Bank has an option to redeem all of the bonds at face value on 19 December 2022. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.99% per annum from 20 December 2022 onwards.
- (iv) The Tier-two capital bonds issued in October 2017 have a tenor of 10 years, with a fixed coupon rate of 4.45% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 16 October 2022 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.45% per annum from 17 October 2022 onwards. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.
- (v) The Tier-two capital bonds issued in April 2018 have a tenor of 10 years, with a fixed coupon rate of 4.45% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 26 April 2023 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.45% per annum from 27 April 2023 onwards. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.
- (vi) The Tier-two capital bonds issued in March 2019 have a tenor of 10 years, with a fixed coupon rate of 4.28% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 18 March 2024 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.28% per annum from 19 March 2024 onwards. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 Debt securities issued (continued)

- (vii) The Tier-two capital bonds issued in April 2019 have a tenor of 10 years, with a fixed coupon rate of 4.30% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 10 April 2024 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.30% per annum from 11 April 2024 onwards. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.
- (viii) The Tier-two capital bonds issued in April 2020 have a tenor of 10 years, with a fixed coupon rate of 3.10% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 5 May 2025 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 3.10% per annum from 6 May 2025 onwards. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.
- (ix) The Tier-two capital bonds issued in March 2019 have a tenor of 15 years, with a fixed coupon rate of 4.53% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 18 March 2029 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.53% per annum from 19 March 2029 onwards. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.
- (x) The Tier-two capital bonds issued in April 2019 have a tenor of 15 years, with a fixed coupon rate of 4.63% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 10 April 2029 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.63% per annum from 11 April 2029 onwards. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 Debt securities issued (continued)

- (xi) The medium term notes (“MTNs”) were issued by the Overseas Operations of the Group and are measured at amortized cost. The details of medium term notes issued were as follows:

<i>As at 31 December 2021</i>			
	<i>Maturity dates ranging from</i>	<i>Coupon rates (%)</i>	<i>Outstanding balance</i>
Fixed rate RMB MTNs	May 2023 to April 2024	2.60 - 2.70	1,502
Fixed rate HKD MTNs	October 2022 to June 2023	0.50 - 1.00	8,583
Fixed rate USD MTNs	July 2023 to September 2026	0.70 - 1.65 3 months	34,745
Floating rate USD MTNs	July 2022 to November 2023	Libor+66 to 85bps	11,475
Total			56,305

<i>As at 31 December 2020</i>			
	<i>Maturity dates ranging from</i>	<i>Coupon rates (%)</i>	<i>Outstanding balance</i>
Fixed rate HKD MTNs	October 2022	1.00	4,208
Fixed rate USD MTNs	June 2021 to October 2025	1.00 - 3.88 3 months	18,871
Floating rate USD MTNs	September 2021 to November 2023	Libor+68 to 85bps	19,564
Total			42,643

- (xii) The fixed rate financial bonds issued by ABC in April 2020 have a tenor of 3 years, with a fixed coupon rate of 1.99%, payable annually.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 Debt securities issued (continued)

- (xiii) The fixed rate financial bonds issued by ABC in April 2021 have a tenor of 3 years, with a fixed coupon rate of 3.38%, payable annually.
- (xiv) The CNY green bonds issued by ABC Financial Leasing Co., Ltd. in June 2019 have a tenor of 3 years, with a fixed coupon rate 3.68%, payable annually.
- (xv) The fixed rate financial bonds issued by ABC Financial Leasing Co., Ltd. in November 2020 have a tenor of 3 years, with a fixed coupon rate of 3.90%, payable annually.
- (xvi) The fixed rate financial bonds issued by ABC Financial Leasing Co., Ltd. in August 2021 have a tenor of 3 years, with a fixed coupon rate of 3.06%, payable annually.
- (xvii) The fixed rate financial bonds issued by ABC Financial Assets Investment Co., Ltd. in September 2019 have a tenor of 3 years, with a fixed coupon rate of 3.30%, payable annually.
- (xviii) The fixed rate financial bonds issued by ABC Financial Assets Investment Co., Ltd. in March 2020 have a tenor of 3 years, with a fixed coupon rate of 2.68%, payable annually.
- (xix) The fixed rate financial bonds issued by ABC International Holdings Limited in August 2018 have a tenor of 3 years, with a fixed coupon rate of 4.70%, payable annually. The bonds have expired on 21 August 2021.
- (xx) The fixed rate financial bonds issued by ABC Financial Assets Investment Co., Ltd. in September 2019 have a tenor of 5 years, with a fixed coupon rate of 3.40%, payable annually.
- (xxi) The fixed rate financial bonds issued by ABC Financial Assets Investment Co., Ltd. in March 2020 have a tenor of 5 years, with a fixed coupon rate of 2.75%, payable annually.
- (xxii) The fixed rate financial bonds issued by ABCI Investment Suzhou Corporation Limited in June 2020 have a tenor of 5 years, with a fixed coupon rate of 3.80%, payable annually.
- (xxiii) The fixed rate financial bonds issued by ABCI Investment Suzhou Corporation Limited in April 2021 have a tenor of 5 years, with a fixed coupon rate of 4.10%, payable annually.
- (xxiv) The fixed rate financial bonds issued by ABCI Investment Beijing Corporation Limited in June 2021 have a tenor of 5 years, with a fixed coupon rate of 3.80%, payable annually.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 Debt securities issued (continued)

(xxv) The fixed rate capital replenishment debt issued by ABC Life Insurance in March 2018 have a tenor of 10 years, with a fixed coupon rate of 5.55%, payable annually. ABC Life Insurance has an option to redeem all of the bonds at face value on 4 March 2023. If ABC Life Insurance do not exercise this option, the coupon rate of the bonds would increase to 6.55% per annum from 5 March 2023 onwards.

(xxvi) The fixed rate capital replenishment debt issued by ABC Life Insurance in March 2020 have a tenor of 10 years, with a fixed coupon rate of 3.60%, payable annually. ABC Life Insurance has an option to redeem all of the bonds at face value on 25 March 2025. If ABC Life Insurance do not exercise this option, the coupon rate of the bonds would increase to 4.60% per annum from 26 March 2025 onwards.

(2) As at 31 December 2021, the certificates of deposit were issued by the overseas institutions of the Group and were measured at amortized cost. The terms of the certificates of deposit ranged from one month to five years, with interest rates ranging from -0.02% to 3.09% per annum. (As at 31 December 2020, the terms of the certificates of deposit ranged from one month to seven years, with interest rates ranging from -0.02% to 3.66% per annum.)

(3) ***Other debt securities issued by the Group and Bank are commercial papers and interbank certificates of deposit.***

(i) As at 31 December 2021, the commercial papers were issued by the overseas institutions of the Group and were measured at amortized cost. The terms of the commercial papers ranged from two months to one year, with interest rates ranging from 0.00% to 0.45% per annum (As at 31 December 2020, the terms of the commercial papers ranged from three months to one year, with interest rates ranging from 0.00% to 2.14% per annum.)

(ii) As at 31 December 2021, the interbank certificates of deposit were issued by the Bank's Head Office and London Branch. The terms of the interbank certificates of deposit ranged from one month to one year, with interest rates ranging from -0.51% to 0.59% per annum (As at 31 December 2020, the terms of the interbank certificate of deposit ranged from one month to one year, with interest rates ranging from 1.58% to 3.35% per annum.)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 Other liabilities

	Notes	<i>As at 31 December</i>	
		2021	2020
Clearing and settlement		153,389	168,852
Insurance liabilities		105,262	89,651
Income taxes payable		61,639	54,340
Staff costs payable	(1)	59,736	56,811
Provision	(2)	33,809	42,100
VAT and other taxes payable		10,571	10,235
Lease liabilities		10,067	9,824
Amount payable to the MOF		1,286	711
Others		64,684	92,066
		<hr/>	<hr/>
Total		500,443	524,590
		<hr/> <hr/>	<hr/> <hr/>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 Other liabilities (continued)

(1) Staff costs payable

	Notes	As at 31 December	
		2021	2020
Short-term employee benefits	(i)	57,262	47,380
Defined contribution benefits	(ii)	1,386	7,880
Early retirement benefits	(iii)	1,088	1,551
Total		59,736	56,811

(i) Short-term employee benefits

	Note	2021			31 December
		1 January	Increase	Decrease	
Salaries, bonuses, allowance and subsidies	(a)	35,010	90,052	(82,277)	42,785
Housing funds	(a)	108	9,406	(9,377)	137
Social insurance including:	(a)	385	5,895	(5,834)	446
- Medical insurance		367	5,514	(5,463)	418
- Maternity insurance		9	223	(218)	14
- Employment injury insurance		9	158	(153)	14
Labor union fees and staff education expenses		8,039	4,001	(2,895)	9,145
Others		3,838	10,982	(10,071)	4,749
Total		47,380	120,336	(110,454)	57,262

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 Other liabilities (continued)

	Note	2020			31 December
		1 January	Increase	Decrease	
Salaries, bonuses, allowance and subsidies	(a)	31,289	81,087	(77,366)	35,010
Housing funds	(a)	184	8,933	(9,009)	108
Social insurance including:	(a)	332	4,713	(4,660)	385
- Medical insurance		311	4,398	(4,342)	367
- Maternity insurance		13	205	(209)	9
- Employment injury insurance		8	110	(109)	9
Labor union fees and staff education expenses		7,049	3,613	(2,623)	8,039
Others		4,276	10,612	(11,050)	3,838
Total		43,130	108,958	(104,708)	47,380

(a) Salaries, bonuses, allowance and subsidies, housing funds and social insurance are timely distributed and paid in accordance with relevant laws and regulations and the Group's policy.

(ii) Defined contribution benefits

	2021			
	1 January	Increase	Decrease	31 December
Basic pensions	619	10,924	(10,849)	694
Unemployment insurance	40	360	(360)	40
Annuity Scheme	7,221	6,993	(13,562)	652
Total	7,880	18,277	(24,771)	1,386

	2020			
	1 January	Increase	Decrease	31 December
Basic pensions	452	8,110	(7,943)	619
Unemployment insurance	34	249	(243)	40
Annuity Scheme	4,722	6,367	(3,868)	7,221
Total	5,208	14,726	(12,054)	7,880

The defined contribution benefits are timely distributed and paid in accordance with relevant laws and regulations and the Group's policy. There was no forfeited contribution available to reduce the contribution payable by the Group under the above schemes.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 Other liabilities (continued)

(iii) Early retirement benefits

	2021			31 December
	1 January	Increase	Decrease	
Early retirement benefits	1,551	15	(478)	1,088
	2020			
	1 January	Increase	Decrease	31 December
Early retirement benefits	2,133	5	(587)	1,551

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	As at 31 December	
	2021	2020
Discount rate	2.58%	2.90%
Annual average medical expense growth rate	8.00%	8.00%
Annual subsidies growth rate	8.00%	8.00%
Normal retirement age		
- Male	60	60
- Female	55	55

Assumptions regarding future mortality experience are based on the China Life Insurance Mortality Table (published historical statistics in China).

Any difference arising from the actual result or changes in assumptions may affect the amount of expense recognized in the consolidated income statement.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 Other liabilities (continued)

(2) Provision

	Note	<i>As at 31 December</i>	
		<u>2021</u>	<u>2020</u>
Loan commitments and financial guarantee contracts	(i)	20,271	35,756
Litigation provision		5,333	5,560
Others		8,205	784
Total		<u><u>33,809</u></u>	<u><u>42,100</u></u>

- (i) Analyzed by movements in loss allowance for loan commitments and financial guarantee contracts

	Note	<i>Year ended 31 December 2021</i>			<i>Total</i>
		<u><i>Stage I</i></u>	<u><i>Stage II</i></u>	<u><i>Stage III</i></u>	
		<u><i>12m ECL</i></u>	<u><i>Lifetime ECL</i></u>		
1 January 2021		33,356	1,661	739	35,756
Transfer:					
Stage I transfer to Stage II		(155)	155	-	-
Stage II transfer to Stage III		-	(219)	219	-
Stage II transfer to Stage I		51	(51)	-	-
Stage III transfer to Stage II		-	31	(31)	-
Increase	(a)	9,797	-	-	9,797
Remeasurement		(79)	616	539	1,076
Decrease	(a)	(24,637)	(1,542)	(179)	(26,358)
31 December 2021		<u><u>18,333</u></u>	<u><u>651</u></u>	<u><u>1,287</u></u>	<u><u>20,271</u></u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 Other liabilities (continued)

	Note	<i>Year ended 31 December 2020</i>			<i>Total</i>
		<i>Stage I</i>	<i>Stage II</i>	<i>Stage III</i>	
		<i>12m ECL</i>	<i>Lifetime ECL</i>		
1 January 2020		22,836	2,032	345	25,213
Transfer:					
Stage I transfer to Stage II		(682)	682	-	-
Stage II transfer to Stage III		-	(348)	348	-
Stage II transfer to Stage I		3	(3)	-	-
Increase	(a)	18,613	-	-	18,613
Remeasurement		720	6	401	1,127
Decrease	(a)	(8,134)	(708)	(355)	(9,197)
31 December 2020		<u>33,356</u>	<u>1,661</u>	<u>739</u>	<u>35,756</u>

- (a) The impact of loss allowance driven by new loan commitments and financial guarantee contracts signed in 2021 and 2020 is disclosed as “Increase”. The impact of loss allowance driven by withdrawals, advances or expiration of loan commitments and financial guarantee contracts in 2021 and 2020 are disclosed as “Decrease”. The changes of loss allowance for loan commitments and financial guarantee contracts in 2021 and 2020 are mainly driven by the net decrease and net increase in the exposure of loan commitments and financial guarantee contracts.

32 Ordinary shares

	<i>31 December 2021</i>	
	<i>Number of shares (millions)</i>	<i>Nominal value</i>
Domestic listed A shares, par value RMB1.00 per share	319,244	319,244
Overseas listed H shares, par value RMB1.00 per share	30,739	30,739
Total	<u>349,983</u>	<u>349,983</u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Ordinary shares (continued)

	<i>31 December 2020</i>	
	<i>Number of shares (millions)</i>	<i>Nominal value</i>
Domestic listed A shares, par value RMB1.00 per share	319,244	319,244
Overseas listed H shares, par value RMB1.00 per share	30,739	30,739
Total	349,983	349,983

- (1) A shares refer to the ordinary shares listed in the Mainland China. They are offered and traded in RMB. H shares refer to the ordinary shares listed in Hong Kong SAR. Their par value is denominated in RMB when they were initially offered and are currently traded in HKD.
- (2) As at 31 December 2021, the Bank's A Shares and H Shares were not subject to lock-up restriction, except for the 19,960 million ordinary shares issued through the private placement in June 2018. As at 31 December 2020, the Bank's A Shares and H Shares were not subject to lock-up restriction, except for the 25,189 million ordinary shares issued through the private placement in June 2018.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33 Other equity instruments

<i>Financial instruments in issued</i>	<i>Dividend rate</i>	<i>Issued price (RMB yuan)</i>	<i>Issued number of shares (millions)</i>	<i>Issued nominal value (millions)</i>	<i>Maturity date</i>	<i>Conversion</i>
Preference shares-first tranche (1)	6.00% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	No conversion during the year
Preference shares-second tranche (1)	5.50% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	No conversion during the year
Undated tier 1 capital bonds in 2019-first tranche (2)	4.39% per annum for the first 5 years after issuance, and reset every 5 years as stated below	100	850	85,000	No maturity date	N/A
Undated tier 1 capital bonds in 2019-second tranche (2)	4.20% per annum for the first 5 years after issuance, and reset every 5 years as stated below	100	350	35,000	No maturity date	N/A
Perpetual bonds Undated tier 1 capital bonds in 2020-first tranche (2)	3.48% per annum for the first 5 years after issuance, and reset every 5 years as stated below	100	850	85,000	No maturity date	N/A
Undated tier 1 capital bonds in 2020-second tranche (2)	4.50% per annum for the first 5 years after issuance, and reset every 5 years as stated below	100	350	35,000	No maturity date	N/A
Undated tier 1 capital bonds in 2021-first tranche (2)	3.76% per annum for the first 5 years after issuance, and reset every 5 years as stated below	100	400	40,000	No maturity date	N/A

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33 Other equity instruments (continued)

- (1) The Bank was authorized to issue no more than 800 million preference shares of RMB100 each, pursuant to the approval by its ordinary equity holders and relevant regulatory authorities.

The first tranche of 400 million preference shares was issued at par in November 2014. The carrying amount, net of direct issuance expenses, was RMB39,944 million as at 31 December 2021. The first tranche of preference shares bears a dividend rate of 6.00% per annum; dividends are non-cumulative and where payable, are paid annually, for the first five years from issuance. The dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.29%. The first five-year dividend period expired on 1 November 2019. During the second dividend period beginning from 5 November 2019, the base rate and fixed premium is 3.03% and 2.29%, respectively, and the coupon rate is 5.32%. The dividend is paid annually.

The second tranche of 400 million preference shares was issued at par in March 2015. The carrying amount, net of direct issuance expenses, was RMB39,955 million as at 31 December 2021. The second tranche of preference shares bears a dividend rate of 5.50% per annum; dividends are non-cumulative and where payable, are paid annually, for the first five years from issuance. The dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.24%. The first five-year dividend period expired on 6 March 2020. During the second dividend period beginning from 11 March 2020, the base rate and fixed premium is 2.60% and 2.24%, respectively, and the coupon rate is 4.84%. The dividend is paid annually.

There were no changes in the carrying amounts of the preference shares since issuance.

As authorized by the ordinary equity holders in the annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. The Bank shall not distribute any dividends to its ordinary equity holders before it declares such dividends to preference shareholders for the relevant period. The distribution of preference shares dividend is at the Bank's discretion and is non-cumulative. Preference shareholders are not entitled to participate in the distribution of retained earnings except for the dividends stated above.

The Bank has a redemption option when specified conditions as stipulated in the offering documents are met, subject to regulatory approval, whereas preference shareholders have no right to request the Bank to redeem the preference shares.

Upon liquidation, the claims of preference shareholders have priority over ordinary equity holders on the residual assets of the Bank, but are subordinated to those of depositors, general creditors, Tier-two Capital Instruments holders or any other subordinated debt holders with equivalent rights.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33 Other equity instruments (continued)

Upon occurrence of the triggering events as stipulated in paragraph 2(1) of the Guidance of the CBIRC on Amendments to Commercial Banks' Innovation on Capital Instruments (CBIRC No. 42 [2019]) and subject to regulatory approval, the first tranche of preference shares and the second tranche of preference shares shall be mandatorily converted into ordinary A shares of the Bank at the conversion price agreed, partially or entirely. The initial conversion price of the preference shares issued by the Bank was RMB2.43 per share. In June 2018, the Bank has issued 25.19 billion ordinary A shares to specific investors. The conversion price of the preference shares will be adjusted where certain events occur including bonus issues, rights issue, capitalization of reserves and new issuances of ordinary shares, subject to terms and formulas provided in the offering documents, to maintain the relative interests between preference shareholders and ordinary equity holders. Upon completion of the private placement of ordinary shares by the Bank, the mandatory conversion price of the first tranche of preference shares and the second tranche of preference shares issued by the Bank will be adjusted from RMB2.43 per share to RMB2.46 per share.

These preference shares are classified as equity instruments, and presented as equity in the consolidated statement of financial position, and are qualified as Additional Tier-one Capital Instruments in accordance with the CBIRC requirements.

The carrying amount, net of direct issuance expenses, was RMB79,899 million as at 31 December 2021 (31 December 2020: RMB79,899 million).

- (2) With the authorization of the annual general meeting and the approval from regulatory authorities, the Bank was permitted to issue undated additional tier 1 capital bonds ("Perpetual bonds" or the "Bonds") of an amount no more than RMB120 billion in 2019.

The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB85 billion in the national interbank bond market on 16 August 2019, and the issuance was completed on 20 August 2019. The denomination of the Bonds is RMB100 each. The Bonds don't have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 4.39%.

The Bank issued undated additional tier 1 capital bonds (second tranche) with the amount of RMB35 billion in the national interbank bond market on 3 September 2019, and the issuance was completed on 5 September 2019. The denomination of the Bonds is RMB100 each. The Bonds don't have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 4.20%.

With the authorization of the annual general meeting and the approval from regulatory authorities, the Bank was granted to issue undated additional tier 1 capital bonds ("Perpetual bonds" or the "Bonds") of an amount no more than RMB120 billion in 2020.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33 Other equity instruments (continued)

The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB85 billion in the national interbank bond market on 8 May 2020, and the issuance was completed on 12 May 2020. The denomination of the Bonds is RMB100 each. The Bonds don't have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.48%.

The Bank issued undated additional tier 1 capital bonds (second tranche) with the amount of RMB35 billion in the national interbank bond market on 20 August 2020, and the issuance was completed on 24 August 2020. The denomination of the Bonds is RMB100 each. The Bonds don't have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 4.50%.

With the authorization of the annual general meeting and the approval from regulatory authorities, the Bank was granted to issue undated additional tier 1 capital bonds ("Perpetual bonds" or the "Bonds") of an amount no more than RMB120 billion in 2021.

The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB40 billion in the national interbank bond market on 12 November 2021, and the issuance was completed on 16 November 2021. The denomination of the Bonds is RMB100 each. The Bonds don't have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.76%.

The duration of the Perpetual bonds is the same as the continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may redeem the Bonds in whole or in part on each distribution payment date from the fifth anniversary since the issuance date of the Bonds. Upon the occurrence of a trigger event for write-downs, with the approval of the CBIRC and without the need for the consent of the holders of the Bonds, the Bank has the right to write down all or part of the aggregate amount of the Bonds then issued and outstanding. The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated indebtedness that ranks senior to the Bonds; and shall rank in priority to all classes of shares held by shareholders and will rank *pari passu* with the claims in respect of any other additional tier 1 capital instruments of the Bank that rank *pari passu* with the Bonds.

The distributions on the Perpetual bonds are non-cumulative. The Bank shall have the right to cancel distributions on the Bonds in whole or in part and any such cancellation shall not constitute an event of default. The Bank may at its discretion use the proceeds from the cancelled distribution to meet other obligations as they fall due. But the Bank shall not make any distribution to ordinary shareholders until its decision to resume the distribution payments in whole to the holders of the Bonds.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33 Other equity instruments (continued)

The net proceeds from the issuance of the Perpetual bonds after deducting offering related expenses were used to replenish the Bank's additional tier 1 capital.

The carrying amount, net of direct issuance expenses, was RMB279,973 million as at 31 December 2021 (31 December 2020: RMB239,976 million).

34 Capital reserve

The capital reserve mainly represents the premium related to ordinary shares issued by the Bank in 2010 and private placement of ordinary shares to the specific shareholders in 2018. Share premium was recorded in the capital reserve after deducting direct issue expenses, which consisted primarily of underwriting fees and professional fees.

35 Investment revaluation reserve

	2021		
	<i>Gross carrying amount</i>	<i>Tax effect</i>	<i>Net effect</i>
31 December 2020	34,773	(8,786)	25,987
Fair value changes on other debt instruments investments at fair value through other comprehensive income:			
- Amount of gains recognized directly in other comprehensive income	13,049	(2,528)	10,521
- Amount removed from other comprehensive income and recognized in profit or loss	(1,131)	(283)	(1,414)
Fair value changes on other equity investments at fair value through other comprehensive income:			
- Amount of gains recognized directly in other comprehensive income	(282)	115	(167)
31 December 2021	46,409	(11,482)	34,927

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35 Investment revaluation reserve (continued)

	2020		
	<i>Gross carrying amount</i>	<i>Tax effect</i>	<i>Net effect</i>
31 December 2019	39,875	(10,191)	29,684
Fair value changes on other debt instruments investments at fair value through other comprehensive income:			
- Amount of gains recognized directly in other comprehensive income	(4,238)	1,188	(3,050)
- Amount removed from other comprehensive income and recognized in profit or loss	(750)	188	(562)
Fair value change on other equity investments at fair value through other comprehensive income:			
- Amount of gains recognized directly in other comprehensive income	(114)	29	(85)
31 December 2020	34,773	(8,786)	25,987

36 Surplus reserve

Under PRC Law, the Bank is required to transfer 10% of its net profit determined under the PRC GAAP to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of this reserve has reached 50% of share capital. Pursuant to the resolution of the Board of Directors' Meeting held on 30 March 2022, an appropriation of 10% of the profit for the current year, determined under the generally accepted accounting principles of the PRC, to the statutory surplus reserve, in the amount of RMB24,335 million (2020: RMB21,040 million) was approved. In addition, certain subsidiaries and overseas branches also appropriated surplus reserves in accordance with local requirements.

Subject to the approval of the ordinary equity holders, the statutory surplus reserves can be used for replenishing accumulated losses or increasing the Bank's ordinary share capital. The statutory surplus reserves amount used to increase the ordinary share capital is limited to a level where the balance of the statutory surplus reserves after such capitalization is not less than 25% of the ordinary share capital.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37 General reserve

Pursuant to Caijin [2012] No. 20 “Requirements on Impairment Allowance for Financial Institutions” (the “Requirement”) issued by the MOF, effective on 1 July 2012, in addition to impairment allowance, the Bank establishes a general reserve within ordinary equity holders’ equity through the appropriation of profit to address unidentified potential impairment risks. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement. The general reserve includes regulatory reserve appropriated by the Bank’s overseas branches pursuant to local regulatory requirements.

Pursuant to relevant PRC regulatory requirements, some domestic subsidiaries of the Bank are required to appropriate certain amounts of their net profit as general reserves.

During the year ended 31 December 2021, the Group transferred RMB40,167 million (2020: RMB34,433 million) to the General Reserve pursuant to the regulatory requirements in the PRC and overseas jurisdictions. Of this amount, RMB39,217 million (2020: RMB34,211 million) related to the appropriation proposed for the year ended 31 December 2020 which was approved in the annual general meeting held on 27 May 2021.

On 30 March 2022, the Board of Directors’ meeting approved a proposal of appropriation of RMB32,221 million to general reserve. Such appropriation will be recognized in the Group’s consolidated financial statements after approval by ordinary equity holders in the forthcoming annual general meeting.

38 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include the following balances with an original maturity of three months or less:

	<i>As at 31 December</i>	
	2021	2020
Cash	74,610	76,281
Balance with central banks	101,010	51,802
Deposits with banks and other financial institutions	12,163	76,904
Placements with and loans to banks and other financial institutions	103,110	207,568
Financial assets held under resale agreements	833,869	762,598
	1,124,762	1,175,153
Total		

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Operating segments

Operating segments are identified on the basis of internal management reports with respect to the components of the Group that are regularly reviewed by the Board and relevant management committees, which constitute the chief operating decision makers, for the purposes of allocating resources to segments and assessing their performance. The Group's chief operating decision makers review three different sets of financial information based on (i) geographical locations, (ii) business activities and (iii) County Area and Urban Area banking business.

The measurement of segment assets and liabilities, as well as segment revenue, expense and results are based on the Group's accounting policies. There is no difference between the accounting policies used in the preparation of the consolidated financial statements and those used in preparing the operating segment information.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment.

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Geographical operating segments

The details of the geographical operating segments are as follows:

Head Office	
Yangtze River Delta:	Shanghai, Jiangsu, Zhejiang, Ningbo
Pearl River Delta:	Guangdong, Shenzhen, Fujian, Xiamen
Bohai Rim:	Beijing, Tianjin, Hebei, Shandong, Qingdao
Central China:	Shanxi, Hubei, Henan, Hunan, Jiangxi, Hainan, Anhui
Western China:	Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang (including Xinjiang Production and Construction Corps Branch), Tibet, Inner Mongolia, Guangxi
Northeastern China:	Liaoning, Heilongjiang, Jilin, Dalian
Overseas and Others:	Subsidiaries and overseas branches

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Operating segments (continued)

<i>For the year ended 31 December 2021</i>	<i>Head Office</i>	<i>Yangtze River Delta</i>	<i>Pearl River Delta</i>	<i>Bohai Rim</i>	<i>Central China</i>	<i>Western China</i>	<i>Northeastern China</i>	<i>Overseas and Others</i>	<i>Eliminations</i>	<i>Consolidated total</i>
External interest income	312,905	165,902	116,342	97,411	112,282	159,636	23,728	19,808	-	1,008,014
External interest expense	(62,136)	(93,360)	(48,988)	(71,233)	(59,171)	(66,727)	(20,385)	(8,027)	-	(430,027)
Inter-segment net interest (expense)/income	(271,993)	63,604	31,990	65,095	48,445	44,643	19,617	(1,401)	-	-
Net interest income	(21,224)	136,146	99,344	91,273	101,556	137,552	22,960	10,380	-	577,987
Fee and commission income	39,414	14,432	10,999	8,913	8,641	11,416	2,071	2,835	-	98,721
Fee and commission expense	(3,529)	(3,568)	(2,707)	(2,149)	(2,791)	(2,921)	(634)	(93)	-	(18,392)
Net fee and commission income	35,885	10,864	8,292	6,764	5,850	8,495	1,437	2,742	-	80,329
Net trading gain	7,621	613	54	86	33	46	24	5,764	-	14,241
Net gain/(loss) on financial investments	12,174	(4,065)	(925)	(380)	(726)	6,416	(115)	2,656	-	15,035
Net gain on derecognition of financial assets measured at amortized cost	9	-	-	-	-	-	-	2	-	11
Other operating income	1,053	970	629	448	483	1,693	107	28,760	-	34,143
Operating income	35,518	144,528	107,394	98,191	107,196	154,202	24,413	50,304	-	721,746
Operating expenses	(18,196)	(38,779)	(27,919)	(32,533)	(38,428)	(53,152)	(14,431)	(36,837)	-	(260,275)
Credit impairment losses	(10,057)	(33,444)	(21,895)	(32,026)	(30,379)	(33,349)	(4,104)	(632)	-	(165,886)
Impairment losses on other assets	(20)	-	-	(1)	(9)	(45)	(22)	(17)	-	(114)
Operating profit	7,245	72,305	57,580	33,631	38,380	67,656	5,856	12,818	-	295,471
Share of results of associates and joint ventures	58	-	-	-	-	-	-	351	-	409
Profit before tax	7,303	72,305	57,580	33,631	38,380	67,656	5,856	13,169	-	295,880
Income tax expense	-	-	-	-	-	-	-	-	-	(53,944)
Profit for the year	-	-	-	-	-	-	-	-	-	241,936

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Operating segments (continued)

<i>For the year ended 31 December 2021</i>	<i>Head Office</i>	<i>Yangtze River Delta</i>	<i>Pearl River Delta</i>	<i>Bohai Rim</i>	<i>Central China</i>	<i>Western China</i>	<i>Northeastern China</i>	<i>Overseas and Others</i>	<i>Eliminations</i>	<i>Consolidated total</i>
Depreciation and amortization included in operating expenses	1,872	3,186	2,546	3,106	3,124	4,255	1,193	515	-	19,797
Capital expenditure	3,684	2,565	3,642	4,141	4,014	5,771	969	2,158	-	26,944
As at 31 December 2021										
Segment assets	5,349,436	6,245,511	3,777,921	5,144,974	4,261,718	5,616,038	1,292,922	1,158,228	(3,920,620)	28,926,128
Including: Investment in associates and joint ventures	1,072	-	-	-	-	-	-	7,225	-	8,297
Unallocated assets										143,027
Total assets										29,069,155
Including: Non-current assets (1)	15,399	30,401	20,108	30,150	28,146	42,446	10,731	27,094	-	204,475
Segment liabilities	(2,878,758)	(6,304,624)	(3,787,707)	(5,185,277)	(4,293,433)	(5,647,159)	(1,303,874)	(1,105,290)	3,920,620	(26,585,502)
Unallocated liabilities										(62,294)
Total liabilities										(26,647,796)
Loan commitments and financial guarantee contracts	12,035	537,337	366,666	389,817	308,368	320,502	75,593	77,987	-	2,088,305

- (1) Non-current assets include property and equipment, investment properties, right-of-use assets, land use rights, intangible assets and other long-term assets.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Operating segments (continued)

<i>For the year ended 31 December 2020</i>	<i>Head Office</i>	<i>Yangtze River Delta</i>	<i>Pearl River Delta</i>	<i>Bohai Rim</i>	<i>Central China</i>	<i>Western China</i>	<i>Northeastern China</i>	<i>Overseas and Others</i>	<i>Eliminations</i>	<i>Consolidated total</i>
External interest income	295,937	146,586	104,665	90,675	100,397	146,982	22,471	23,219	-	930,932
External interest expense	(62,901)	(81,914)	(40,592)	(61,183)	(50,040)	(57,814)	(17,574)	(13,835)	-	(385,853)
Inter-segment net interest (expense)/income	(236,844)	56,373	26,000	56,045	43,094	40,319	16,672	(1,659)	-	-
Net interest income	(3,808)	121,045	90,073	85,537	93,451	129,487	21,569	7,725	-	545,079
Fee and commission income	32,182	14,579	11,403	9,492	8,660	12,101	2,148	601	-	91,166
Fee and commission expense	(4,023)	(2,620)	(2,476)	(1,975)	(2,281)	(2,529)	(549)	(168)	-	(16,621)
Net fee and commission income	28,159	11,959	8,927	7,517	6,379	9,572	1,599	433	-	74,545
Net trading gain/(loss)	10,463	359	(151)	(156)	(110)	897	(76)	5,179	-	16,405
Net gain/(loss) on financial investments	4,058	(5,648)	(2,280)	(2,462)	(1,034)	(1,550)	(223)	1,827	-	(7,312)
Net gain on derecognition of financial assets measured at amortized cost	1	-	-	-	-	-	-	-	-	1
Other operating income	(1,839)	721	492	485	307	1,356	59	29,033	-	30,614
Operating income	37,034	128,436	97,061	90,921	98,993	139,762	22,928	44,197	-	659,332
Operating expenses	(15,628)	(33,097)	(24,797)	(28,845)	(33,345)	(47,362)	(13,395)	(33,428)	-	(229,897)
Credit impairment losses	(15,181)	(26,704)	(17,796)	(26,626)	(31,237)	(37,932)	(6,398)	(2,825)	-	(164,699)
Impairment losses on other assets	(1)	1	-	12	3	(130)	(38)	(51)	-	(204)
Operating profit	6,224	68,636	54,468	35,462	34,414	54,338	3,097	7,893	-	264,532
Share of results of associates and joint ventures	4	-	-	-	-	-	-	514	-	518
Profit before tax	6,228	68,636	54,468	35,462	34,414	54,338	3,097	8,407	-	265,050
Income tax expense										(48,650)
Profit for the year										216,400

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Operating segments (continued)

<i>For the year ended 31 December 2020</i>	<i>Head Office</i>	<i>Yangtze River Delta</i>	<i>Pearl River Delta</i>	<i>Bohai Rim</i>	<i>Central China</i>	<i>Western China</i>	<i>Northeastern China</i>	<i>Overseas and Others</i>	<i>Eliminations</i>	<i>Consolidated total</i>
Depreciation and amortization included in operating expenses	1,570	3,170	2,572	3,360	3,075	4,150	1,202	452	-	19,551
Capital expenditure	2,438	2,942	2,937	2,537	3,673	4,607	1,658	1,930	-	22,722
As at 31 December 2020										
Segment assets	5,956,432	5,698,994	3,443,268	4,676,597	3,917,314	5,231,854	1,175,767	1,207,010	(4,235,544)	27,071,692
Including: Investment in associates and joint ventures	210	-	-	-	-	-	-	8,655	-	8,865
Unallocated assets										133,355
Total assets										27,205,047
Including: Non-current assets (1)	12,523	31,128	18,944	28,896	27,810	42,014	11,127	27,410	-	199,852
Segment liabilities	(3,726,048)	(5,748,167)	(3,442,287)	(4,710,246)	(3,940,522)	(5,264,694)	(1,186,993)	(1,156,214)	4,235,544	(24,939,627)
Unallocated liabilities										(54,674)
Total liabilities										(24,994,301)
Loan commitments and financial guarantee contracts	32,779	970,556	558,971	496,243	422,731	523,658	77,342	87,024	-	3,169,304

- (1) Non-current assets include property and equipment, investment properties, right-of-use assets, land use rights, intangible assets and other long-term assets.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Operating segments (continued)

Business operating segments

The details of the business operating segments are as follows:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The range of products and services includes corporate loans and advances, trade finance, deposit products, corporate wealth management services and other types of corporate intermediary services.

Personal banking

The personal banking segment provides financial products and services to individual customers. The range of products and services includes personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services.

Treasury operations

The Group's treasury operations conduct money market and repurchase transactions, debt instruments investments, precious metal transactions and derivative transactions for its own accounts or on behalf of customers.

Others

Others comprise components of the Group that are not attributable to any of the above segments, along with certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Operating segments (continued)

	<i>Corporate banking</i>	<i>Personal banking</i>	<i>Treasury operations</i>	<i>Others</i>	<i>Consolidated total</i>
For the year ended 31 December 2021					
External interest income	382,068	313,486	304,389	8,071	1,008,014
External interest expense	(129,812)	(210,635)	(86,184)	(3,396)	(430,027)
Inter-segment net interest (expense)/income	(24,981)	186,829	(161,848)	-	-
Net interest income	<u>227,275</u>	<u>289,680</u>	<u>56,357</u>	<u>4,675</u>	<u>577,987</u>
Fee and commission income	59,722	34,090	1,058	3,851	98,721
Fee and commission expense	(11,392)	(6,634)	(39)	(327)	(18,392)
Net fee and commission income	<u>48,330</u>	<u>27,456</u>	<u>1,019</u>	<u>3,524</u>	<u>80,329</u>
Net trading gain	-	-	11,040	3,201	14,241
Net (loss)/gain on financial investments	(7,181)	(75)	17,158	5,133	15,035
Net gain on derecognition of financial assets measured at amortized cost	-	-	11	-	11
Other operating income	1,475	1,341	357	30,970	34,143
Operating income	269,899	318,402	85,942	47,503	721,746
Operating expenses	(82,315)	(112,663)	(29,168)	(36,129)	(260,275)
Credit impairment losses	(111,269)	(49,672)	(4,567)	(378)	(165,886)
Impairment losses on other assets	(72)	(4)	(2)	(36)	(114)
Operating profit	76,243	156,063	52,205	10,960	295,471
Share of results of associates and joint ventures	-	-	-	409	409
Profit before tax	<u>76,243</u>	<u>156,063</u>	<u>52,205</u>	<u>11,369</u>	<u>295,880</u>
Income tax expense					(53,944)
Profit for the year					<u>241,936</u>
Depreciation and amortization included in operating expenses	5,230	10,484	3,630	453	19,797
Capital expenditure	5,933	13,909	5,510	1,592	26,944
As at 31 December 2021					
Segment assets	9,539,860	7,110,002	11,884,433	391,833	28,926,128
Including: Investment in associates and joint ventures	-	-	-	8,297	8,297
Unallocated assets					143,027
Total assets					<u>29,069,155</u>
Segment liabilities	(8,833,093)	(13,357,389)	(4,083,852)	(311,168)	(26,585,502)
Unallocated liabilities					(62,294)
Total liabilities					<u>(26,647,796)</u>
Loan commitments and financial guarantee contracts	<u>1,213,942</u>	<u>874,363</u>	<u>-</u>	<u>-</u>	<u>2,088,305</u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Operating segments (continued)

	<i>Corporate banking</i>	<i>Personal banking</i>	<i>Treasury operations</i>	<i>Others</i>	<i>Consolidated total</i>
For the year ended					
31 December 2020					
External interest income	354,333	279,727	290,119	6,753	930,932
External interest expense	(120,316)	(194,091)	(68,422)	(3,024)	(385,853)
Inter-segment net interest (expense)/income	(12,647)	168,042	(155,395)	-	-
Net interest income	<u>221,370</u>	<u>253,678</u>	<u>66,302</u>	<u>3,729</u>	<u>545,079</u>
Fee and commission income	55,436	33,274	496	1,960	91,166
Fee and commission expense	(10,044)	(6,490)	(5)	(82)	(16,621)
Net fee and commission income	<u>45,392</u>	<u>26,784</u>	<u>491</u>	<u>1,878</u>	<u>74,545</u>
Net trading gain	-	-	8,920	7,485	16,405
Net (loss)/gain on financial investments	(7,284)	(4,180)	1,440	2,712	(7,312)
Net gain on derecognition of financial assets measured at amortized cost	-	-	1	-	1
Other operating income	<u>1,375</u>	<u>1,321</u>	<u>25</u>	<u>27,893</u>	<u>30,614</u>
Operating income	260,853	277,603	77,179	43,697	659,332
Operating expenses	(71,055)	(101,669)	(24,700)	(32,473)	(229,897)
Credit impairment losses	(112,122)	(37,359)	(13,706)	(1,512)	(164,699)
Impairment losses on other assets	(156)	4	-	(52)	(204)
Operating profit	<u>77,520</u>	<u>138,579</u>	<u>38,773</u>	<u>9,660</u>	<u>264,532</u>
Share of results of associates and joint ventures	-	-	-	518	518
Profit before tax	<u><u>77,520</u></u>	<u><u>138,579</u></u>	<u><u>38,773</u></u>	<u><u>10,178</u></u>	<u><u>265,050</u></u>
Income tax expense					<u>(48,650)</u>
Profit for the year					<u><u>216,400</u></u>
Depreciation and amortization included in operating expenses	4,397	11,209	3,544	401	19,551
Capital expenditure	4,076	12,708	4,491	1,447	22,722
As at 31 December 2020					
Segment assets	8,618,358	6,372,074	11,586,282	494,978	27,071,692
Including: Investment in associates and joint ventures	-	-	-	8,865	8,865
Unallocated assets					<u>133,355</u>
Total assets					<u><u>27,205,047</u></u>
Segment liabilities	(8,590,691)	(12,926,172)	(3,129,836)	(292,928)	(24,939,627)
Unallocated liabilities					<u>(54,674)</u>
Total liabilities					<u><u>(24,994,301)</u></u>
Loan commitments and financial guarantee contracts	<u>2,146,637</u>	<u>1,022,667</u>	<u>-</u>	<u>-</u>	<u>3,169,304</u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Operating segments (continued)

County Area and Urban Area segments

The Group's operating segments organized by County Area and Urban Area banking business are set out as follows:

County Area banking business

The Group's County Area banking business provides a broad range of financial products and services to customers in designated County Area, through its operating branches in the counties or county-level cities throughout the PRC. The products and services mainly comprise loans, deposits, bank cards, and other types of intermediary services.

Urban Area banking business

The Group's Urban Area banking business comprises all banking activities outside of the County Area banking business, overseas branches and subsidiaries.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Operating segments (continued)

	<i>County Area banking business</i>	<i>Urban Area banking business</i>	<i>Eliminations</i>	<i>Consolidated total</i>
For the year ended 31 December 2021				
External interest income	259,517	748,497	-	1,008,014
External interest expense	(140,954)	(289,073)	-	(430,027)
Inter-segment net interest income/(expense)	136,984	(136,984)	-	-
Net interest income	<u>255,547</u>	<u>322,440</u>	<u>-</u>	<u>577,987</u>
Fee and commission income	38,344	60,377	-	98,721
Fee and commission expense	(7,388)	(11,004)	-	(18,392)
Net fee and commission income	<u>30,956</u>	<u>49,373</u>	<u>-</u>	<u>80,329</u>
Net trading gain	6,497	7,744	-	14,241
Net (loss)/gain on financial investments	(2,476)	17,511	-	15,035
Net gain on derecognition of financial assets measured at amortized cost	-	11	-	11
Other operating income	4,471	29,672	-	34,143
Operating income	294,995	426,751	-	721,746
Operating expenses	(104,046)	(156,229)	-	(260,275)
Credit impairment losses	(64,790)	(101,096)	-	(165,886)
Impairment losses on other assets	(48)	(66)	-	(114)
Operating profit	126,111	169,360	-	295,471
Share of results of associates and joint ventures	-	409	-	409
Profit before tax	<u>126,111</u>	<u>169,769</u>	<u>-</u>	<u>295,880</u>
Income tax expense				(53,944)
Profit for the year				<u>241,936</u>
Depreciation and amortization included in operating expenses	7,758	12,039	-	19,797
Capital expenditure	6,521	20,423	-	26,944
As at 31 December 2021				
Segment assets	10,419,215	18,612,453	(105,540)	28,926,128
Including: Investment in associates and joint ventures	-	8,297	-	8,297
Unallocated assets				143,027
Total assets				<u>29,069,155</u>
Segment liabilities	(9,631,167)	(17,059,875)	105,540	(26,585,502)
Unallocated liabilities				(62,294)
Total liabilities				<u>(26,647,796)</u>
Loan commitments and financial guarantee contracts	<u>703,422</u>	<u>1,384,883</u>	<u>-</u>	<u>2,088,305</u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Operating segments (continued)

	<i>County Area banking business</i>	<i>Urban Area banking business</i>	<i>Eliminations</i>	<i>Consolidated total</i>
For the year ended 31 December 2020				
External interest income	230,691	700,241	-	930,932
External interest expense	(121,062)	(264,791)	-	(385,853)
Inter-segment net interest income/(expense)	122,135	(122,135)	-	-
Net interest income	<u>231,764</u>	<u>313,315</u>	-	<u>545,079</u>
Fee and commission income	35,742	55,424	-	91,166
Fee and commission expense	(6,439)	(10,182)	-	(16,621)
Net fee and commission income	<u>29,303</u>	<u>45,242</u>	-	<u>74,545</u>
Net trading gain	221	16,184	-	16,405
Net loss on financial investments	(4,001)	(3,311)	-	(7,312)
Net gain on derecognition of financial assets measured at amortized cost	-	1	-	1
Other operating income	4,507	26,107	-	30,614
Operating income	261,794	397,538	-	659,332
Operating expenses	(91,401)	(138,496)	-	(229,897)
Credit impairment losses	(52,276)	(112,423)	-	(164,699)
Impairment losses on other assets	(27)	(177)	-	(204)
Operating profit	118,090	146,442	-	264,532
Share of results of associates and joint ventures	-	518	-	518
Profit before tax	<u>118,090</u>	<u>146,960</u>	-	<u>265,050</u>
Income tax expense				(48,650)
Profit for the year				<u>216,400</u>
Depreciation and amortization included in operating expenses	7,567	11,984	-	19,551
Capital expenditure	6,990	15,732	-	22,722
As at 31 December 2020				
Segment assets	9,638,372	17,570,020	(136,700)	27,071,692
Including: Investment in associates and joint ventures	-	8,865	-	8,865
Unallocated assets				133,355
Total assets				<u>27,205,047</u>
Segment liabilities	(8,942,453)	(16,133,874)	136,700	(24,939,627)
Unallocated liabilities				(54,674)
Total liabilities				<u>(24,994,301)</u>
Loan commitments and financial guarantee contracts	<u>970,680</u>	<u>2,198,624</u>	-	<u>3,169,304</u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Related party transactions

(1) The Group and the MOF

As at 31 December 2021, the MOF directly owned 35.29% (31 December 2020: 35.29%) of the ordinary shares of the Bank.

The MOF is a Chinese government ministry, primarily responsible for managing state fiscal revenue and expenditure, and establishing and enforcing taxation policies. It reports to the Chinese State Council.

The Group had the following balances and transactions with the MOF in its ordinary course of business under normal commercial terms:

	<u>As at 31 December 2021</u>		<u>As at 31 December 2020</u>	
	<i>Balance</i>	<i>Ratio to similar transactions</i>	<i>Balance</i>	<i>Ratio to similar transactions</i>
Assets				
Treasury bonds and special government bond	797,193	9.69%	754,668	9.65%
Receivable from the MOF	324,619	3.94%	316,656	4.05%
Liabilities				
Due to customers	4,018	0.02%	8,385	0.04%
Other liabilities				
- redemption of treasury bonds on behalf of the MOF	4	0.00%	4	0.00%
- amount payable to the MOF	1,286	0.26%	711	0.14%
<u>Year ended 31 December</u>				
	<u>2021</u>		<u>2020</u>	
	<i>Amount</i>	<i>Ratio to similar transactions</i>	<i>Amount</i>	<i>Ratio to similar transactions</i>
Interest income	28,513	2.83%	30,376	3.26%
Interest expense	(50)	0.01%	(100)	0.03%
Fee and commission income	1,133	1.15%	1,294	1.42%
Net trading gain	126	0.88%	95	0.58%

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Related party transactions (continued)

Interest rate ranges for transactions with the MOF during the year are as follows:

	<i>Year ended 31 December</i>	
	<i>2021</i>	<i>2020</i>
	%	%
Treasury bonds and receivable from the MOF	0.00 - 9.00	0.00 - 9.00
Due to customers	0.01 - 0.80	0.00 - 2.81

The Group's redemption commitment for treasury bonds underwriting is disclosed in Note IV 42 Contingent Liabilities and Commitments.

(2) The Group and Huijin

Central Huijin Investment Ltd. ("Huijin") is a wholly-owned subsidiary of China Investment Corporation Limited, which is incorporated in Beijing, PRC. Huijin was established to hold certain equity interests in state-owned financial institutions as authorized by the Chinese State Council and does not engage in other commercial activities. Huijin exercises its legal rights and assumes obligations related to the Bank on behalf of the PRC Government.

As at 31 December 2021, Huijin directly owned 40.03% (31 December 2020: 40.03%) of the ordinary shares of the Bank.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Related party transactions (continued)

Transactions with Huijin

The Group had the following balances and transactions with Huijin in its ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms.

	<u>As at 31 December 2021</u>		<u>As at 31 December 2020</u>	
	<i>Balance</i>	<i>Ratio to similar transactions</i>	<i>Balance</i>	<i>Ratio to similar transactions</i>
Assets				
Loans and advances to customers	-	-	3,951	0.03%
Financial investments	52,357	0.64%	67,509	0.86%
Liabilities				
Due to customers	38,090	0.17%	5,447	0.03%
<u>Year ended 31 December</u>				
	<u>2021</u>		<u>2020</u>	
	<i>Amount</i>	<i>Ratio to similar transactions</i>	<i>Amount</i>	<i>Ratio to similar transactions</i>
Interest income	1,787	0.18%	2,844	0.31%
Interest expense	(616)	0.14%	(148)	0.04%
Net trading gain	23	0.16%	29	0.18%

Interest rate ranges for transactions with Huijin during the year are as follows:

	<u>Year ended 31 December</u>	
	<u>2021</u>	<u>2020</u>
	%	%
Loans and advances to customers	N/A	3.55 - 3.92
Financial investments	2.15 - 4.38	2.15 - 5.15
Due to customers	0.45 - 2.10	1.73 - 2.25

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Related party transactions (continued)

Transactions with companies under Huijin

Huijin has equity interests in certain other banks and financial institutions under the direction of the Central Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. The Group had the following balances with companies under Huijin:

	<u>As at 31 December 2021</u>		<u>As at 31 December 2020</u>	
	<i>Balance</i>	<i>Ratio to similar transactions</i>	<i>Balance</i>	<i>Ratio to similar transactions</i>
Assets				
Deposits with banks and other financial institutions	88,842	40.66%	89,726	20.67%
Placements with and loans to banks and other financial institutions	123,271	27.58%	100,125	18.31%
Derivative financial assets	4,003	18.21%	17,137	27.67%
Financial assets held under resale agreements	27,577	3.29%	27,349	3.35%
Loans and advances to customers	20,935	0.13%	64,047	0.44%
Financial investments	736,027	8.94%	731,695	9.35%
Liabilities				
Deposits from banks and other financial institutions	79,144	4.88%	92,890	6.66%
Placements from banks and other financial institutions	68,168	23.42%	147,049	37.64%
Derivative financial liabilities	2,747	14.21%	11,259	17.25%
Financial assets sold under repurchase agreements	9,909	27.50%	48,444	44.36%
Due to customers	4,159	0.02%	3,921	0.02%
Equity				
Other equity instruments	2,000	0.56%	2,000	0.63%
Off-balance sheet items				
Letters of guarantee issued and guarantees	1,800	0.59%	-	-
Non-principal guaranteed wealth management products issued by the Group	-	-	3,000	0.15%

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Related party transactions (continued)

(3) National Council for Social Security Fund of the People's Republic of China

As at 31 December 2021, the Bank's shares held by SSF accounted for 6.72% of the Bank's total share capital (31 December 2020: 6.95%). The daily business transactions between the Group and the SSF are priced based on market prices and conducted on normal commercial terms. The Group had the following balances and transactions with the SSF:

	<u>As at 31 December 2021</u>		<u>As at 31 December 2020</u>	
	<i>Balance</i>	<i>Ratio to similar transactions</i>	<i>Balance</i>	<i>Ratio to similar transactions</i>
Assets				
Financial assets held under resale agreements	43,755	5.22%	33,966	4.16%
Liabilities				
Due to customers	65,415	0.30%	51,827	0.25%
Equity				
Other equity instruments	<u>1,250</u>	<u>0.35%</u>	<u>1,250</u>	<u>0.39%</u>

	<u>Year ended 31 December</u>			
	<u>2021</u>		<u>2020</u>	
	<i>Amount</i>	<i>Ratio to similar transactions</i>	<i>Amount</i>	<i>Ratio to similar transactions</i>
Interest income	32	0.00%	158	0.02%
Interest expense	<u>(2,226)</u>	<u>0.52%</u>	<u>(2,026)</u>	<u>0.53%</u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Related party transactions (continued)

Interest rate ranges for transactions with SSF during the year are as follows:

	<i>Year ended 31 December</i>	
	2021	2020
	%	%
Financial assets held under resale agreements	2.58 - 3.90	0.63 - 3.35
Due to customers	0.46 - 4.26	0.30 - 5.20
Other equity instruments	4.84	4.84

(4) *The Group and other government related entities*

Other than disclosed above, a significant portion of the Group's banking transactions are entered into with government authorities, agencies, affiliates and other State controlled entities. These transactions are entered into under normal commercial terms and conditions and mainly include provision of credit and guarantee, deposits, foreign exchange transactions, derivative transactions, agency services, underwriting and distribution of bonds issued by government agencies, purchase, sales and redemption of investment securities issued by government agencies.

Management considers that these transactions are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government authorities, agencies, affiliates and other State controlled entities.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Related party transactions (continued)

(5) *The Bank and its subsidiaries*

The Bank had the following balances and transactions with its subsidiaries in its ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms.

	<u>As at 31 December 2021</u>		<u>As at 31 December 2020</u>	
	<i>Balance</i>	<i>Ratio to similar transactions</i>	<i>Balance</i>	<i>Ratio to similar transactions</i>
Assets				
Placements with and loans to banks and other financial institutions	84,863	18.99%	87,643	16.02%
Financial assets held under resale agreements	-	-	1,786	0.22%
Financial investments	365	0.00%	6,230	0.08%
Other assets	102	0.08%	24	0.02%
Liabilities				
Deposits from banks and other financial institutions	14,079	0.87%	18,657	1.34%
Due to customers	1,857	0.01%	1,624	0.01%
Other liabilities	986	0.20%	753	0.14%
Off-balance sheet items				
Letters of guarantee issued and guarantees	2,034	0.67%	8,482	3.21%
Non-principal guaranteed wealth management products issued by the Group	16	0.00%	331	0.02%
<u>Year ended 31 December</u>				
	<u>2021</u>		<u>2020</u>	
	<i>Amount</i>	<i>Ratio to similar transactions</i>	<i>Amount</i>	<i>Ratio to similar transactions</i>
Interest income	1,440	0.14%	1,568	0.17%
Net gain on financial investments	1	0.00%	107	0.65%
Fee and commission income	1,777	1.80%	1,807	1.98%
Other operating income	94	0.30%	9	0.03%
Interest expense	(368)	0.09%	(373)	0.10%
Fee and commission expense	(321)	1.75%	(909)	5.47%
Operating expense	(242)	0.09%	(197)	0.09%

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Related party transactions (continued)

	<u>Year ended 31 December</u>	
	2021	2020
	%	%
Placements with and loans to banks and other financial institutions	1.21 - 3.65	0.04 - 4.10
Financial assets held under resale agreements	N/A	1.44 - 2.96
Financial investments	0.00 - 3.68	2.50 - 4.70
Deposits from banks and other financial institutions	0.00 - 5.12	0.00 - 4.13
Due to customers	0.30 - 1.85	0.30 - 3.15

(6) *The Group and its associates and joint venture*

The Group had the following balances and transactions with its associates and joint venture in its ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms.

	<u>As at 31 December 2021</u>		<u>As at 31 December 2020</u>	
	<i>Balance</i>	<i>Ratio to similar transactions</i>	<i>Balance</i>	<i>Ratio to similar transactions</i>
Liabilities				
Deposits from banks and other financial institutions	16	0.00%	-	-
Off-balance sheet items				
Non-principal guaranteed wealth management products issued by the Group	4	0.00%	-	-

	<u>Year ended 31 December</u>			
	<u>2021</u>		<u>2020</u>	
	<i>Amount</i>	<i>Ratio to similar transactions</i>	<i>Amount</i>	<i>Ratio to similar transactions</i>
Interest income	-	-	1	0.00%
Interest expense	0	0.00%	-	-

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Related party transactions (continued)

	<i>Year ended 31 December</i>	
	2021	2020
	%	%
Placements with and loans to banks and other financial institutions	N/A	2.00 - 2.44
Deposits from banks and other financial institutions	0.00 - 0.72	N/A

(7) *Key management personnel*

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group. Key management personnel of the Group, their close relatives, and entities that are controlled, jointly controlled, or significantly influenced by either the key management personnel of the Group or their close relatives, are considered as related parties of the Group. The Group enters into banking transactions with above related parties in the normal course of business. As at 31 December 2021, the balance of loans and advances to the above related parties is RMB10.40 million (31 December 2020: RMB6.85 million).

The remuneration of Directors and other members of key management during the years was as follows:

	<i>Year ended 31 December</i>	
	2021	2020
	Salaries, bonuses and staff welfare	11.94

According to the regulations of the relevant authorities in the PRC, the key management personnel's final emoluments for the year ended 31 December 2021 have not been finalized. Management of the Group believes that the difference between the final emoluments and that disclosed above will not have significant impact on the consolidated financial statements of the Group. The final compensation will be disclosed in a separate announcement when determined.

The compensation of key management personnel for the year ended 31 December 2020 was not decided at the time when the Group's 2020 consolidated financial statements were released and the amount of remuneration of Directors and other members of key management recognized in the consolidated income statement for the year of 2020 was RMB9.99 million. Supplementary announcement on final compensation of RMB15.91 million was released by the Bank on 30 August 2021. The comparative figures for the year of 2020 have been restated accordingly.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Related party transactions (continued)

(8) Related natural persons transactions

The Group issued loan and credit card business to related natural persons (as defined in the Administrative Measures on Information Disclosure by Listed Companies issued by the CSRC). As at 31 December 2021, the balance of such loan amounted to RMB11.97 million (31 December 2020: RMB12.87 million).

As at 31 December 2021, the Bank's balance of credit related transactions to the related natural persons, and entities that are controlled, jointly controlled, or significantly influenced by either the key management personnel of the Group or their close relatives as defined in the Administration of Connected Transactions between Commercial Banks and Their Insiders totaled RMB4,085 million (31 December 2020: RMB3,064 million), and did not have any non credit transaction balance (31 December 2020: nil).

(9) The Group and the Annuity Scheme

The Group had the following balances and transactions with the Annuity Scheme set up by the Bank apart from the obligation for defined contribution to the Annuity Scheme:

	<u>As at 31 December 2021</u>		<u>As at 31 December 2020</u>	
	<i>Balance</i>	<i>Ratio to similar transactions</i>	<i>Balance</i>	<i>Ratio to similar transactions</i>
Liabilities				
Deposits from Annuity Scheme	6,319	0.03%	4,326	0.02%
Equity				
Other equity instruments	<u>7,500</u>	<u>2.08%</u>	<u>7,750</u>	<u>2.42%</u>
	<u>Year ended 31 December</u>			
	<u>2021</u>		<u>2020</u>	
	<i>Amount</i>	<i>Ratio to similar transactions</i>	<i>Amount</i>	<i>Ratio to similar transactions</i>
Interest expense	<u>(240)</u>	<u>0.06%</u>	<u>(185)</u>	<u>0.05%</u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Related party transactions (continued)

Interest rate range for transactions with the Annuity Scheme during the year is as follows:

	<i>Year ended 31 December</i>	
	<i>2021</i>	<i>2020</i>
	%	%
Deposits from Annuity Scheme	0.00 - 5.00	0.00 - 5.00
Other equity instruments	4.84 - 5.32	4.84 - 5.32

(10) Proportion of transactions with major related parties

Related party transactions with subsidiaries have been offset in the process of preparing consolidated financial statements. When calculating the proportion of related party transactions, related party transactions do not include related party transactions with subsidiaries.

Transaction Balance

	<i>As at 31 December 2021</i>		<i>As at 31 December 2020</i>	
	<i>Related party transactions</i>	<i>Proportion</i>	<i>Related party transactions</i>	<i>Proportion</i>
Deposits from banks and other financial institutions	88,842	40.66%	89,726	20.67%
Placements with and loans to banks and other financial institutions	123,271	27.58%	100,125	18.31%
Derivative financial assets	4,003	18.21%	17,137	27.67%
Financial assets held under resale agreements	71,332	8.52%	61,315	7.51%
Loans and advances to customers	20,935	0.13%	67,998	0.47%
Financial investments	1,910,196	23.21%	1,870,528	23.91%
Deposits from banks and other financial institutions	79,160	4.88%	92,890	6.66%
Placements from banks and other financial institutions	68,168	23.42%	147,049	37.64%
Derivative financial liabilities	2,747	14.21%	11,259	17.25%
Financial assets sold under repurchase agreements	9,909	27.50%	48,444	44.36%
Due to customers	118,001	0.54%	73,906	0.36%
Other liabilities	1,290	0.26%	715	0.14%
Other equity instruments	10,750	2.99%	11,000	3.44%
Letters of guarantee issued and guarantees	1,800	0.59%	-	-
Non-principal guaranteed wealth management products issued by the Group	4	0.00%	3,000	0.15%

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Related party transactions (continued)

Transaction amount

	Year ended 31 December			
	2021		2020	
	<i>Related party transactions</i>	<i>Proportion</i>	<i>Related party transactions</i>	<i>Proportion</i>
Interest income	30,332	3.01%	33,379	3.59%
Interest expense	(3,132)	0.73%	(2,459)	0.64%
Net trading gain	149	1.05%	124	0.76%
Fee and commission income	1,133	1.15%	1,294	1.42%

41 Structured entities

(1) Consolidated structured entities

Principal guaranteed WMPs sponsored and managed by the Group

Principal guaranteed WMPs sponsored and managed by the Group represent products to which the Group has guaranteed the investor's principal investment, regardless of their actual performance. Investments made by these products and the corresponding liabilities are measured at fair value through profit or loss, respectively. As at 31 December 2021, the principal-guaranteed WMPs has fully settled at maturity.

Other consolidated structured entities

Other structured entities consolidated by the Group include certain asset management plans, funds and securitization products issued, managed and/or invested by the Group. The Group controls these entities because the Group has power over, is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41 Structured entities (continued)

(2) *Unconsolidated structured entities*

Unconsolidated structured entities sponsored and managed by the Group

Unconsolidated structured entities sponsored and managed by the Group mainly include non-principal guaranteed WMPs, which are not subject to any guarantee by the Group of the principal invested or interest to be paid. The WMPs invest in a range of assets, most typically money market instruments, debt securities and non-standardized debt assets. As the manager of these WMPs, the Group, on behalf of the investors in these WMPs, invests the funds raised from investors to the assets as described in the investment plan related to each WMP and distributes profit to investors based on product performance.

As at 31 December 2021, the total assets invested by these WMPs amounted to RMB2,210,935 million (31 December 2020: RMB2,170,621 million) and the corresponding outstanding WMPs issued by the Group amounted to RMB2,072,533 million (31 December 2020: RMB1,949,722 million). During the year ended 31 December 2021, the Group's interest in these WMPs included net fee and commission income of RMB6,129 million (2020: RMB6,243 million) and net interest income of RMB426 million (2020: RMB632 million), which related to placements and repo transactions entered into by the Group with these WMP Vehicles.

The Group enters into placements and repo transactions at market interest rates with these WMPs. The average balance and the weighted average maturity during 2021 were RMB14,238 million and 6.42 days (2020: RMB23,423 million and 6.25 days), respectively. And there was no outstanding balance for the above-mentioned transactions at 31 December 2021 (31 December 2020: RMB143,545 million). The Group was under no obligation to enter into these transactions. The outstanding balance of these transactions was presented in placements with and loans to banks and other financial institutions and financial assets held under resale agreements, which represented the Group's maximum exposure to the WMPs.

There were no contractual liquidity arrangements, guarantees or other commitments between the Group and any third parties that could increase the level of the Group's risk from WMPs disclosed above during the period ended 31 December 2021 and 31 December 2020. The Group was not required to absorb any losses incurred by WMPs.

In addition, other unconsolidated structured entities sponsored and managed by the Group included funds, asset management plans and asset-backed securities. As at 31 December 2021, the total assets of these products amounted to RMB463,451 million (31 December 2020: RMB448,388 million). During the year ended 31 December 2021, the Group's interest in these products mainly included net fee and commission income of RMB1,530 million (2020: RMB877 million).

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41 Structured entities (continued)

Other unconsolidated structured entities held by the Group

The Group invests in other unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. These unconsolidated structured entities primarily include asset management plans, wealth management, funds, trust plans, asset-backed securities and debt investment plans. etc. As at 31 December 2021, the related carrying amount of investments and the maximum exposure by the Group to these other unconsolidated structured entities was RMB80,229 million (31 December 2020: RMB92,193 million), included under the financial assets at fair value through profit or loss, debt instrument investments at amortized cost and other debt instrument investments at fair value through other comprehensive income categories in the consolidated statement of financial position. The information on the size of total assets of these unconsolidated structured entities was not readily available in the public domain.

42 Contingent liabilities and commitments

Legal proceedings and others

The Bank and its subsidiaries are involved as demandants/defendants in certain lawsuits arising from their normal business operations. As at 31 December 2021, provisions of RMB5,333 million were made by the Group (31 December 2020: RMB5,560 million) based on court judgments or advice of legal counsel, and included in Note IV 31 Other Liabilities. Management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

On 28 September 2016, the Bank and its New York Branch entered into a Cease and Desist Order with the Board of Governors of the Federal Reserve System of the United States. On 4 November 2016, the Bank and its New York Branch entered into a Consent Order with New York State Department of Financial Services (the "Department") and paid a civil monetary penalty to the Department accordingly. As at 31 December 2016, the above-mentioned civil monetary penalty was paid and reflected in the consolidated financial statements for the year ended 31 December 2016.

As at 31 December 2021, the Bank and its New York Branch have basically completed the main part of the rectification, and it is expected that this event is unlikely to lead to the outflow of economic benefits.

Capital commitments

	<i>As at 31 December</i>	
	<i>2021</i>	<i>2020</i>
Contracted but not provided for	1,961	2,507

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42 Contingent liabilities and commitments (continued)

Loan commitments and financial guarantee contracts

	<i>As at 31 December</i>	
	<u>2021</u>	<u>2020</u>
Loan commitments		
- With an original maturity of less than 1 year	21,567	207,288
- With an original maturity of 1 year or above	438,333	1,409,990
Subtotal	459,900	1,617,278
Bank acceptances	414,934	429,841
Credit card commitments	743,594	695,183
Guarantee and letters of guarantee	304,238	264,646
Letters of credit	165,639	162,356
Total	<u>2,088,305</u>	<u>3,169,304</u>

Loan commitments and financial guarantee contracts represent credit cards and general credit facility limits granted to customers. These general credit facilities may be drawn in the form of loans or through the issuance of letters of credit, guarantee and letters of guarantee or bank acceptances.

Credit risk weighted amount for credit commitments

Credit risk weighted amount for credit commitments represents the counterparty credit risk associated with credit commitments and is calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBIRC which was effective 1 January 2013 and is dependent on, among other factors, creditworthiness of counterparties and maturity characteristics of each type of contract. As at 31 December 2021 and 31 December 2020, credit risk weighted amount for credit commitments was measured under the Internal Ratings-Based approach.

	<i>As at 31 December</i>	
	<u>2021</u>	<u>2020</u>
Credit risk weighted amount for credit commitments	<u>1,178,909</u>	<u>1,240,078</u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42 Contingent liabilities and commitments (continued)

Collateral

Assets pledged

At the end of each reporting period, the carrying amounts of assets pledged as collateral under repurchase agreements are as follows:

	<i>As at 31 December</i>	
	<i>2021</i>	<i>2020</i>
Debt securities	33,407	114,573
Bills	4,749	1,327
Total	38,156	115,900

As at 31 December 2021, the financial assets sold under repurchase agreements by the Group (disclosed in Note IV 28) amounted to RMB36,033 million (31 December 2020: RMB109,195 million). Repurchase agreements are primarily due within 1 years from the effective dates of these agreements.

Financial assets sold under repurchase agreements included certain transactions under which, title of the pledged securities has been transferred to counterparties. These transactions have been disclosed in Note IV 43 Transferred Financial Assets.

In addition, debt securities and deposits with banks and other financial institutions pledged in accordance with regulatory requirements or as collateral for derivative transactions and borrowings from central banks etc. by the Group as at 31 December 2021 amounted to RMB1,095,330 million in total (31 December 2020: RMB1,026,931 million).

Collateral accepted

The Group received debt securities and bills as collateral in connection with the securities lending transactions and the purchase of assets under resale agreements (Note IV 16 Financial Assets Held Under Resale Agreements). The Group did not hold any collateral that can be resold or re-pledged as at 31 December 2021 and 31 December 2020.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42 Contingent liabilities and commitments (continued)

Redemption commitment for treasury bonds

The Group is entrusted by the MOF to underwrite certain treasury bonds. The investors of these treasury bonds have a right to redeem the bonds at par at any time prior to maturity and the Group is committed to honor such redemption requests. The redemption price is calculated as the par value of the bond plus payable interest in accordance with the terms of the related early redemption arrangement.

As at 31 December 2021, the nominal value of treasury bonds the Group was obligated to redeem prior to maturity was RMB63,405 million (31 December 2020: RMB67,622 million). The original maturities of these bonds vary from 3 to 5 years. Management of the Group expects the amount of redemption before the maturity dates of these bonds will not be material.

Commitment on security underwriting

As at 31 December 2021, the unexpired securities underwriting obligations of the Group amounted to RMB140 million (31 December 2020: None).

43 Transferred financial assets

The Group enters into transactions in the normal course of business whereby it transfers recognized financial assets to third parties or to structured entities. In some cases these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group retains substantially all the risks and rewards of these assets, the Group continued to recognize the transferred assets.

Securitization transactions

The Group enters into securitization transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed, among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished its control over these assets based on the criteria as detailed in Note II 8.7 and Note III 6.

As at 31 December 2021, the total amount of unexpired asset-backed securities included accumulative loans transferred by the Group before impairment allowance was RMB102,388 million (31 December 2020: RMB69,291 million). RMB6,706 million of this balance (31 December 2020: RMB14,130 million) was in respect of non-performing loans and the Group concluded that these loans transferred were qualified for full derecognition. The remaining balance of RMB95,682 million (31 December 2020: RMB55,161 million) was in respect of performing loans and the Group concluded that it had continuing involvement in these assets. As at 31 December 2021, the Group continued to recognize assets of RMB9,691 million (31 December 2020: RMB6,564 million) under loans and advances to customers. The Group also recognized other assets and other liabilities of the same amount arising from such continuing involvement.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43 Transferred financial assets (continued)

Transfer of non-performing loans

During the year ended 31 December 2021, the Group transferred non-performing loans through disposal to third parties or issuing asset-back securities, with gross loan balance of RMB16,542 million (2020: RMB27,837 million). The Group carried out an assessment based on the criteria as detailed in Note II 8.7 and Note III 6 and concluded that these transferred assets qualified for full derecognition.

Financial assets sold under repurchase agreements

The Group did not derecognize financial assets transferred as collateral in connection with repurchase agreements. As at 31 December 2021, book value of these collateral pledged disclosed in Note IV 42 Contingent Liabilities and Commitments - Collateral, RMB707 million (31 December 2020: RMB4,050 million) represented debt securities whereby legal title has been transferred to counterparties.

Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or repledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. As at 31 December 2021, there was no debt securities lent to counterparties (31 December 2020: RMB17,150 million).

44 Financial risk management

Overview

The Group's primary risk management objective is to maintain risk within acceptable parameters to meet the requirements of regulators, depositors and other stakeholders, as well as to maximize return for investors within an acceptable level of risk.

The Group has designed risk management policies, which address, among other things, the establishment of risk limits and controls to identify, analyze, monitor and report risks. Relevant and timely information used to conduct these risk management activities is provided through information systems maintained by the Group and is intended to address the Group's information needs in this area. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practices.

The most significant types of risk to which the Group is exposed are credit risk, market risk and liquidity risk. Market risk includes foreign exchange rate risk, interest rate risk and other price risk.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

Risk management framework

The Board of Directors is responsible for establishing the overall risk appetite of the Group and reviewing and approving its risk management objectives and strategies.

Within this framework, the Group's senior management has overall responsibility for managing all aspects of risk, including implementing risk management strategies, initiatives and credit policies and approving internal rules, measures and procedures related to risk management. The Risk Management Department of the Group implements procedures for managing the significant risks to which the Group is exposed.

44.1 Credit risk

Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations when due. Credit risk can also arise from operational failures that result in an unauthorized or inappropriate advance, commitment or investment. The Group's major credit risks arise from loans and advances, treasury operations and off-balance sheet related credit risk exposures.

The Group's credit risk management and governance structure comprise the Board of Directors and its Risk Management Committee, Senior Management and its Risk Management Committee, Credit Approval Committee and Asset Disposal Committee, as well as the Risk Management Department, Credit Management Department, Credit Approval Department and related front-office customer departments. The Group's credit risk management function operates under a centralized management and authorization under a range of specified limits.

The Group performs standardized credit management procedures, including credit due diligence and proposal submission, credit underwriting review, loan disbursement, post-lending monitoring and non-performing loan management. The Group enhances its credit risk management by strictly complying with its credit management procedures; strengthening customer investigation, credit rating, lending approval and post-lending monitoring measures; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrading its credit management system.

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity and where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

During the reporting period, the Group continued to improve the comprehensive risk management system to ensure effective risk management. The Group strengthened credit risk management in key areas and asset quality control. The Group accelerated the disposal of non-performing loans to ensure the stability of assets quality.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

Apart from the credit risk exposures on credit-related assets, the credit risk arising from treasury operation business is managed by selecting counterparties with acceptable credit quality, balancing credit risk and return, referencing to both internal and external credit rating information where available and applying appropriate limits subject to different level of management authority, and timely reviewing and adjusting those limits in credit system. In addition, the Group also provide loan commitments and financial guarantee services to customers which may require the Group to make payments on behalf of customers upon their failure to perform under the terms of the related contract. Risks arising from loan commitments and financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management policies and procedures.

Measurement of ECL

The Group applies the ECL model to calculate loss allowances for its debt financial instruments measured at amortized cost and FVOCI, as well as loan commitments and financial guarantee contracts.

Methods applied by the Group in assessing the expected credit losses of its financial assets include risk parameters model and the discounted cash flow (“DCF”) model. Retail credit assets and Stage I and Stage II wholesale credit assets are assessed using risk parameters, while Stage III wholesale credit assets are subject to the discounted cash flow method.

The Group assesses ECL in light of forward-looking information and uses models and assumptions in calculating the expected credit losses. These models and assumptions relate to the future macroeconomic conditions and the borrowers’ creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). In assessing the expected credit risks in accordance with accounting standards, the Group uses the judgments, assumptions and estimates where appropriate, including:

- Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECL
- Parameters for measuring ECL
- Criteria for significant increase in credit risk and default definition
- Definition of credit-impaired financial asset
- Forward-looking information
- Estimation of future cash flows for Stage III wholesale credit assets

Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECL

For measurement of ECL, segmentation of portfolio is based on similar credit risk characteristics. The Group classified clients into wholesale clients and retail clients based on the nature of debtors. In performing the portfolio segmentation of wholesale credit assets, the Group considers the type of borrower, industry, loan usage, and security type. When performing the portfolio segmentation for retail credit assets, the Group considers loan product type and security type to ensure the reliability of its credit risk segmentation.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

Parameters for measuring ECL

According to whether there is a significant increase in credit risk and whether a financial asset has become credit-impaired, the Group recognizes an impairment allowance based on the expected credit loss for the next 12 months or the entire lifetime of the financial asset. The relevant parameters of ECL measurement include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group establishes its PD models, LGD models and EAD models based on the internal rating based system as currently used for its risk management purpose, in accordance with the requirements of IFRS 9, in light of quantitative analysis of historical statistics (such as counterparty ratings, guarantee methods and collateral types, repayment methods, etc.) and forward-looking information.

The parameters are defined as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (“12m PD”), or over the remaining lifetime (“Lifetime PD”) of the obligation;
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (“12m EAD”) or over the remaining lifetime (“Lifetime EAD”).
- LGD represents the Group’s expectation of the extent of loss on defaulted exposure. It varies depending on the type of counterparty, method of recourse and priority, and the availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

Criteria for significant increase in credit risk (“SICR”) and default definition

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. For the purpose of staging assessment of its financial assets, the Group thoroughly considers various reasonable and supportable information that may reflect whether or not there has been a significant change in their credit risk, including forward-looking information. Key factors considered include regulatory and operating environments, internal and external credit ratings, solvency, viability as a going concern, terms of loan contracts, repayment behaviors, among others. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments. The definition of default refers to the failure to pay the debt as agreed in the contract, or other violations of the debt contract and have a significant impact on the normal debt repayment.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

The Group sets quantitative and qualitative criteria to determine whether or not the credit risk of a financial instrument has increased significantly since its initial recognition. The criteria include changes in the borrower's PD, changes in its credit risk classification and other factors. In particular, when the credit risk classification changes from Normal upon initial recognition to Special Mention, there has been SICR. When the borrower's PD rises to a certain level, there has been a significant increase in credit risk. Criteria to determine significant increase in credit risk varied based on the original PD upon initial recognition. If the borrower's original PD is relatively low (for example, lower than 3%), there has been a significant increase in credit risk when the credit grade falls at least 6 notches. If the criteria to determine significant increase in credit risk moves up or down by one notch, the impact on the allowance of expected credit loss on 31 December 2021 is less than 5%. According to IFRS 9, a backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. The Group recognizes a financial instrument as having low credit risk if its internal rating is consistent with the globally accepted definition for low credit risk (e.g. external "investment grade" ratings).

Definition of credit-impaired financial asset

The criteria adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives for relevant financial instruments, in addition to consideration of quantitative and qualitative indicators. In assessing whether a borrower has become credit-impaired, the Group mainly considers the following factors:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event in relation to interest or principal payment;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;
- The borrower is overdue for more than 90 days in any principal, advances, interest or investment in bonds due to the Group.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single discrete event.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

Forward-looking information

The assessment of whether or not there has been a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the macroeconomic indicators that affect the credit risk and ECL of various portfolio. Macroeconomic indicators include Gross Domestic Product (GDP), Consumer Price Index (CPI) and Industrial Added Value, etc.

The impact of these economic indicators on the PDs and the LGDs varies from one portfolio to another. The Group comprehensively considers internal and external data, expert forecasts and statistical analysis to determine the correlation between these economic indicators and the PDs and LGDs. The Group assesses and forecasts these economic indicators at least on an annual basis, calculates the best estimates for the future, and regularly reviews and assesses results.

As at 31 December 2021, the Group has assessed and forecasted the relevant macroeconomic indicators for 2022, of which the forecast value of 2022 GDP growth rate under each scenario is as follows: 5.30% under base scenario, 6.36% under upside scenario, and 2.68% under downside scenario.

Based on statistical analysis and expert judgements, the Group determines the weightings of multiple scenarios and the corresponding macroeconomic forecast under each scenario. The weighting of base scenario is greater than the aggregated weightings of the rest scenarios. At 31 December 2021, the weightings of the Group's base, upside and downside scenarios have not changed from 31 December 2020. The Group uses the weighted 12-month ECL (Stage I) or weighted lifetime ECL (Stage II and Stage III) to measure relevant impairment allowances. These weighted credit losses are calculated by multiplying the expected credit loss under each scenario by the assigned scenario weighting.

A sensitivity analysis is performed on indicators used in forward-looking measurement. When the assigned weightings of upside scenario and downside scenario change by 10% and the forecast of economic indicators change accordingly, the impact on the allowance of expected credit loss is less than 5%.

Estimation of future cash flows for Stage III wholesale credit assets

The Group measures the ECL for stage III wholesale credit assets using DCF method. Under DCF method, the loss allowance is calculated based on the estimation of future cash flows. At each measurement date, the Group projects the future cash inflows of relevant assets under different scenarios to estimate the probability weighted cash flow of each future period. The cash flows are discounted and aggregated to get the present value of the assets' future cash flows.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements

The maximum exposure to credit risk represents the worst case of credit risk exposure at the end of each reporting period, without considering any available collateral held or other credit enhancements. The credit risk exposure to the Group primarily arises from credit, treasury and operations. In addition, off-balance sheet items such as loan commitments, credit card commitments, bank acceptances, guarantee and letters of guarantee and letters of credit also include credit risks.

A summary of the maximum exposure to credit risk is as follows:

	Notes	<i>As at 31 December</i>	
		<i>2021</i>	<i>2020</i>
Balances with central banks		2,246,796	2,360,994
Deposits with banks and other financial institutions		218,500	434,185
Placements with and loans to banks and other financial institutions		446,944	546,948
Derivative financial assets		21,978	61,937
Financial assets held under resale agreements		837,637	816,206
Loans and advances to customers	(i)	16,454,503	14,552,433
Financial investments			
Financial assets at fair value through profit or loss		328,769	469,308
Debt instrument investments at amortized cost	(ii)	6,372,522	5,684,220
Other debt instrument investments at fair value through other comprehensive income	(iii)	1,392,691	1,551,439
Other financial assets		77,881	101,562
Subtotal		<u>28,398,221</u>	<u>26,579,232</u>
Loan commitments and financial guarantee contracts	(iv)	<u>2,068,034</u>	<u>3,133,548</u>
Total		<u><u>30,466,255</u></u>	<u><u>29,712,780</u></u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

- (i) Maximum exposure to credit risk for loans and advances disclosed in credit risk levels

The Group classified the credit risk levels of financial assets measured by ECL into “Low” (credit risk in good condition), “Medium” (increased credit risk), and “High” (credit risk in severe condition), based on the quality of assets. The credit risk level is used for the purpose of the group’s internal credit risk management. “Low” refers to assets with good credit quality. There is no sufficient reason to doubt that the assets are not expected to fulfill its contractual obligation to repay or if there is any other behaviors breaching the debt contracts that would significantly impact the repayment of debt according to contract terms. “Medium” refers to assets facing obvious negative factors impacting its repayment capacity, but not yet have non-repayment behaviors. “High” refers to non-repayment according to the debt contract terms, or other behaviors breaching the debt contracts or having significant impact on the repayment of debt according to contract terms.

Corporate loans and advances

	<i>As at 31 December 2021</i>		
	<i>Stage I 12m ECL</i>	<i>Stage II & Stage III Lifetime ECL</i>	<i>Total</i>
Credit risk grade			
Low	9,588,174	16,422	9,604,596
Medium	-	203,289	203,289
High	-	209,519	209,519
Gross carrying amount	9,588,174	429,230	10,017,404
Allowance for impairment loss	(336,129)	(191,135)	(527,264)
Net amount	9,252,045	238,095	9,490,140

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

Personal Loans and advances

	<i>As at 31 December 2021</i>		
	<i>Stage I 12m ECL</i>	<i>Stage II & Stage III Lifetime ECL</i>	<i>Total</i>
Credit risk grade			
Low	7,071,624	-	7,071,624
Medium	-	49,781	49,781
High	-	36,264	36,264
	7,071,624	86,045	7,157,669
Gross carrying amount			
Allowance for impairment loss	(163,988)	(29,318)	(193,306)
	6,907,636	56,727	6,964,363
Net amount			

Corporate loans and advances

	<i>As at 31 December 2020</i>		
	<i>Stage I 12m ECL</i>	<i>Stage II & Stage III Lifetime ECL</i>	<i>Total</i>
Credit risk grade			
Low	8,439,076	21,073	8,460,149
Medium	-	258,288	258,288
High	-	198,795	198,795
	8,439,076	478,156	8,917,232
Gross carrying amount			
Allowance for impairment loss	(269,354)	(189,331)	(458,685)
	8,169,722	288,825	8,458,547
Net amount			

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

Personal Loans and advances

	<i>As at 31 December 2020</i>		
	<i>Stage I 12m ECL</i>	<i>Stage II & Stage III Lifetime ECL</i>	<i>Total</i>
Credit risk grade			
Low	6,134,472	-	6,134,472
Medium	-	46,047	46,047
High	-	38,318	38,318
Gross carrying amount	6,134,472	84,365	6,218,837
Allowance for impairment loss	(128,414)	(30,910)	(159,324)
Net amount	6,006,058	53,455	6,059,513

The above information on the maximum exposure to credit risk of loans and advances to customers does not include loans and advances to customers measured at fair value through profit or loss.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

- (ii) Maximum exposure to credit risk for debt instrument investments at amortized cost disclosed in credit risk levels

	<i>As at 31 December 2021</i>		
	<i>Stage I 12m ECL</i>	<i>Stage II & Stage III Lifetime ECL</i>	<i>Total</i>
Credit risk grade			
Low	6,389,720	-	6,389,720
Medium	-	548	548
High	-	1,281	1,281
Gross carrying amount	6,389,720	1,829	6,391,549
Allowance for impairment loss	(17,764)	(1,263)	(19,027)
Net amount	<u>6,371,956</u>	<u>566</u>	<u>6,372,522</u>
	<i>As at 31 December 2020</i>		
	<i>Stage I 12m ECL</i>	<i>Stage II & Stage III Lifetime ECL</i>	<i>Total</i>
Credit risk grade			
Low	5,697,187	-	5,697,187
Medium	-	2,064	2,064
High	-	1,073	1,073
Gross carrying amount	5,697,187	3,137	5,700,324
Allowance for impairment loss	(14,850)	(1,254)	(16,104)
Net amount	<u>5,682,337</u>	<u>1,883</u>	<u>5,684,220</u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

- (iii) Maximum exposure to credit risk for other debt instrument investments at fair value through other comprehensive income disclosed in credit risk levels

	<i>As at 31 December 2021</i>		
	<i>Stage I 12m ECL</i>	<i>Stage II & Stage III Lifetime ECL</i>	<i>Total</i>
Credit risk grade			
Low	1,390,789	399	1,391,188
Medium	-	1,471	1,471
High	-	32	32
	<u>1,390,789</u>	<u>1,902</u>	<u>1,392,691</u>

	<i>As at 31 December 2020</i>		
	<i>Stage I 12m ECL</i>	<i>Stage II & Stage III Lifetime ECL</i>	<i>Total</i>
Credit risk grade			
Low	1,545,343	-	1,545,343
Medium	-	6,030	6,030
High	-	66	66
	<u>1,545,343</u>	<u>6,096</u>	<u>1,551,439</u>

- (iv) Maximum exposure to credit risk for loan commitments and financial guarantee contracts is balance after estimated contingent liabilities. Majority of loan commitments and financial guarantee contracts is in Stage I with credit risk grade as “Low”.
- (v) As at 31 December 2021 and 31 December 2020, in its deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, and financial assets held under resale agreements, the Group had insignificant balances with “Medium” or “High” credit risk grade and classified as Stage II or Stage III assets, and no default had occurred.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

- (vi) The Group has implemented specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level. The most typical practice is obtaining guarantee deposits, collateral and guarantees. The amount and type of acceptable collateral are determined through the assessment of credit risk of borrowers or counterparties. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters.

The main types of collateral obtained are as follows:

- Mortgage loans to retail customers are generally collateralized by mortgages over residential properties;
- Other personal lending and corporate loans and advances are primarily collateralized by charges over land and properties or other assets of the borrowers; and
- Financial assets held under resale agreements transactions are primarily collateralized by debt securities and bills.

The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

Loans and advances to customers (i)

The following tables set out the concentration of risk for loans and advances to customers by geographical area and industry.

- (1) The composition of loans and advances to customers by geographical area is analyzed as follows:

	<i>As at 31 December</i>			
	<i>2021</i>		<i>2020</i>	
	<i>Amount</i>	<i>% of total</i>	<i>Amount</i>	<i>% of total</i>
Corporate loans and advances				
Head Office	313,248	3.1	350,679	3.9
Yangtze River Delta	2,383,014	23.8	1,996,025	22.4
Pearl River Delta	1,325,589	13.2	1,139,535	12.8
Bohai Rim	1,427,512	14.3	1,302,504	14.6
Central China	1,477,841	14.8	1,302,925	14.6
Western China	2,297,775	23.0	2,088,255	23.4
Northeastern China	367,382	3.7	344,039	3.9
Overseas and Others	406,823	4.1	393,322	4.4
Subtotal	9,999,184	100.0	8,917,284	100.0
Personal loans and advances				
Head Office	47	-	50	-
Yangtze River Delta	1,705,450	23.9	1,484,067	23.9
Pearl River Delta	1,514,233	21.2	1,331,142	21.4
Bohai Rim	1,033,741	14.5	912,175	14.7
Central China	1,187,096	16.6	997,845	16.0
Western China	1,451,317	20.3	1,265,565	20.4
Northeastern China	225,328	3.2	207,899	3.3
Overseas and Others	19,356	0.3	20,094	0.3
Subtotal	7,136,568	100.0	6,218,837	100.0
Gross loans and advances to customers	17,135,752		15,136,121	

- (i) The below information does not include accrued interests of loans and advances to customers.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

(2) The composition of loans and advances to customers by industry is analyzed as follows:

	<i>As at 31 December</i>			
	<i>2021</i>		<i>2020</i>	
	<i>Amount</i>	<i>% of total</i>	<i>Amount</i>	<i>% of total</i>
Corporate loans and advances				
Transportation, logistics and postal services	2,145,617	21.5	1,915,191	21.5
Manufacturing	1,694,879	17.0	1,450,816	16.3
Leasing and commercial services	1,507,059	15.1	1,261,700	14.1
Production and supply of power, heat, gas and water	1,054,517	10.5	976,377	11.0
Real estate	876,407	8.8	798,017	8.9
Water, environment and public utilities management	719,530	7.2	621,772	7.0
Retail and wholesale	574,187	5.7	469,831	5.3
Finance	446,486	4.5	556,342	6.2
Construction	303,347	3.0	222,858	2.5
Mining	203,937	2.0	206,502	2.3
Others	473,218	4.7	437,878	4.9
Subtotal	<u>9,999,184</u>	<u>100.0</u>	<u>8,917,284</u>	<u>100.0</u>
Personal loans and advances				
Residential mortgage	5,242,297	73.4	4,662,632	75.0
Personal business	469,498	6.6	380,305	6.1
Personal consumption	193,706	2.7	196,859	3.2
Credit cards	626,783	8.8	542,563	8.7
Others	604,284	8.5	436,478	7.0
Subtotal	<u>7,136,568</u>	<u>100.0</u>	<u>6,218,837</u>	<u>100.0</u>
Gross loans and advances to customers	<u><u>17,135,752</u></u>		<u><u>15,136,121</u></u>	

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

- (3) The composition of loans and advances to customers by contractual maturity and security type is analyzed as follows:

	31 December 2021			Total
	<i>Less than 1 year</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	
Unsecured loans	2,307,472	860,788	1,824,122	4,992,382
Guaranteed loans	667,336	466,119	777,262	1,910,717
Loans secured by collateral	1,279,772	587,215	6,096,590	7,963,577
Pledged loans	386,734	118,536	1,763,806	2,269,076
Total	4,641,314	2,032,658	10,461,780	17,135,752

	31 December 2020			Total
	<i>Less than 1 year</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	
Unsecured loans	1,537,763	958,928	1,679,137	4,175,828
Guaranteed loans	619,901	428,989	640,554	1,689,444
Loans secured by collateral	1,062,045	521,244	5,395,327	6,978,616
Pledged loans	623,848	101,553	1,566,832	2,292,233
Total	3,843,557	2,010,714	9,281,850	15,136,121

- (4) Past due loans (ii)

	31 December 2021					Total
	<i>Up to 30 days</i>	<i>31 - 90 days</i>	<i>91 - 360 days</i>	<i>361 days to 3 years</i>	<i>Over 3 years</i>	
Unsecured loans	7,313	4,388	10,949	4,431	4,318	31,399
Guaranteed loans	5,017	2,953	7,569	9,031	1,876	26,446
Loans secured by collateral	30,388	21,419	29,563	22,740	7,734	111,844
Pledged loans	1,922	959	4,766	4,684	2,901	15,232
Total	44,640	29,719	52,847	40,886	16,829	184,921

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

	<i>31 December 2020</i>					
	<i>Up to 30 days</i>	<i>31 - 90 days</i>	<i>91 - 360 days</i>	<i>361 days to 3 years</i>	<i>Over 3 years</i>	<i>Total</i>
Unsecured loans	5,678	4,645	12,114	2,675	3,526	28,638
Guaranteed loans	10,136	2,890	11,336	9,287	2,020	35,669
Loans secured by collateral	32,138	20,145	33,540	26,513	6,636	118,972
Pledged loans	2,042	554	3,803	5,274	481	12,154
Total	<u>49,994</u>	<u>28,234</u>	<u>60,793</u>	<u>43,749</u>	<u>12,663</u>	<u>195,433</u>

(ii) When either loan principal or interest is past due by one day in any period, the whole loan is classified as overdue loan.

(5) Credit quality of loans and advances to customers

Within the credit-impaired loans and advances, the portions covered and not covered by collaterals held are as follows:

	<i>Year ended 31 December</i>	
	<i>2021</i>	<i>2020</i>
Portion covered	141,243	141,492
Portion not covered	104,539	95,621
Total	<u>245,782</u>	<u>237,113</u>

(6) Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The gross carrying amount of the financial asset is recalculated and the related gain or loss is recognized in profit and loss. The gross carrying amount of the financial asset is determined based on the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate.

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after modified, so that the assets are moved from Stage 3 or Stage 2 to Stage 1, and the impairment allowance is measured at an amount equal to the 12-month ECL instead of the lifetime ECL.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

Rescheduled loan is a loan which the contractual terms were renegotiated between the Group and borrowers because of deterioration in borrowers' financial position, or the inability to meet borrowers' original repayment schedule. Rescheduled loans and advances of the Group as at 31 December 2021 amounted to RMB18,307 million (31 December 2020: RMB14,546 million).

During the period ended 31 December 2021, as a result of bankruptcy reorganization and equity for debt, the Group recognized ordinary shares upon renegotiation of RMB1,984 million (31 December 2020: RMB1,649 million). The loss associated with these bankruptcy reorganization and equity for debt was not significant.

Debt instruments

Credit quality of debt instruments

- (1) Analysis of the expected credit loss stages of debt instrument investments at amortized cost and other debt instruments at fair value through other comprehensive income were disclosed in Notes IV18.2 and 18.3, respectively.
- (2) Debt instruments analyzed by credit rating

The Group adopts a credit rating approach to manage the credit risk of the debt securities portfolio held. The Group classified the credit risk levels of financial assets measured by ECL into "Low" (credit risk in good condition), "Medium" (increased credit risk), and "High" (credit risk in severe condition), based on the quality of assets. The credit risk level is used for the purpose of the Group's internal credit risk management. "Low" refers to assets with good credit quality. There is no sufficient reason to doubt that the assets are not expected to fulfill its contractual obligation to repay or if there is any other behaviors breaching the debt contracts that would significantly impact the repayment of debt according to contract terms. "Medium" refers to assets facing obvious negative factors impacting its repayment capacity, but not yet have non-repayment behaviors. "High" refers to non-repayment according to the debt contract terms, or other behaviors breaching the debt contracts and having significant impact on the repayment of debt according to contract terms.

The carrying amounts of debt instruments investments at amortized cost and other debt instrument investments at fair value through other comprehensive income analyzed by their credit rating as at the end of the reporting period are as follows (i):

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

Credit grade	Notes	As at 31 December 2021			Total
		Low	Medium	High	
Debt securities issued by					
- Governments		4,807,834	-	-	4,807,834
- Public sector and quasi-governments		1,787,588	-	-	1,787,588
- Financial institutions		511,253	1,218	-	512,471
- Corporates	(ii)	209,339	253	32	209,624
Special government bond		94,122	-	-	94,122
Receivable from the MOF		324,619	-	-	324,619
Others		28,389	548	18	28,955
Total		7,763,144	2,019	50	7,765,213

Credit grade	Notes	As at 31 December 2020			Total
		Low	Medium	High	
Debt securities issued by					
- Governments		4,288,607	-	-	4,288,607
- Public sector and quasi-governments		1,590,893	-	-	1,590,893
- Financial institutions		658,182	2,580	-	660,762
- Corporates	(ii)	247,717	4,796	66	252,579
Special government bond		94,125	-	-	94,125
Receivable from the MOF		316,656	-	-	316,656
Others		31,500	528	9	32,037
Total		7,227,680	7,904	75	7,235,659

- (i) The ratings as at 31 December 2021 and 31 December 2020 were internal ratings obtained from the Group, financial assets at fair value through profit or loss was not included in the credit grade table as at 31 December 2021 and 31 December 2020.
- (ii) As at 31 December 2021, the ratings of super short-term commercial papers of the Group amounted to RMB3,634 million (31 December 2020: RMB341million) included in corporate bonds above are based on issuer rating for this credit risk analysis.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

44.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset.

The Group's Assets and Liabilities Management Department manages its liquidity risk through:

- Optimizing asset and liability structure;
- Maintaining stability of deposit base;
- Making projections of future cash flows, and evaluating the appropriate liquid asset position;
- Maintaining an efficient internal funds transfer mechanism within the Group; and
- Performing stress testing on a regular basis.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities

The tables below summarize the maturity analysis of financial assets and financial liabilities by remaining contractual maturities based on the carrying amount at the end of each reporting period:

	31 December 2021								Total
	<i>Past due</i>	<i>On demand</i>	<i>Less than 1 month</i>	<i>1-3 months</i>	<i>3-12 months</i>	<i>1-5 years</i>	<i>Over 5 years</i>	<i>Undated</i>	
Cash and balances with central banks	-	175,620	-	944	-	-	-	2,144,842	2,321,406
Deposits with banks and other financial institutions	-	78,385	29,425	41,606	57,200	11,884	-	-	218,500
Placements with and loans to banks and other financial institutions	-	-	181,508	115,957	132,768	14,975	1,736	-	446,944
Derivative financial assets	-	-	4,284	4,770	9,233	3,688	3	-	21,978
Financial assets held under resale agreements	3,872	-	810,227	20,738	2,800	-	-	-	837,637
Loans and advances to customers	16,555	-	661,910	817,875	3,243,507	3,371,483	8,343,173	-	16,454,503
Financial assets at fair value through profit or loss	-	4,721	19,554	11,609	81,376	38,219	175,922	128,840	460,241
Debt instrument investments at amortized cost	394	-	57,670	111,377	593,026	2,740,193	2,869,862	-	6,372,522
Other debt instrument and other equity investments at fair value through other comprehensive income	32	-	36,490	72,014	294,752	611,990	377,413	4,589	1,397,280
Other financial assets	1,836	67,612	309	3,442	959	54	98	3,571	77,881
Total financial assets	22,689	326,338	1,801,377	1,200,332	4,415,621	6,792,486	11,768,207	2,281,842	28,608,892

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

	31 December 2021								
	<i>Past due</i>	<i>On demand</i>	<i>Less than 1 month</i>	<i>1-3 months</i>	<i>3-12 months</i>	<i>1-5 years</i>	<i>Over 5 years</i>	<i>Undated</i>	<i>Total</i>
Borrowings from central banks	-	(32)	(49,889)	(31,806)	(663,870)	(1,616)	-	-	(747,213)
Deposits from banks and other financial institutions	-	(1,105,856)	(28,658)	(139,121)	(139,143)	(209,588)	-	-	(1,622,366)
Placements from banks and other financial institutions	-	-	(106,957)	(92,770)	(80,218)	(6,394)	(4,766)	-	(291,105)
Financial liabilities at fair value through profit or loss	-	(15,646)	-	-	-	-	(214)	-	(15,860)
Derivative financial liabilities	-	-	(3,918)	(4,255)	(7,643)	(3,305)	(216)	-	(19,337)
Financial assets sold under repurchase agreements	-	-	(18,841)	(6,877)	(9,156)	(1,159)	-	-	(36,033)
Due to customers	-	(12,386,137)	(603,855)	(1,303,745)	(3,209,263)	(4,388,038)	(16,089)	-	(21,907,127)
Debt securities issued	-	-	(84,856)	(277,220)	(723,814)	(126,768)	(294,999)	-	(1,507,657)
Other financial liabilities	-	(187,376)	(4,484)	(7,810)	(11,122)	(42,500)	(63,212)	(2,039)	(318,543)
Total financial liabilities	-	(13,695,047)	(901,458)	(1,863,604)	(4,844,229)	(4,779,368)	(379,496)	(2,039)	(26,465,241)
Net position	22,689	(13,368,709)	899,919	(663,272)	(428,608)	2,013,118	11,388,711	2,279,803	2,143,651

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

	31 December 2020								
	<i>Past due</i>	<i>On demand</i>	<i>Less than 1 month</i>	<i>1-3 months</i>	<i>3-12 months</i>	<i>1-5 years</i>	<i>Over 5 years</i>	<i>Undated</i>	<i>Total</i>
Cash and balances with central banks	-	116,773	11,869	4,322	12,653	-	-	2,291,658	2,437,275
Deposits with banks and other financial institutions	-	86,976	17,494	57,867	258,811	13,037	-	-	434,185
Placements with and loans to banks and other financial institutions	17	-	209,386	155,901	151,016	29,328	1,300	-	546,948
Derivative financial assets	-	-	9,931	14,614	34,987	2,375	30	-	61,937
Financial assets held under resale agreements	3,689	-	755,438	33,315	23,764	-	-	-	816,206
Loans and advances to customers	20,062	-	543,994	812,515	3,009,584	2,858,842	7,307,436	-	14,552,433
Financial assets at fair value through profit or loss	5	11,416	40,928	61,053	138,374	107,775	100,896	122,622	583,069
Debt instrument investments at amortized cost	5	-	48,499	100,327	471,210	2,721,956	2,342,223	-	5,684,220
Other debt instrument and other equity investments at fair value through other comprehensive income	-	-	39,377	44,870	352,924	723,392	390,876	3,931	1,555,370
Other financial assets	3,070	91,657	1,220	798	1,821	125	87	2,784	101,562
Total financial assets	26,848	306,822	1,678,136	1,285,582	4,455,144	6,456,830	10,142,848	2,420,995	26,773,205

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

	31 December 2020								
	<i>Past due</i>	<i>On demand</i>	<i>Less than 1 month</i>	<i>1-3 months</i>	<i>3-12 months</i>	<i>1-5 years</i>	<i>Over 5 years</i>	<i>Undated</i>	<i>Total</i>
Borrowings from central banks	-	(30)	(57,653)	(44,542)	(634,135)	(801)	-	-	(737,161)
Deposits from banks and other financial institutions	-	(930,759)	(81,439)	(126,179)	(38,640)	(217,499)	-	-	(1,394,516)
Placements from banks and other financial institutions	-	-	(187,137)	(104,911)	(88,924)	(2,391)	(7,297)	-	(390,660)
Financial liabilities at fair value through profit or loss	-	(13,725)	(9,540)	-	(100)	(230)	-	(4,222)	(27,817)
Derivative financial liabilities	-	-	(8,719)	(11,101)	(39,995)	(4,411)	(1,056)	-	(65,282)
Financial assets sold under repurchase agreements	-	-	(84,786)	(6,920)	(16,977)	(512)	-	-	(109,195)
Due to customers	-	(11,921,912)	(554,505)	(1,256,439)	(2,955,410)	(3,672,501)	(12,134)	-	(20,372,901)
Debt securities issued	-	-	(113,725)	(360,635)	(456,191)	(88,196)	(353,098)	-	(1,371,845)
Other financial liabilities	-	(241,413)	(1,562)	(2,318)	(9,317)	(27,304)	(63,012)	(5,540)	(350,466)
Total financial liabilities	-	(13,107,839)	(1,099,066)	(1,913,045)	(4,239,689)	(4,013,845)	(436,597)	(9,762)	(24,819,843)
Net position	26,848	(12,801,017)	579,070	(627,463)	215,455	2,442,985	9,706,251	2,411,233	1,953,362

Analysis of the undiscounted contractual cash flows

Assets available to meet obligations related to the Group's liabilities and outstanding credit commitments primarily include cash and balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets at fair value through profit or loss, and financial assets held under resale agreements. In the normal course of business, the majority of customer deposits repayable on demand or on maturity are expected to be retained. In addition, the Group is able to sell the other debt instrument and other equity investments at fair value through other comprehensive income to repay matured liabilities, if necessary.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

The tables below present the undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period:

	31 December 2021								
	<i>Past due</i>	<i>On demand</i>	<i>Less than 1 month</i>	<i>1-3 months</i>	<i>3-12 months</i>	<i>1-5 years</i>	<i>Over 5 years</i>	<i>Undated</i>	<i>Total</i>
Non-derivative financial assets									
Cash and balances with central banks	-	175,620	-	944	-	-	-	2,144,842	2,321,406
Deposits with banks and other financial institutions	-	79,506	29,581	42,282	57,883	12,424	-	-	221,676
Placements with and loans to banks and other financial institutions	-	-	183,457	118,102	134,679	16,303	1,840	-	454,381
Financial assets held under resale agreements	3,915	-	813,408	20,849	2,826	-	-	-	840,998
Loans and advances to customers	66,076	-	733,902	981,574	3,956,763	5,475,868	12,476,078	-	23,690,261
Financial assets at fair value through profit or loss	-	4,721	19,856	12,128	88,156	64,095	196,609	128,840	514,405
Debt instrument investments at amortized cost	1,269	-	58,718	118,783	706,909	3,315,201	3,548,575	-	7,749,455
Other debt instrument and other equity investments at fair value through other comprehensive income	119	-	36,686	73,474	316,861	691,188	435,749	4,589	1,558,666
Other financial assets	3,821	70,332	362	3,456	992	55	98	3,617	82,733
Total non-derivative financial assets	75,200	330,179	1,875,970	1,371,592	5,265,069	9,575,134	16,658,949	2,281,888	37,433,981

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

	31 December 2021								
	<i>Past due</i>	<i>On demand</i>	<i>Less than 1 month</i>	<i>1-3 months</i>	<i>3-12 months</i>	<i>1-5 years</i>	<i>Over 5 years</i>	<i>Undated</i>	<i>Total</i>
Non-derivative financial liabilities									
Borrowings from central banks	-	(32)	(49,991)	(32,020)	(678,145)	(1,597)	-	-	(761,785)
Deposits from banks and other financial institutions	-	(1,105,856)	(29,446)	(140,548)	(146,482)	(229,627)	-	-	(1,651,959)
Placements from banks and other financial institutions	-	-	(106,990)	(93,027)	(80,847)	(7,283)	(4,967)	-	(293,114)
Financial liabilities at fair value through profit or loss	-	(15,646)	-	-	-	-	(214)	-	(15,860)
Financial assets sold under repurchase agreements	-	-	(18,848)	(6,898)	(9,172)	(1,162)	-	-	(36,080)
Due to customers	-	(12,386,137)	(604,386)	(1,308,635)	(3,255,950)	(4,683,792)	(19,066)	-	(22,257,966)
Debt securities issued	-	-	(84,971)	(278,957)	(740,163)	(182,848)	(331,012)	-	(1,617,951)
Other financial liabilities	-	(187,376)	(4,553)	(7,854)	(11,313)	(43,000)	(63,288)	(2,039)	(319,423)
Total non-derivative financial liabilities	-	(13,695,047)	(899,185)	(1,867,939)	(4,922,072)	(5,149,309)	(418,547)	(2,039)	(26,954,138)
Net position	75,200	(13,364,868)	976,785	(496,347)	342,997	4,425,825	16,240,402	2,279,849	10,479,843

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

	31 December 2020								
	<i>Past due</i>	<i>On demand</i>	<i>Less than 1 month</i>	<i>1-3 months</i>	<i>3-12 months</i>	<i>1-5 years</i>	<i>Over 5 years</i>	<i>Undated</i>	<i>Total</i>
Non-derivative financial assets									
Cash and balances with central banks	-	116,773	11,869	4,322	12,653	-	-	2,291,658	2,437,275
Deposits with banks and other financial institutions	-	86,976	17,515	58,080	263,326	14,419	-	-	440,316
Placements with and loans to banks and other financial institutions	17	-	211,242	158,751	154,809	30,258	1,308	-	556,385
Financial assets held under resale agreements	3,689	-	758,771	33,440	23,928	-	-	-	819,828
Loans and advances to customers	82,234	-	615,894	949,240	3,596,570	4,669,491	11,070,548	-	20,983,977
Financial assets at fair value through profit or loss	5	11,416	41,369	62,296	147,124	134,878	124,902	126,481	648,471
Debt instrument investments at amortized cost	443	-	63,769	128,789	595,532	3,187,505	2,887,451	-	6,863,489
Other debt instrument and other equity investments at fair value through other comprehensive income	-	-	41,424	49,589	384,091	798,307	442,817	2,784	1,719,012
Other financial assets	-	91,657	1,220	798	1,821	125	87	2,784	98,492
Total non-derivative financial assets	<u>86,388</u>	<u>306,822</u>	<u>1,763,073</u>	<u>1,445,305</u>	<u>5,179,854</u>	<u>8,834,983</u>	<u>14,527,113</u>	<u>2,423,707</u>	<u>34,567,245</u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

	31 December 2020								
	<i>Past due</i>	<i>On demand</i>	<i>Less than 1 month</i>	<i>1-3 months</i>	<i>3-12 months</i>	<i>1-5 years</i>	<i>Over 5 years</i>	<i>Undated</i>	<i>Total</i>
Non-derivative financial liabilities									
Borrowings from central banks	-	(30)	(57,653)	(44,848)	(647,586)	(790)	-	-	(750,907)
Deposits from banks and other financial institutions	-	(930,759)	(81,706)	(126,901)	(42,211)	(235,630)	-	-	(1,417,207)
Placements from banks and other financial institutions	-	-	(187,271)	(105,240)	(89,826)	(3,444)	(7,850)	-	(393,631)
Financial liabilities at fair value through profit or loss	-	(13,725)	(9,543)	-	(100)	(230)	-	(4,222)	(27,820)
Financial assets sold under repurchase agreements	-	-	(87,891)	(6,929)	(17,032)	(516)	-	-	(112,368)
Due to customers	-	(11,922,145)	(555,122)	(1,261,386)	(2,998,626)	(3,939,672)	(14,692)	-	(20,691,643)
Debt securities issued	-	-	(113,895)	(364,892)	(478,222)	(163,736)	(398,939)	-	(1,519,684)
Other financial liabilities	-	(241,177)	(1,562)	(2,321)	(9,368)	(27,800)	(63,212)	(5,540)	(350,980)
Total non-derivative financial liabilities	-	(13,107,836)	(1,094,643)	(1,912,517)	(4,282,971)	(4,371,818)	(484,693)	(9,762)	(25,264,240)
Net position	86,388	(12,801,014)	668,430	(467,212)	896,883	4,463,165	14,042,420	2,413,945	9,303,005

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

Derivative cash flows

Derivatives settled on a net basis

The tables below present the undiscounted contractual cash flows of the Group's net derivative positions based on their remaining contractual maturities:

	31 December 2021					Total
	<i>Less than 1 month</i>	<i>1 - 3 months</i>	<i>3 - 12 months</i>	<i>1 - 5 years</i>	<i>Over 5 years</i>	
Derivatives on a net basis	650	512	448	(101)	-	1,509

	31 December 2020					Total
	<i>Less than 1 month</i>	<i>1 - 3 months</i>	<i>3 - 12 months</i>	<i>1 - 5 years</i>	<i>Over 5 years</i>	
Derivatives on a net basis	(18)	(120)	(39)	(2,203)	(1,018)	(3,398)

Derivatives settled on a gross basis

The tables below present the undiscounted contractual cash flows of the Group's gross derivative positions based on their remaining contractual maturities:

	31 December 2021					Total
	<i>Less than 1 month</i>	<i>1 - 3 months</i>	<i>3 - 12 months</i>	<i>1 - 5 years</i>	<i>Over 5 years</i>	
Derivatives settled on a gross basis						
- Cash inflow	356,369	441,786	354,719	88,158	751	1,241,783
- Cash outflow	(352,649)	(439,862)	(353,358)	(68,759)	(1,000)	(1,215,628)
Total	3,720	1,924	1,361	19,399	(249)	26,155

	31 December 2020					Total
	<i>Less than 1 month</i>	<i>1 - 3 months</i>	<i>3 - 12 months</i>	<i>1 - 5 years</i>	<i>Over 5 years</i>	
Derivatives settled on a gross basis						
- Cash inflow	529,178	530,154	1,540,225	51,085	-	2,650,642
- Cash outflow	(527,974)	(526,854)	(1,545,117)	(50,938)	-	(2,650,883)
Total	1,204	3,300	(4,892)	147	-	(241)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

Off-balance sheet items

The off-balance sheet items primarily include loan commitments, bank acceptances, credit card commitments, guarantees and letters of guarantee and letters of credit. The tables below summarize the amounts of credit commitments by remaining maturity. Financial guarantees are also included below at notional amounts and based on the earliest contractual maturity date.

	<i>31 December 2021</i>			<i>Total</i>
	<i>Less than 1 year</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	
Loan commitments	85,271	177,371	197,258	459,900
Bank acceptances	414,934	-	-	414,934
Credit card commitments	743,594	-	-	743,594
Guarantee and letters of guarantee	153,029	135,151	16,058	304,238
Letters of credit	162,515	2,738	386	165,639
Total	1,559,343	315,260	213,702	2,088,305

	<i>31 December 2020</i>			<i>Total</i>
	<i>Less than 1 year</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	
Loan commitments	277,152	387,315	952,811	1,617,278
Bank acceptances	429,841	-	-	429,841
Credit card commitments	695,183	-	-	695,183
Guarantee and letters of guarantee	135,533	118,620	10,493	264,646
Letters of credit	157,942	4,414	-	162,356
Total	1,695,651	510,349	963,304	3,169,304

44.3 Market risk

Market risk represents the potential loss arising from changes in market rates of interest and foreign exchange, as well as commodity and equity prices. Market risk arises from both the Group's proprietary positions and customer driven transactions, in both cases related to on- and off-balance sheet activities.

The Group is primarily exposed to interest rate risk through corporate, personal banking and treasury operations. Interest rate risk is inherent in many of the Group's businesses and this situation is common among large banks. It fundamentally arises through mismatches between the maturity and re-pricing dates of interest-earning assets and interest-bearing liabilities.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

Foreign exchange rate risk is the potential loss related to changes in foreign exchange rates affecting the translation of foreign currency denominated monetary assets and liabilities. The risk of loss results from movements in foreign currency exchange rates.

The Group is also exposed to commodity risk, primarily related to gold and other precious metals. The risk of loss results from movements in commodity price. The Group manages the risk related to gold price together with foreign exchange rate risk.

The Group has determined that the levels of market risk related to changes in equity prices and commodity prices other than gold, with respect to the related exposures in its trading and investment portfolios, are immaterial.

Segregation of Trading Book and Banking Book

To enhance the effectiveness of market risk management, as well as the accuracy of determining the levels of regulatory capital required related to market risk, the Group segregates assets and liabilities, both on-and off-balance sheet, into either the trading book or banking book. The trading book is comprised of financial instruments and commodity positions held for trading or risk hedging. Any other positions are included in the banking book.

Market Risk Management for Trading Book

The Group manages market risk in the trading book through methodologies that include Value at Risk (VaR), monitoring and management of established limits, sensitivity analysis, duration analysis, exposure analysis and stress testing.

Based on changes in the external market and business operations, the Group formulates annual treasury trading, investment business and market risk management policies, and further clarifies the basic policies to be followed for bond trading and derivatives trading, as well as risk control requirements such as exposure and duration. The limit indicator system with VaR as the core, and the market risk management system is used to realize the measurement and monitoring of market risk in the trading book.

The Bank has adopted an historical simulation method, with a confidence level of 99% based on holding period of 1 day and historical data for 250 days to calculate the VaR of the trading book, which includes the Head Office, domestic branches and overseas branches. Based on the differences between domestic and overseas markets, the Bank selected applicable parameters for model and risk factors in order to reflect the actual market risk levels. The Bank verified the accuracy and reliability of market risk measurements through data analysis, parallel modeling and back-testing of the market risk measurements.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

VaR Analysis for the Trading Book

<i>Bank</i>	<i>2021</i>				
	<i>Note</i>	<i>At the end of the year</i>	<i>Average</i>	<i>Maximum</i>	<i>Minimum</i>
Interest rate risk		53	67	99	36
Exchange rate risk	(1)	149	190	289	35
Commodity risk		44	83	136	21
Overall VaR		<u>150</u>	<u>210</u>	<u>307</u>	<u>87</u>

<i>Bank</i>	<i>2020</i>				
		<i>At the end of the year</i>	<i>Average</i>	<i>Maximum</i>	<i>Minimum</i>
Interest rate risk		59	88	164	52
Exchange rate risk	(1)	28	165	213	28
Commodity risk		62	75	120	9
Overall VaR		<u>87</u>	<u>232</u>	<u>362</u>	<u>87</u>

The Bank calculates VaR for its trading book (excluding RMB foreign currency settlement contracts with customers under relevant regulations). The Bank conducts stress testing for its trading book quarterly. The specific areas subject to this testing include the major areas of exposure, such as bonds, interest rate derivatives, foreign exchange derivatives and precious metal. The stress testing uses a range of scenarios, to assess the potential impact on profit and loss.

(1) VaR related to gold is recognized as a component of foreign exchange rate risk.

Market Risk Management for Banking Book

The Group manages market risk related to the banking book by consistently applying techniques across the Group that include exposure limit management, stress testing, scenario analysis and gap analysis.

Interest Rate Risk Management

Interest rate risk refers to the risk that the adverse changes in interest rate levels and maturity structures will cause the Bank's book value to suffer losses. The Bank's book interest rate risk mainly comes from the mismatch of maturity or repricing periods of interest-sensitive assets and liabilities in the Bank's book and the inconsistent changes in the benchmark interest rate on which assets and liabilities are based.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

Since the People's Bank of China's LPR reform, the Bank has implemented relevant policies in accordance with regulatory requirements, promoted business system transformation, modified system loan contracts, improved internal and external interest rate pricing mechanisms, strengthened staff training for branches, comprehensively promoted LPR applications, and basically realized the entire system. The entire process of loan pricing applies LPR pricing. After the People's Bank of China reforms LPR, the connection between the benchmark interest rate on loans and the market interest rate will be closer, and the frequency and amplitude of volatility will increase relatively. To this end, the Bank strengthened the monitoring and prejudgment of the external interest rate environment, adjusted internal and external pricing strategies in a timely manner, optimized the asset and liability product structure and maturity structure, and proactively adjusted the risk structure to reduce the economic value and overall impact of interest rate changes. The adverse impact of earnings. During the reporting period, the Bank's interest rate risk level was generally stable, and all quota indicators were controlled within the scope of regulatory requirements and management objectives.

Foreign Exchange Rate Risk Management

Foreign exchange rate risk relates to the mismatch of foreign currency denominated monetary assets and liabilities, and the potential loss related to changes in foreign exchange rates, which largely arises through operational activities.

The Group performs monitoring and sensitivity analysis of foreign exchange rate risk exposure, manages the mismatch of foreign currency denominated assets and liabilities to effectively manage foreign exchange rate risk exposure within acceptable limits.

Market Risk Exposure Limit Management

Market risk exposure limits are classified as either directive limits or indicative limits, based on the type of effectiveness, including position limits, stop-loss limits, VaR limits, and stress testing limits.

The Group is committed to continuous improvement of its market risk exposure limit management. The Group establishes exposure limits reflecting its risk appetite and continuously refines the categorization of market risk exposure limits. Further, it regularly monitors, reports, refines, and implements improvements to the market risk exposure limit process.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

Foreign exchange rate risk

The Group primarily conducts its business activities in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent, other currencies.

The composition of all financial assets and liabilities at the end of each reporting period analyzed by currency is as follows:

	31 December 2021				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	
Cash and balances with central banks	2,241,015	61,233	1,142	18,016	2,321,406
Deposits with banks and other financial institutions	148,782	49,451	2,561	17,706	218,500
Placements with and loans to banks and other financial institutions	152,884	218,378	43,509	32,173	446,944
Derivative financial assets	18,053	1,175	1,805	945	21,978
Financial assets held under resale agreements	837,637	-	-	-	837,637
Loans and advances to customers	15,985,155	344,323	60,014	65,011	16,454,503
Financial assets at fair value through profit or loss	446,980	10,933	677	1,651	460,241
Debt instrument investments at amortized cost	6,307,943	49,929	9,991	4,659	6,372,522
Other debt instrument and other equity investments at fair value through other comprehensive income	1,151,033	197,730	2,756	45,761	1,397,280
Other financial assets	69,258	5,315	2,528	780	77,881
Total financial assets	27,358,740	938,467	124,983	186,702	28,608,892
Borrowings from central banks	(745,597)	-	-	(1,616)	(747,213)
Deposits from banks and other financial institutions	(1,572,836)	(17,571)	(24,877)	(7,082)	(1,622,366)
Placements from banks and other financial institutions	(67,315)	(178,291)	(26,842)	(18,657)	(291,105)
Financial liabilities at fair value through profit or loss	(15,860)	-	-	-	(15,860)
Derivative financial liabilities	(14,397)	(2,290)	(2,164)	(486)	(19,337)
Financial assets sold under repurchase agreements	(20,302)	(9,950)	-	(5,781)	(36,033)
Due to customers	(21,373,264)	(459,099)	(32,650)	(42,114)	(21,907,127)
Debt securities issued	(1,175,836)	(229,994)	(36,114)	(65,713)	(1,507,657)
Other financial liabilities	(294,746)	(19,984)	(1,508)	(2,305)	(318,543)
Total financial liabilities	(25,280,153)	(917,179)	(124,155)	(143,754)	(26,465,241)
Net on-balance sheet position	2,078,587	21,288	828	42,948	2,143,651
Net notional amount of derivatives	154,772	8,789	23,045	(35,288)	151,318
Loan commitments and financial guarantee contracts	1,799,496	245,491	10,216	33,102	2,088,305

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

	31 December 2020				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	
Cash and balances with central banks	2,365,609	54,151	1,296	16,219	2,437,275
Deposits with banks and other financial institutions	363,597	50,938	2,393	17,257	434,185
Placements with and loans to banks and other financial institutions	293,880	185,248	38,894	28,926	546,948
Derivative financial assets	56,666	1,084	45	4,142	61,937
Financial assets held under resale agreements	816,206	-	-	-	816,206
Loans and advances to customers	14,076,068	351,117	52,231	73,017	14,552,433
Financial assets at fair value through profit or loss	552,067	11,165	6,856	12,981	583,069
Debt instrument investments at amortized cost	5,617,868	58,301	4,271	3,780	5,684,220
Other debt instrument and other equity investments at fair value through other comprehensive income	1,309,570	206,292	2,518	36,990	1,555,370
Other financial assets	84,200	10,622	3,415	3,325	101,562
Total financial assets	25,535,731	928,918	111,919	196,637	26,773,205
Borrowings from central banks	(735,900)	-	-	(1,261)	(737,161)
Deposits from banks and other financial institutions	(1,336,474)	(26,379)	(20,775)	(10,888)	(1,394,516)
Placements from banks and other financial institutions	(136,469)	(200,492)	(32,327)	(21,372)	(390,660)
Financial liabilities at fair value through profit or loss	(27,817)	-	-	-	(27,817)
Derivative financial liabilities	(4,367)	(60,268)	(257)	(390)	(65,282)
Financial assets sold under repurchase agreements	(83,009)	(18,995)	-	(7,191)	(109,195)
Due to customers	(19,873,361)	(430,007)	(33,570)	(35,963)	(20,372,901)
Debt securities issued	(1,065,150)	(216,330)	(26,198)	(64,167)	(1,371,845)
Other financial liabilities	(310,910)	(32,108)	(2,399)	(5,049)	(350,466)
Total financial liabilities	(23,573,457)	(984,579)	(115,526)	(146,281)	(24,819,843)
Net on-balance sheet position	1,962,274	(55,661)	(3,607)	50,356	1,953,362
Net notional amount of derivatives	138,397	34,139	19,124	(30,638)	161,022
Loan commitments and financial guarantee contracts	2,893,041	236,335	7,914	32,014	3,169,304

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

The table below indicates the potential effect on profit before tax and other comprehensive income arising from a 5% appreciation or depreciation of RMB spot and forward foreign exchange rates against a basket of all other currencies on the net positions of foreign currency monetary assets and liabilities and derivative instruments in the consolidated statement of financial position.

	<u>31 December 2021</u>		<u>31 December 2020</u>	
	<i>Profit before tax</i>	<i>Other comprehensive income</i>	<i>Profit before tax</i>	<i>Other comprehensive income</i>
RMB				
5% appreciation	(3,317)	186	(2,433)	(462)
5% depreciation	3,317	(186)	2,433	462

The effect on profit before tax and other comprehensive income is calculated based on the assumption that the Group's foreign currency sensitive exposures and foreign currency derivative instruments net position at the end of each reporting period remain unchanged. The Group mitigates its foreign exchange rate risk through active management of its foreign currency exposures and the appropriate use of derivative instruments, based on management expectation of future foreign currency exchange rate movements. Such analysis does not take into account the correlation effect of changes in different foreign currencies, nor any further actions that could be taken by management to mitigate the effect of foreign exchange differences. Therefore, the sensitivity analysis above may differ from actual results occurring through changes in foreign exchange rates.

Interest rate risk

The Group's interest rate risk arises from the mismatches between contractual maturities or re-pricing dates of interest-generating assets and interest-bearing liabilities, as well as the inconsistent variations in the benchmark interest rate on which the assets and liabilities are based. The Group's interest-generating assets and interest-bearing liabilities are primarily denominated in RMB. The PBOC stipulated the benchmark interest rate for RMB deposits. The deposit interest rate floating ceiling was removed by the PBOC with effect from 24 December 2015 for commercial banks. Since 16 August 2019, the PBOC established RMB Loan Prime Rate to replace RMB benchmark interest rates for loan as a pricing benchmark of new loan whereby financial institutions are in a position to price their loans based on credit risk, commercial and market factors.

The Group manages its interest rate risk by:

- Strengthen the pre-judgment of the situation and analyze the macroeconomic factors that may affect the LPR interest rate, the benchmark deposit interest rate and the market interest rate;
- Strengthen strategy transmission and optimize the repricing term structure of interest-earning assets and interest-bearing liabilities;
- Implement limit management to control the impact of interest rate changes on the economic value and overall income of bank books within the limits.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

The tables below summarize the contractual maturity or re-pricing date, whichever is earlier, of the Group's financial assets and liabilities at the end of each reporting period.

	31 December 2021					Non-interest bearing	Total
	<i>Less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>		
Cash and balances with central banks	2,032,222	-	-	-	-	289,184	2,321,406
Deposits with banks and other financial institutions	102,908	41,099	56,447	11,503	-	6,543	218,500
Placements with and loans to banks and other financial institutions	182,417	116,368	132,215	14,866	-	1,078	446,944
Derivative financial assets	-	-	-	-	-	21,978	21,978
Financial assets held under resale agreements	809,716	20,666	2,786	-	-	4,469	837,637
Loans and advances to customers	4,316,155	2,451,794	8,483,615	709,928	453,690	39,321	16,454,503
Financial assets at fair value through profit or loss	18,736	16,130	84,068	32,078	156,612	152,617	460,241
Debt instrument investments at amortized cost	57,004	104,328	543,312	2,676,021	2,869,265	122,592	6,372,522
Other debt instrument and other equity investments at fair value through other comprehensive income	64,522	96,496	277,788	566,997	372,294	19,183	1,397,280
Other financial assets	-	-	-	-	-	77,881	77,881
Total financial assets	7,583,680	2,846,881	9,580,231	4,011,393	3,851,861	734,846	28,608,892

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

	31 December 2021					Non-interest bearing	Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Borrowings from central banks	(48,518)	(31,000)	(659,796)	(1,263)	-	(6,636)	(747,213)
Deposits from banks and other financial institutions	(1,127,742)	(138,506)	(138,393)	(205,554)	-	(12,171)	(1,622,366)
Placements from banks and other financial institutions	(106,779)	(99,692)	(78,797)	(3,046)	(1,295)	(1,496)	(291,105)
Financial liabilities at fair value through profit or loss	-	-	-	-	(214)	(15,646)	(15,860)
Derivative financial liabilities	-	-	-	-	-	(19,337)	(19,337)
Financial assets sold under repurchase agreements	(18,838)	(6,871)	(9,147)	(1,157)	-	(20)	(36,033)
Due to customers	(12,926,703)	(1,254,524)	(3,120,029)	(4,240,028)	(16,046)	(349,797)	(21,907,127)
Debt securities issued	(94,101)	(294,188)	(701,558)	(114,560)	(294,999)	(8,251)	(1,507,657)
Other financial liabilities	-	-	-	-	-	(318,543)	(318,543)
Total financial liabilities	(14,322,681)	(1,824,781)	(4,707,720)	(4,565,608)	(312,554)	(731,897)	(26,465,241)
Interest rate gap	(6,739,001)	1,022,100	4,872,511	(554,215)	3,539,307	2,949	2,143,651

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

	31 December 2020					Non-interest bearing	Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Cash and balances with central banks	2,158,126	3,294	12,653	-	-	263,202	2,437,275
Deposits with banks and other financial institutions	99,175	57,083	256,632	13,037	-	8,258	434,185
Placements with and loans to banks and other financial institutions	210,779	156,519	149,070	28,830	-	1,750	546,948
Derivative financial assets	-	-	-	-	-	61,937	61,937
Financial assets held under resale agreements	755,068	33,616	22,967	-	-	4,555	816,206
Loans and advances to customers	4,117,253	2,171,094	7,121,297	619,431	489,037	34,321	14,552,433
Financial assets at fair value through profit or loss	40,569	68,013	142,140	100,054	93,128	139,165	583,069
Debt instrument investments at amortized cost	63,386	119,236	463,453	2,617,463	2,310,470	110,212	5,684,220
Other debt instrument and other equity investments at fair value through other comprehensive income	78,608	83,737	343,781	648,946	380,632	19,666	1,555,370
Other financial assets	-	-	-	-	-	101,562	101,562
Total financial assets	7,522,964	2,692,592	8,511,993	4,027,761	3,273,267	744,628	26,773,205

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

	31 December 2020					Non-interest bearing	Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Borrowings from central banks	(55,900)	(43,676)	(629,737)	(803)	-	(7,045)	(737,161)
Deposits from banks and other financial institutions	(1,009,086)	(123,822)	(33,266)	(213,122)	-	(15,220)	(1,394,516)
Placements from banks and other financial institutions	(187,801)	(109,893)	(90,775)	-	(1,199)	(992)	(390,660)
Financial liabilities at fair value through profit or loss	(9,532)	-	(100)	(230)	-	(17,955)	(27,817)
Derivative financial liabilities	-	-	-	-	-	(65,282)	(65,282)
Financial assets sold under repurchase agreements	(84,777)	(6,914)	(16,966)	(512)	-	(26)	(109,195)
Due to customers	(12,399,566)	(1,216,463)	(2,875,560)	(3,555,434)	(12,129)	(313,749)	(20,372,901)
Debt securities issued	(137,270)	(373,181)	(444,048)	(63,081)	(344,953)	(9,312)	(1,371,845)
Other financial liabilities	-	-	-	-	-	(350,466)	(350,466)
Total financial liabilities	(13,883,932)	(1,873,949)	(4,090,452)	(3,833,182)	(358,281)	(780,047)	(24,819,843)
Interest rate gap	(6,360,968)	818,643	4,421,541	194,579	2,914,986	(35,419)	1,953,362

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

The following table illustrates the potential pre-tax impact, of a parallel upward or downward shift of 100 basis points in relevant interest rate curves on the Group's net Interest Income and other comprehensive income for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets and interest-bearing liabilities at the end of each reporting period. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparallelled yield curve movements.

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behavior, basis risk or any prepayment options on debt securities into consideration.

The sensitivity analysis on other comprehensive income reflects only the effect of changes in fair value of those financial instruments classified as other debt instrument and other equity investments at fair value through other comprehensive held, whose fair value changes are recorded as an element of other comprehensive income.

	31 December 2021		31 December 2020	
	<i>Net interest income</i>	<i>Other comprehensive income</i>	<i>Net interest income</i>	<i>Other comprehensive income</i>
+100 basis points	(37,792)	(39,264)	(37,556)	(67,941)
- 100 basis points	37,792	39,264	37,556	67,941
	37,792	39,264	37,556	67,941

The assumptions do not reflect actions that might be taken under the Group's capital and interest rate risk management policy to mitigate changes to the Group's interest rate risk. Therefore the above analysis may differ from the actual situation.

In addition, the presentation of interest rate sensitivity above is for illustration purposes only, showing the potential impact on net interest income and other comprehensive income of the Group under different parallel yield curve movements, relative to their position at period-end, excluding the derivative positions.

44.4 Country Risk

Country risk represents the risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which results in the borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Bank or otherwise leads to business losses or other losses to the Bank in that country or region.

According to the regulatory requirements of CBIRC, the Group managed country risk through tools and approaches such as country risk rating, limit approval, exposure analysis and stress testing. In the meanwhile, we fully considered the impact of country risk on asset quality, accurately identified, reasonably assessed and prudently estimated the asset loss that may be caused by country risk. Corresponding provisions were also made for country risk impairment.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Financial risk management (continued)

44.5 Insurance risk

The Group engages in its insurance business primarily in Mainland China. Insurance risk refers to the financial impact resulting from the unexpected occurrence of insured events. These risks are actively managed by the Group through effective sales management, underwriting control, reinsurance management and claim management. Through effective sales management, the risk of mis-selling could be reduced and the accuracy of information used for underwriting is improved. Through underwriting control, risk of adverse selection could be reduced and moreover differential pricing policy based on the level of each kind of risk could be utilized. Through reinsurance, the Group's insurance capacity could be enhanced and targeted risks could be mitigated. Effective claims management is designed to ensure that insurance payments are controlled according to established criteria.

Uncertainty in the estimation of future benefit payments and premium receipts for long-term life insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality. The Group conducts experience analysis of mortality rate and surrender rate, in order to improve its risk assessment and as a basis for reasonable estimates.

45 Capital management

The Group's capital management objectives are as follows:

- maintain an adequate capital base to support the development of its business;
- support the Group's financial stability and profitable growth;
- allocate capital through an efficient and risk based approach to optimize risk-adjusted return to shareholders; and
- safeguard the long-term sustainability of the Group's franchise so that it can continue to provide sufficient shareholder returns and benefits for other stakeholders.

The "Capital Rules for Commercial Banks (Provisional)" issued by the CBIRC in 2012 includes, among other things, requirements for minimum capital, capital conservation buffer, additional capital surcharge for systemically important banks, countercyclical buffer and Pillar II capital as follows:

- minimum regulatory requirements for Common Equity Tier-one Capital Adequacy Ratio, Tier-one Capital Adequacy Ratio and Capital Adequacy Ratio are 5%, 6% and 8%, respectively;
- capital conservation buffer requires additional 2.5% of Common Equity Tier-one Capital Adequacy Ratio;
- additional capital surcharge for systemically important banks requires additional 1% of Common Equity Tier-one Capital Adequacy Ratio;
- should the regulators require countercyclical buffer under particular circumstances or regulators impose additional Pillar II capital requirements for specific banks, these requirements shall be met within the specified time limits.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45 Capital management (continued)

In April 2014, the CBIRC officially approved the Group to adopt advanced capital management approach. Within the scope of the approval, the Internal Ratings-Based approach is adopted to Credit Risk-weighted Assets for both retail and non-retail risk exposures, and the Standardized approach for both Operational Risk-weighted Assets and Market Risk-weighted Assets. The CBIRC will determine the parallel run period for the Group, which should last for at least three years. During the parallel run period, the Group should calculate its Capital Adequacy Ratios under the advanced approach and the non-advanced approach, and should conform to the capital floor requirements as stipulated in the “Capital Rules for Commercial Banks (Provisional)”.

In January 2017, the CBIRC has officially approved the Group to adopt the Internal Models approach to measure its Market Risk-weighted Assets for qualified risk exposures.

Capital adequacy and the utilization of regulatory capital are closely monitored by the Group’s management in accordance with the guidelines developed by the Basel Committee and relevant regulations promulgated by the CBIRC. Required information related to capital levels and utilization is filed quarterly with the CBIRC.

The Group’s capital adequacy ratio calculated in accordance with the “Capital Rules for Commercial Banks (Provisional)” issued by the CBIRC as at the end of the reporting period is as follows:

	Notes	31 December 2021	31 December 2020
Common Equity Tier-one Capital Adequacy Ratio	(1)	11.44%	11.04%
Tier-one Capital Adequacy Ratio	(1)	13.46%	12.92%
Capital Adequacy Ratio	(1)	<u>17.13%</u>	<u>16.59%</u>
Common Equity Tier-one Capital	(2)	2,053,737	1,884,392
Deductible Items from Common Equity Tier-one Capital	(3)	<u>(11,257)</u>	<u>(9,020)</u>
Net Common Equity Tier-one Capital		2,042,480	1,875,372
Additional Tier-one Capital	(4)	<u>359,881</u>	<u>319,884</u>
Net Tier-one Capital		2,402,361	2,195,256
Tier-two Capital	(5)	<u>655,506</u>	<u>622,668</u>
Net Capital		<u>3,057,867</u>	<u>2,817,924</u>
Risk-weighted Assets	(6)	<u>17,849,566</u>	<u>16,989,668</u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45 Capital management (continued)

Pursuant to the “Capital Rules for Commercial Banks (Provisional)”:

- (1) The scope of consolidation related to the calculation of the Group’s Capital Adequacy Ratios includes Domestic Institutions, Overseas Institutions and affiliated financial subsidiaries specified in the Regulation.

The Common Equity Tier-one Capital Adequacy Ratio is calculated as Net Common Equity Tier-one Capital divided by Risk-weighted Assets. The Tier-one Capital Adequacy Ratio is calculated as Net Tier-one Capital divided by Risk-weighted Assets. The Capital Adequacy Ratio is calculated as Net Capital divided by Risk-weighted Assets.

- (2) The Group’s Common Equity Tier-one Capital includes: ordinary share capital, capital reserve (subject to regulatory limitations), investment revaluation reserve, surplus reserve, general reserve, retained earnings, non-controlling interests (to the extent permitted in the Common Equity Tier-one Capital under the Regulation), and the foreign currency translation reserve.
- (3) The Group’s Deductible Items from Common Equity Tier-one Capital include: other intangible assets (excluding land-use rights), and Common Equity Tier-one Capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope for the Capital Adequacy Ratios calculation.
- (4) The Group’s Additional Tier-one Capital includes: preference shares issued and non-controlling interests (to the extent permitted in the Additional Tier-one Capital definition under the Regulation).
- (5) The Group’s Tier-two Capital includes: Tier-two capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and minority interests (to the extent permitted in the Tier-two Capital definition under the Regulation).
- (6) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets.

46 Fair value of financial instruments

The majority of the Group’s assets and liabilities in the consolidated statement of financial position are financial assets and financial liabilities. Fair value measurement of non-financial assets and non-financial liabilities do not have a material impact on the Group’s financial position and operations, taken as a whole.

The Group does not have any financial assets or financial liabilities subject to non-recurring fair value measurements for the years ended 31 December 2021 and 31 December 2020.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46 Fair value of financial instruments (continued)

46.1 Valuation technique, input and process

The fair value of the Group's financial assets and financial liabilities are determined as follows:

- If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;
- If not traded in active markets, fair values of financial assets and financial liabilities are determined by using valuation techniques. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models.

The Group has established an independent valuation process for financial assets and financial liabilities. The Financial Accounting Department of head office establishes the valuation models for financial assets and financial liabilities of head office and its branches in China and independently implements the valuation on a regular basis; and the Risk Management Department is responsible for validating the valuation model, the Operations Departments records the accounting for these items. Overseas branches and sub-branches designate departments or personnel that are independent from the front trading office to perform valuation in accordance with the local regulatory requirements and their own department settings.

The board of directors shall be responsible for establishing and improving the internal control system related to the valuation of financial instruments and approving valuation policies.

For the year ended 31 December 2021 and 31 December 2020, there was no significant changes in the valuation techniques or inputs used to determine fair value measurements.

46.2 Fair value hierarchy

The level in which fair value measurement is categorized is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are not based on observable market data.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46 Fair value of financial instruments (continued)

46.3 Financial assets and financial liabilities not measured at fair value on the consolidated statement of financial position

The tables below summarize the carrying amounts and fair values of those financial assets and financial liabilities not measured in the consolidated statement of financial position at their fair value. Financial assets and financial liabilities for which the carrying amounts approximate fair value, such as balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers, receivable from the MOF, special government bond, borrowings from central banks, deposits and placements from banks and other financial institutions, due to customers, financial assets sold under repurchase agreements and certificates of deposit issued, interbank certificate of deposits issued and commercial papers issued are not included in the tables below.

		31 December 2021				
		<i>Carrying amount</i>	<i>Fair value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Financial assets						
Debt instrument investments at amortized cost (excluding receivable from the MOF and special government bond)		5,953,781	6,107,442	32,976	5,961,771	112,695
Financial liabilities						
Bonds issued		428,856	435,680	47,865	387,815	-
		31 December 2020				
		<i>Carrying amount</i>	<i>Fair value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Financial assets						
Debt instrument investments at amortized cost (excluding receivable from the MOF and special government bond)		5,273,439	5,333,755	27,772	5,151,535	154,448
Financial liabilities						
Bonds issued		439,621	441,775	28,749	413,026	-

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46 Fair value of financial instruments (continued)

46.4 Financial assets and financial liabilities measured at fair value on the consolidated statement of financial position

The tables below summarize the fair values of the financial assets and financial liabilities measured in the consolidated statement of financial position at their fair value.

	31 December 2021			Total
	Level 1	Level 2	Level 3	
Derivative financial assets				
- Exchange rate derivatives	-	20,116	-	20,116
- Interest rate derivatives	-	1,141	-	1,141
- Precious metal contracts	-	721	-	721
Subtotal	-	21,978	-	21,978
Loans and advances to customers				
- Discounted bills and forfeiting	-	502,748	-	502,748
Subtotal	-	502,748	-	502,748
Financial investment				
Financial assets at fair value through profit or loss				
- Held for trading				
Bonds	8,225	119,912	-	128,137
Precious metal contracts	-	21,389	-	21,389
Equity	3,948	1,331	-	5,279
Fund and others	4,261	316	-	4,577
- Other financial assets at fair value through profit or loss				
Bonds	-	154,585	274	154,859
Equity	13,501	12,063	79,112	104,676
Fund and others	251	19,305	19,455	39,011
- Financial assets designated at fair value through profit or loss				
Debt securities	2,273	40	-	2,313
Subtotal	32,459	328,941	98,841	460,241
Other debt instruments and other equity investments at fair value through other comprehensive income				
Debt instruments				
- Bonds	162,072	1,213,723	-	1,375,795
- Others	-	16,896	-	16,896
Equity instruments	1,165	-	3,424	4,589
Subtotal	163,237	1,230,619	3,424	1,397,280
Total assets	195,696	2,084,286	102,265	2,382,247

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46 Fair value of financial instruments (continued)

	31 December 2021			Total
	Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss				
Held for trading				
- Financial liabilities related to precious metals	-	(15,646)	-	(15,646)
Financial liabilities designated at fair value through profit or loss				
- Liabilities of the controlled structured entities	-	-	(214)	(214)
Subtotal	-	(15,646)	(214)	(15,860)
Derivative financial liabilities				
- Exchange rate derivatives	-	(14,734)	-	(14,734)
- Interest rate derivatives	-	(2,366)	-	(2,366)
- Precious metal contracts	-	(2,237)	-	(2,237)
Subtotal	-	(19,337)	-	(19,337)
Due to customers				
Due to customers measured at fair value	-	(52,306)	-	(52,306)
Total liabilities	-	(87,289)	(214)	(87,503)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46 Fair value of financial instruments (continued)

	31 December 2020			Total
	Level 1	Level 2	Level 3	
Derivative financial assets				
- Exchange rate derivatives	-	58,187	-	58,187
- Interest rate derivatives	-	1,009	-	1,009
- Precious metal contracts	-	2,741	-	2,741
Subtotal	-	61,937	-	61,937
Loans and advances to customers				
- Discounted bills and forfeiting	-	577,997	-	577,997
- Negotiation L/C	-	52	-	52
Subtotal	-	578,049	-	578,049
Financial investment				
Financial assets at fair value through profit or loss				
- Held for trading				
Bonds	1,257	181,268	-	182,525
Precious metal contracts	-	21,959	-	21,959
Equity	3,912	1,032	-	4,944
Fund and others	14,323	209	-	14,532
- Other financial assets at fair value through profit or loss				
Bonds	-	132,530	1,478	134,008
Equity	1,842	23,561	71,998	97,401
Fund and others	2,998	6,936	18,897	28,831
- Financial assets designated at fair value through profit or loss				
Debt securities	8,750	55,116	-	63,866
Placements with and loans to banks and other financial institutions	-	24,493	3,442	27,935
Others	-	-	7,068	7,068
Subtotal	33,082	447,104	102,883	583,069
Other debt instruments and other equity investments at fair value through other comprehensive income				
Debt instruments				
- Bonds	114,780	1,417,718	-	1,532,498
- Others	-	531	18,410	18,941
Equity instruments	1,222	-	2,709	3,931
Subtotal	116,002	1,418,249	21,119	1,555,370
Total assets	149,084	2,505,339	124,002	2,778,425

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46 Fair value of financial instruments (continued)

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Held for trading				
- Financial liabilities related to precious metals	-	(13,725)	-	(13,725)
Financial liabilities designated at fair value through profit or loss				
- Placements from banks and other financial institutions by principal guaranteed wealth management	-	-	(9,540)	(9,540)
- Liabilities of the controlled structured entities	(4,222)	-	(230)	(4,452)
- Others	-	(100)	-	(100)
Subtotal	(4,222)	(13,825)	(9,770)	(27,817)
Derivative financial liabilities				
- Exchange rate derivatives	-	(57,756)	-	(57,756)
- Interest rate derivatives	-	(4,357)	-	(4,357)
- Precious metal contracts and others	-	(3,169)	-	(3,169)
Subtotal	-	(65,282)	-	(65,282)
Due to customers				
Due to customers measured at fair value	-	(268,551)	(73,118)	(341,669)
Total liabilities	(4,222)	(347,658)	(82,888)	(434,768)

Substantially all financial instruments classified within Level 2 of the fair value hierarchy are debt investments, currency forwards, currency swaps, interest rate swaps, currency options, precious metal contracts and structured deposit measured at fair value. Fair value of debt investments denominated in RMB is determined based upon the valuation published by the China Central Depository & Clearing Co., Ltd. Fair value of debt investments denominated in foreign currencies is determined based upon the valuation results published by Bloomberg. The fair value of currency forwards, currency swaps, interest rate swaps, currency options and structured deposit measured at fair value are calculated by applying discounted cash flow analysis or the Black Scholes Pricing Model. The fair value of precious metal contracts that are related to the Group's trading activities is determined with reference to the relevant observable market parameters. All significant inputs are observable in the market.

Level 3 financial assets of the Group mainly represented underlying assets invested by principal-guaranteed WMPs issued by the Group including placements with and loans to banks and other financial institutions and credit assets. The counterparties of these placements are primarily non-bank financial institutions in Mainland China. The credit assets are loans and advances to corporate customers in Mainland China. Level 3 financial liabilities largely represented liabilities to the investors of these products. As not all of the inputs needed to estimate the fair value of these assets and liabilities are observable, the Group classified these investment products within Level 3 of the fair value measurement hierarchy. The significant unobservable inputs related to these assets and liabilities are those parameter relating to credit risk, liquidity and discount rate. Management has made assumptions on unobservable inputs based on observed indicators of impairment, significant changes in yield, external credit ratings and comparable credit spreads, but the fair value of these underlying assets and liabilities could be different from those disclosed.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46 Fair value of financial instruments (continued)

The reconciliation of Level 3 classified financial assets and financial liabilities presented at fair value on the consolidated statement of financial position is as follows:

	2021			
	<i>Financial assets at fair value through profit or loss</i>	<i>Other debt instrument and other equity investments at fair value through other comprehensive income</i>	<i>Financial liabilities at fair value through profit or loss</i>	<i>Due to customers measured at fair value</i>
1 January 2021	102,883	21,119	(9,770)	(73,118)
Purchases	32,827	1,792	-	-
Issues	-	-	-	-
Settlements/disposals/transfer out of level 3	(37,436)	(19,277)	9,570	73,553
Total gain/(loss) recognized in				
- Profit or loss	567	659	(14)	(435)
- Other comprehensive income	-	(869)	-	-
31 December 2021	<u>98,841</u>	<u>3,424</u>	<u>(214)</u>	<u>-</u>
Change in unrealized profit or loss for the period included in profit or loss for assets/liabilities held at the end of the year	<u>783</u>	<u>-</u>	<u>-</u>	<u>-</u>
	2020			
	<i>Financial assets at fair value through profit or loss</i>	<i>Other debt instrument and other equity investments at fair value through other comprehensive income</i>	<i>Financial liabilities at fair value through profit or loss</i>	<i>Due to customers measured at fair value</i>
1 January 2020	96,871	20,569	(6,681)	(306,294)
Purchases	62,943	6,875	(230)	-
Issues	-	-	(185,640)	(1,155,477)
Settlements/disposals	(57,086)	(6,406)	183,361	1,395,128
Total loss/(gain) recognized in				
- Profit or loss	155	108	(580)	(6,475)
- Other comprehensive income	-	(27)	-	-
31 December 2020	<u>102,883</u>	<u>21,119</u>	<u>(9,770)</u>	<u>(73,118)</u>
Change in unrealized loss/(gain) for the period included in profit or loss for assets/liabilities held at the end of the year	<u>899</u>	<u>-</u>	<u>(100)</u>	<u>-</u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46 Fair value of financial instruments (continued)

In level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the period are presented in net gain/(loss) on financial investments (Note IV 4) of the consolidated income statement.

47 Events after the reporting period

47.1 Profit appropriation

- (1) On 26 January 2022, pursuant to the resolutions of the Board of Directors' meeting, a cash dividend at the dividend rate of 4.84% per annum related to the second tranche of preference shares amounting to RMB1,936 million in total was approved and the dividend was distributed on 11 March 2022.
- (2) Pursuant to the meeting of the Board of Directors on 30 March 2022, the proposal for profit appropriations of the Bank for the year ended 31 December 2021 are set forth as follows:
 - (i) An appropriation of RMB24,335 million to the statutory surplus reserve (Note IV 36);
 - (ii) An appropriation of RMB32,221 million to the general reserve (Note IV 37);
 - (iii) A cash dividend of RMB0.2068 per ordinary share in respect of the year ended 31 December 2021 based on the number of ordinary shares issued as at 31 December 2021 totaling RMB72,376 million (Note IV 10).

As at 31 December 2021, the statutory surplus reserve had been recognized as appropriation. The other two items will be recognized in the Group's financial statements after approval by ordinary equity holders in the forthcoming Annual General Meeting.

47.2 Undated capital bonds issued

On 22 February 2022, the Bank issued "2022 Undated Capital Bonds (First Tranche) of Agricultural Bank of China Limited" (the "Bonds") in China's national inter-bank bond market. The issue size of the Bonds is RMB50 billion. The proceeds from this issue of the Bonds will be used to replenish the Bank's additional tier 1 capital.

48 Comparatives

Certain comparative amounts have been reclassified to conform with the current year's presentation.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49 Statement of financial position of the bank

	<i>As at 31 December</i>	
	2021	2020
Assets		
Cash and balances with central banks	2,320,907	2,436,779
Deposits with banks and other financial institutions	198,745	413,567
Precious metals	96,504	87,357
Placements with and loans to banks and other financial institutions	531,065	634,055
Derivative financial assets	21,978	61,937
Financial assets held under resale agreements	832,216	812,797
Loans and advances to customers	16,377,896	14,489,992
Financial investments		
Financial assets at fair value through profit or loss	320,106	396,298
Debt instrument investments at amortized cost	6,337,768	5,651,053
Other debt instrument and other equity investments at fair value through other comprehensive income	1,337,218	1,439,296
Investment in subsidiaries	51,523	41,544
Investments in associates and joint ventures	1,073	210
Controlled structured entities investments	-	119,862
Property and equipment	140,675	139,588
Deferred tax assets	142,180	132,489
Other assets	127,195	143,978
Total assets	28,837,049	27,000,802
Liabilities		
Borrowings from central banks	747,101	737,048
Deposits from banks and other financial institutions	1,636,419	1,413,174
Placements from banks and other financial institutions	233,468	344,907
Financial liabilities at fair value through profit or loss	15,646	23,365
Derivative financial liabilities	19,337	65,254
Financial assets sold under repurchase agreements	30,456	104,440
Due to customers	21,906,047	20,371,534
Debt securities issued	1,461,094	1,326,408
Other liabilities	388,958	427,892
Total liabilities	26,438,526	24,814,022

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49 Statement of financial position of the bank (continued)

	<i>As at 31 December</i>	
	2021	2020
Equity		
Ordinary shares	349,983	349,983
Other equity instruments	359,872	319,875
Preference shares	79,899	79,899
Perpetual bonds	279,973	239,976
Capital reserve	173,357	173,357
Investment revaluation reserve	34,262	25,784
Surplus reserve	219,926	195,591
General reserve	348,955	309,642
Retained earnings	913,752	812,626
Foreign currency translation reserve	(1,584)	(78)
	2,398,523	2,186,780
Total equity	2,398,523	2,186,780
Total equity and liabilities	28,837,049	27,000,802

Approved and authorized for issue by the Board of Directors on 30 March 2022.

Gu Shu
Chairman

Zhang Qingsong
Vice Chairman

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Statement of changes in equity of the bank

	<i>Ordinary shares</i>	<i>Other equity instruments</i>	<i>Capital reserve</i>	<i>Investment revaluation reserve</i>	<i>Surplus reserve</i>	<i>General reserve</i>	<i>Retained earnings</i>	<i>Foreign currency translation reserve</i>	<i>Total</i>
As at 31 December 2020	349,983	319,875	173,357	25,784	195,591	309,642	812,626	(78)	2,186,780
Profit for the year	-	-	-	-	-	-	243,354	-	243,354
Other comprehensive income	-	-	-	8,478	-	-	-	(1,506)	6,972
Total comprehensive income for the year	-	-	-	8,478	-	-	243,354	(1,506)	250,326
Capital contribution from equity holders	-	39,997	-	-	-	-	-	-	39,997
Appropriation to surplus reserve	-	-	-	-	24,335	-	(24,335)	-	-
Appropriation to general reserve	-	-	-	-	-	39,313	(39,313)	-	-
Dividends paid to ordinary equity holders	-	-	-	-	-	-	(64,782)	-	(64,782)
Dividends paid to other equity instrument holder	-	-	-	-	-	-	(13,798)	-	(13,798)
As at 31 December 2021	<u>349,983</u>	<u>359,872</u>	<u>173,357</u>	<u>34,262</u>	<u>219,926</u>	<u>348,955</u>	<u>913,752</u>	<u>(1,584)</u>	<u>2,398,523</u>

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Statement of changes in equity of the bank (continued)

	Ordinary shares	Other equity instruments	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Total
As at 31 December 2019	349,983	199,886	173,357	29,549	174,551	275,790	730,309	1,960	1,935,385
Profit for the year	-	-	-	-	-	-	210,401	-	210,401
Other comprehensive income	-	-	-	(3,765)	-	-	-	(2,038)	(5,803)
Total comprehensive income for the year	-	-	-	(3,765)	-	-	210,401	(2,038)	204,598
Capital contribution from equity holders	-	119,989	-	-	-	-	-	-	119,989
Appropriation to surplus reserve	-	-	-	-	21,040	-	(21,040)	-	-
Appropriation to general reserve	-	-	-	-	-	33,852	(33,852)	-	-
Dividends paid to ordinary equity holders	-	-	-	-	-	-	(63,662)	-	(63,662)
Dividends paid to other equity instrument holder	-	-	-	-	-	-	(9,530)	-	(9,530)
As at 31 December 2020	<u>349,983</u>	<u>319,875</u>	<u>173,357</u>	<u>25,784</u>	<u>195,591</u>	<u>309,642</u>	<u>812,626</u>	<u>(78)</u>	<u>2,186,780</u>

Agricultural Bank of China Limited
(Incorporated in the People's Republic of China
with Limited Liability)
Unaudited Supplementary Financial Information

For the year ended 31 December 2021

Unaudited supplementary financial information for the year ended 31 December 2021

(Amounts in millions of Renminbi, unless otherwise stated)

According to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Banking (Disclosure) Rules, the Group discloses the following supplementary information:

1 Liquidity coverage ratios

	<i>Three months ended</i>			
	<i>31 March 2021</i>	<i>30 June 2021</i>	<i>30 September 2021</i>	<i>31 December 2021</i>
Average Liquidity Coverage Ratio	129.8%	127.3%	127.9%	121.1%

	<i>Three months ended</i>			
	<i>31 March 2020</i>	<i>30 June 2020</i>	<i>30 September 2020</i>	<i>31 December 2020</i>
Average Liquidity Coverage Ratio	145.2%	141.7%	109.6%	116.3%

The liquidity coverage ratios were also in accordance with the Rules on Liquidity Risk Management of Commercial Banks issued by the CBIRC and applicable calculation requirements, and based on the data determined under the PRC GAAP.

2 Currency concentrations

	<i>Equivalent in millions of RMB</i>			
	<i>USD</i>	<i>HKD</i>	<i>Other</i>	<i>Total</i>
31 December 2021				
Spot assets	948,956	125,183	186,204	1,260,343
Spot liabilities	(914,889)	(121,991)	(143,268)	(1,180,148)
Forward purchases	1,169,736	46,303	85,630	1,301,669
Forward sales	(1,165,736)	(24,260)	(121,580)	(1,311,576)
Net options position	15,263	-	49	15,312
Net long position	53,330	25,235	7,035	85,600
Net structural position	4,766	7,664	5,515	17,945

2 Currency concentrations (continued)

	<i>Equivalent in millions of RMB</i>			<i>Total</i>
	<i>USD</i>	<i>HKD</i>	<i>Other</i>	
31 December 2020				
Spot assets	945,515	115,422	198,148	1,259,085
Spot liabilities	(924,311)	(115,269)	(145,891)	(1,185,471)
Forward purchases	1,172,479	43,880	68,332	1,284,691
Forward sales	(1,115,324)	(24,756)	(96,172)	(1,236,252)
Net options position	(23,016)	-	(2,798)	(25,814)
Net long position	<u>55,343</u>	<u>19,277</u>	<u>21,619</u>	<u>96,239</u>
Net structural position	<u>6,212</u>	<u>6,125</u>	<u>3,103</u>	<u>15,440</u>

3 Overdue and rescheduled assets

(1) Gross carrying amount of overdue loans and advances to customers

	<i>As at 31 December</i>	
	<i>2021</i>	<i>2020</i>
Overdue		
Within 3 months	74,359	78,228
Between 3 and 6 months	29,079	27,106
Between 6 and 12 months	23,768	33,687
Over 12 months	57,715	56,412
Total	<u>184,921</u>	<u>195,433</u>
Percentage of overdue loans and advances to customers in total loans		
Within 3 months	0.43%	0.52%
Between 3 and 6 months	0.17%	0.18%
Between 6 and 12 months	0.14%	0.22%
Over 12 months	0.34%	0.37%
Total	<u>1.08%</u>	<u>1.29%</u>

3 Overdue and rescheduled assets (continued)

(2) Rescheduled loans and advances to customers

	<i>As at 31 December</i>	
	2021	2020
Total rescheduled loans and advances to customers	18,307	14,546
Including: rescheduled loans and advances to customers overdue for not more than 3 months	656	1,539
Percentage of rescheduled loans and advances to customers overdue for not more than 3 months in total loans	0.00%	0.01%

(3) **Gross carrying amount of overdue placements with and loans to banks and other financial institutions.**

There were no overdue in the Group's placements with and loans to banks and other financial institutions as at 31 December 2021 and 31 December 2020.