中国邮政储蓄银行
POSTAL SAVINGS BANK OF CHINA

POSTAL SAVINGS BANK OF CHINA CO., LTD.
中國郵政儲蓄銀行股份有限公司

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

(Stock code: 1658)
(Stock Code of Preference Shares: 4612)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021

The board of directors (the "**Board**") of Postal Savings Bank of China Co., Ltd. (the "**Bank**") hereby announces the audited annual results of the Bank and its subsidiaries for the year ended December 31, 2021 and the proposed payment of cash dividend for 2021. The Audit Committee of the Board of the Bank has reviewed such audited annual results. This announcement complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of annual results. The printed version of the Bank's Annual Report for 2021 will be sent to the shareholders of the Bank in due course and the Annual Report for 2021 is available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Bank at www.psbc.com.

By order of the Board
Postal Savings Bank of China Co., Ltd.
Du Chunye
Joint Company Secretary

Beijing, PRC
March 30, 2022

As at the date of this announcement, the Board of the Bank comprises Mr. Zhang Jinliang as Chairman and Non-executive Director; Mr. Liu Jianjun, Mr. Zhang Xuewen and Ms. Yao Hong as Executive Directors; Mr. Han Wenbo, Mr. Chen Donghao, Mr. Wei Qiang, Mr. Liu Yue and Mr. Ding Xiangming as Non-executive Directors; Mr. Fu Tingmei, Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson, Mr. Hu Xiang and Ms. Pan Yingli as Independent Non-executive Directors.

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

Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and the senior management of the Bank undertake that the information in this report does not contain any false record, or misleading statement or material omission, and assume individual and joint and several liabilities for the truthfulness, accuracy and completeness of the information in this report.

The 2021 Annual Report, highlights and results announcement have been reviewed and approved at the meeting of the Board of Directors of the Bank held on March 30, 2022. There were 14 Directors of the Bank eligible for attending the meeting, among which 13 Directors attended the meeting in person. Due to other business arrangements, Director Chung Shui Ming Timpson entrusted Director Hu Xiang in writing to attend and vote at the meeting on his behalf. The attendance was in compliance with the requirements of the Company Law of the People's Republic of China and the Articles of Association.

In accordance with the Company Law of the People's Republic of China, the Administrative Measures for Provisioning of Financial Enterprises, the Articles of Association and relevant requirements, a statutory surplus reserve of RMB7,417 million and a general reserve of RMB27.083 billion were appropriated for 2021. On the basis of 92,383,967,605 ordinary shares of the total share capital of the Bank, totaling approximately RMB22,856 million (before tax) of cash dividends will be distributed to all the ordinary shareholders whose names appeared on the share register on the record date with RMB2.474 (before tax) per ten ordinary shares. Cash dividends are denominated and declared in Renminbi, and paid to holders of A shares in Renminbi and to holders of H shares in Hong Kong dollars converted at the RMB central parity rate announced by the PBOC on the day of the Bank's 2021 Annual General Meeting. The remaining undistributed profits are carried forward to the next year. The Bank did not convert its capital reserve to share capital in 2021. The aforesaid profit distribution scheme is subject to the review and approval at the 2021 Annual General Meeting. For the Bank's profits of the reporting period, please refer to "Discussion and Analysis – Analysis of Financial Statements".

During the reporting period, there was no misappropriation of the Bank's funds by its controlling shareholder or other related parties for non-operating purposes and no material guarantee business that violated the applicable regulations and procedures.

The financial report of the Bank for the year 2021, prepared in accordance with PRC GAAP and IFRSs, has been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu in accordance with domestic and international auditing standards respectively with unqualified auditor's reports issued.

The Board of Directors of Postal Savings Bank of China Co., Ltd.
March 30, 2022

Mr. Zhang Jinliang, Legal Representative of the Bank, Mr. Zhang Xuewen, Vice President in charge of finance of the Bank, and Mr. Liu Yucheng, General Manager of the Finance and Accounting Department of the Bank, hereby declare and warrant the truthfulness, accuracy and completeness of the financial statements contained in this report.

This report contains forward-looking statements on the Bank's financial position, business performance and development. These statements are based on existing plans, estimates and forecasts, and may involve future plans which do not constitute any substantive commitments to investors by the Bank. Hence, investors and persons concerned shall be fully aware of the risks and understand the difference between plans, estimates and commitments.

During the reporting period, the Bank was not aware of any material risk that would adversely affect its future development strategies and business targets. The Bank proactively took measures to effectively manage all kinds of risks. Please refer to "Discussion and Analysis – Risk Management" for more details.

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

Contents

Definitions

"Articles of Association"	The Articles of Association of Postal Savings Bank of China Co., Ltd., as amended, supplemented or otherwise modified from time to time
"Bank/PSBC/Postal Savings Bank of China"	Postal Savings Bank of China Co., Ltd., a joint stock limited liability company established in the PRC in accordance with PRC laws, including its predecessors, branches and sub-branches, directly-operated outlets and agency outlets (to the extent of agency outlets' operations, risk management and licenses in relation to agency banking businesses they conduct) and subsidiaries (where the context so requires)
"CBIRC/CBRC"	China Banking and Insurance Regulatory Commission, or its predecessor, the former China Banking Regulatory Commission (where the context so requires)
"central bank/PBOC"	People's Bank of China
"China Post Group"	China Post Group Corporation Limited, a wholly state-owned company restructured from the former China Post Group Corporation in accordance with the Company Law of the People's Republic of China, is the controlling shareholder of the Bank
"CSRC"	China Securities Regulatory Commission
"direct bank/YOU+ BANK"	YOU+ BANK, a direct bank subsidiary set up by the Bank
"Group"	The Bank and its subsidiaries
"Hong Kong Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRSs"	International Financial Reporting Standards and the related amendments and interpretations issued by the International Accounting Standards Board
"loans to micro and small enterprises"	The loans to micro and small enterprises which comply with the classification standards of the CBIRC, including the loans to small-sized enterprises, loans to micro-sized enterprises, loans to self-employed traders and loans to small and micro-sized business owners; the classification standards of enterprises strictly follow the Classification Standards of Small and Medium Enterprises
"MOF"	Ministry of Finance of the PRC
"new rules on asset management"	Guiding Opinions on Regulating Asset Management Business of Financial Institutions and other related regulations
"PRC GAAP"	The Accounting Standards for Business Enterprises issued by the MOF on February 15, 2006, and the relevant laws and regulations issued thereafter
"PSBC Consumer Finance"	PSBC Consumer Finance Co., Ltd.
"PSBC Wealth Management"	PSBC Wealth Management Co., Ltd.
"Sannong"	Agriculture, rural areas and farmers
"SFO"	The Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time

"SMEs"	The enterprises classified as micro, small, and medium-sized enterprises under the Classification Standards of Small and Medium Enterprises
"SSE"	Shanghai Stock Exchange
"Three Regions and Three Prefectures"	Tibet Autonomous Region, the Tibetan inhabited areas in four provinces (Qinghai, Sichuan, Yunnan and Gansu), four prefectures in southern Xinjiang Autonomous Region, Liangshan Prefecture of Sichuan Province, Nujiang Prefecture of Yunnan Province, and Linxia Prefecture of Gansu Province

The currency for the amounts included in this report, unless otherwise stated, is Renminbi ("RMB").

Certain amounts and percentage figures included in this report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Company Profile

The postal savings business in China can be traced back to its start in 1919 with a history of over one hundred years. In March 2007, based on the reform of the previous postal savings management system, Postal Savings Bank of China Limited was officially established. The Bank was transformed into a joint stock limited liability company in January 2012, introduced ten strategic investors from home and abroad in December 2015, went public and was listed on the Hong Kong Stock Exchange in September 2016, and was listed on the Shanghai Stock Exchange in December 2019, successfully accomplishing the three-step reform, namely "joint stock reform, introduction of strategic investors and initial public offerings of A share and H share".

Serving over 600 million personal customers

Having approximately 40,000 outlets

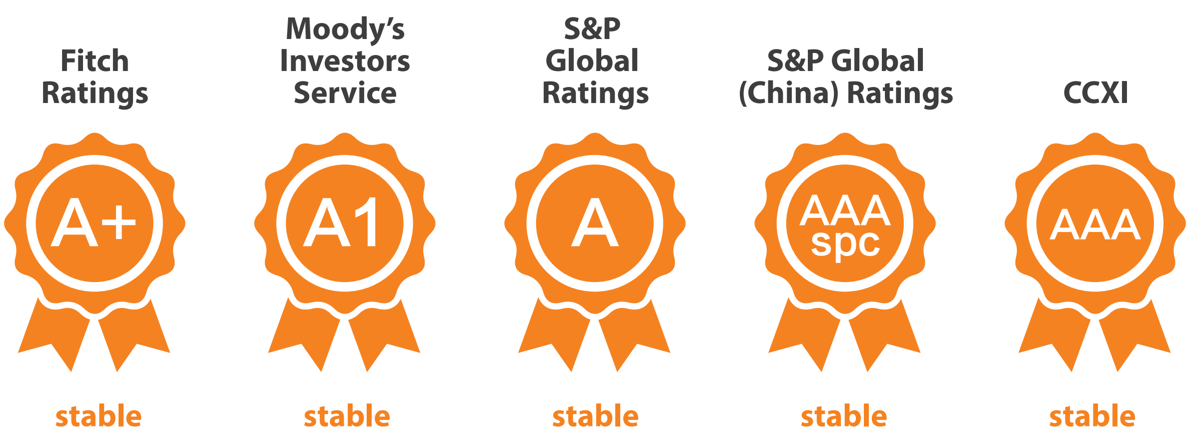
With approximately 40,000 outlets and services covering over 600 million personal customers, the Bank strategically focuses on providing financial services to Sannong customers, urban and rural residents and SMEs. Relying on its unique model and resource endowment featuring directly-operated outlets and agency outlets, it is committed to meeting the financial needs of the most promising customers during China's economic transformation. In addition, the Bank is accelerating its transformation towards a new retail bank featuring data-driven, channel coordination, interaction between wholesale and retail as well as efficient operation. It has shown its superior asset quality and significant development potential, and is a leading retail bank in China.

The Bank is committed to serving the real economy, actively implementing the national development strategy and supporting the development of the modern economic system of China, and fulfilling its social responsibilities. The Bank adheres to the customer-centric philosophy and has established a financial service system where online and offline services connect with each other for joint development, providing our customers with quality, convenient and efficient integrated financial services. It adheres to the risk-based approach and a prudent and sound risk appetite, and continuously improves the development of the comprehensive risk management system featuring "all aspects, whole process and entire staff". It continues to follow the operation philosophy of "gaining a first-mover advantage with market insights", and strives for high-quality development in fields of inclusive finance, wealth finance, industry finance and green finance.

Ranked **15th** in The Banker's list of "Top 1000 World Banks" in terms of tier 1 capital

Since its establishment 15 years ago, the Bank has been playing an increasingly important role in the market with marked influence. It has been rated A+ and A1 this year by Fitch Ratings and Moody's Investors Service respectively, which are the same as China's sovereignty credit ratings. It has been rated A, AAAspc and AAA with a stable outlook by S&P Global Ratings, S&P Global (China) Ratings and CCXI. In 2021, it ranked 15th in The Banker's list of "Top 1000 World Banks" in terms of tier 1 capital.

Faced with the period of important strategic opportunities for China's economic and social development, the Bank will thoroughly implement the new development concept, focus on high-quality development, stay committed to the general principle of pursuing progress while ensuring stability, comprehensively deepen reform and innovation, and accelerate the transformation and development towards "uniqueness, comprehensiveness, lightness, digitalization and intensiveness". Committed to fulfilling its economic, political and social responsibilities as a major state-owned bank, the Bank will continue to improve the quality and efficiency of serving the real economy and the ability of serving customers, and make every effort to be a first-tier large retail bank which is trustworthy, distinctive, prudent, safe, innovative, and with remarkable value.



Strategic Positioning and Corporate Culture

Strategic Vision

Build a first-tier large retail bank which is trustworthy, distinctive, prudent, safe, innovative, and with remarkable value

Strategic Target

Empower high-quality development with financial technology, accelerate transformation of business model, build a smart risk control system and enhance value creation to be a leading digital ecology bank serving the rural revitalization and new urbanization

Company Spirit

Be responsible, resilient and caring

Mission

Deliver accessible financial services in both urban and rural areas

Brand Premise

Together we make it better

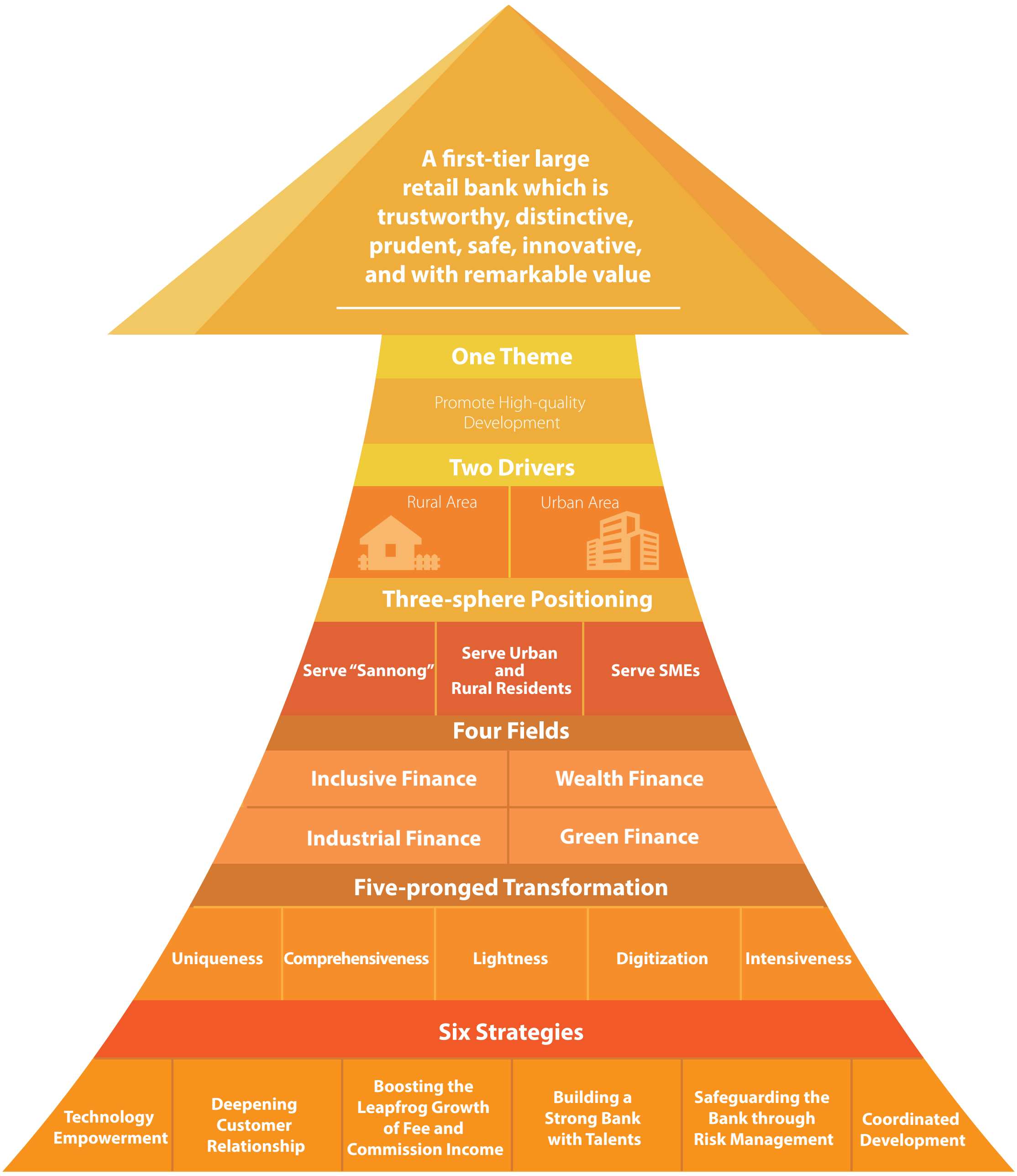
Company Philosophies

Management philosophy:	Keep it simple and reduce administrative burden.
Business philosophy:	Gain a first-mover advantage with market insights.
Risk philosophy:	Prudence and compliance lead to stability, and risk control is the key to sustainable development.
Service philosophy:	Pour our heart and soul for customer satisfaction.
Talent philosophy:	Respect the value of employees, tap their potential, and bring them closer to their dreams.
Coordination philosophy:	See the bigger picture, act with one mind, and make progress toward a shared future.

Values

Create value for customers.
Integrity is the cornerstone of our development.
Prudence leads to sustainability.
Employees are our greatest asset.
Excellence comes through professionalism.
Embrace change and keep innovating.

PSBC's 14th Five-Year Plan Outline



Strategic Positioning and Corporate Culture

As the world is experiencing a scale of changes unseen in a century, the banking industry sees both opportunities and challenges amid a complex and changing environment. Guided by the outline of China's 14th Five-Year Plan, the Bank has based its development on macroeconomic and financial situations, trends of the banking industry and its own characteristics, continued to pursue high-quality development as the main task, and established six major development strategies, namely technology empowerment, deepening customer relationship, boosting the leapfrog growth of fee and commission income, building a strong bank with talents, safeguarding the Bank through risk management, and coordinated development, so as to harmonize the quality, structure, size, speed, returns and safety of development.

Strategy of Technology Empowerment

The Bank will push forward the reform of modes of development and operation through digital transformation, promote data-driven customer acquisition, activation and retention, and greatly improve customer experience. It will also strengthen the building of a professional IT team, build a smart data ecosystem, advance agile management from end to end, and enhance FinTech innovation and application capabilities.

Strategy of Deepening Customer Relationship

With a customer-centric approach, the Bank aims to provide professional, efficient and value-added integrated financial service solutions to create value for customers. It will set clear positioning for different customer groups, build a customer segmentation management system, improve customer service lifecycle management, and enhance customer experience in all dimensions with integrated products, professional services through intelligent channels.

Strategy of Boosting the Leapfrog Growth of Fee and Commission Income

Under the primary goal of establishing a long-term mechanism for sustainable development, the Bank aims to enhance the core competitiveness of its intermediary business from four aspects, namely, innovating development models, optimizing business structure, reinforcing coordination and synergy, and improving systems and mechanisms.

Strategy of Building a Strong Bank with Talents

The Bank will foster the awareness of human resources being the most valuable resource and accelerate the reform of systems and mechanisms as well as policy innovation for human resource development. It will cultivate and build a well-structured, high-quality talent team at a moderate scale, set up a talent development system that is in line with its strategy and with PSBC characteristics, explore ways to improve the application of intelligent and information technologies in talent management and facilitate the building of a first-tier large retail bank with adequate talents and extensive intellectual support.

Strategy of Safeguarding the Bank through Risk Management

The Bank will improve its internal risk control and management mechanism, develop risk management philosophies in line with its strategic objectives, highlight high-quality development, and strengthen capacity building over management of main risks and internal control. Focusing on the organizational structure, management process, accountability mechanism and risk management instruments, it will reinforce its risk management and internal control as an important means to sharpen its competitiveness and realize value creation through risk management.

Strategy of Coordinated Development

Through collaboration with China Post Group, coordination of all channels, among business lines and with its subsidiaries, PSBC will effectively integrate resources to expand the boundaries and possibilities of business development. It will also tap into the synergistic effects to the fullest, improve operational efficiency, realize effective use of resources, and boost cohesion with China Post Group, thus generating better returns and gaining new advantages to meet customers' financial needs in a closed-loop manner.

Scan the code for more videos ▲

Culture is the echo of history and shows us the road ahead

From the launch of the postal savings business in 1919 to the establishment of PSBC in 2007, from its inclusion as a major state-owned bank in 2019 to the successful completion of the three-step reform goals, namely "joint stock reform, introduction of strategic investors, and A- and H-share IPOs", at each stage throughout its over-100-year history, the Bank resolutely fulfilled its major responsibilities of serving the economy, people's livelihood and society, inherited the service philosophies of being inclusive, close to the people and unpretentious, and carried forward the spirit of dedication, sense of responsibility and forging ahead from China Post. The century-old history of PSBC is not only the source of confidence in culture for the people of PSBC, but also the core competitiveness to win the future.

1919

The Postal Savings Bureau, the predecessor of Postal Savings Bank of China, was established. Since the start, postal savings business has been following the philosophy of "sparing no efforts in delivering service despite triviality; striving for reliability rather than big profits".

1930

The Postal Savings and Remittance Administration was established, known as the "bank of the people" at that time.

1935

The Postal Savings and Remittance Administration was changed to the Postal Savings and Remittance Bureau.

1949

The Postal Savings and Remittance Bureau was taken over by People's Post, and ran its business under the guidance of PBOC.

1950

The postal savings business was changed to agency business, collecting personal deposits and non-operating group deposits of the public for banks.

1953

The postal savings business was suspended whereas the Bureau continued to offer remittance services.

1986

The postal savings business was resumed. By leveraging the vast number of postal outlets, the business widely collected small-amount deposits from individuals and raised funds for the development of the country.

1994

The Green Card project for postal savings was commenced.

2001

Postal savings was linked by a national network, whereby postal savings users with the debit card of "Green Card" or the current passbook may enjoy cash deposit and withdraw services in any city or county connected to the national network.

Culture is the call of duty and demonstrates our value

In 2013, "inclusive finance" was officially written into Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening the Reform at the Third Plenary Session of the 18th CPC Central Committee. As an advocate and forerunner of inclusive finance, PSBC has actively served the national strategies and embarked on a unique path of commercially sustainable development. Relying on approximate 40,000 outlets in urban and rural areas, the Bank stays committed to developing inclusive finance, continues to innovate and forge ahead on the road of serving Sannong customers, urban and rural residents and SMEs. The long-term trust from hundreds of millions of customers is the driving force of the Bank's sustainable development, and also highlights the value of each PSBCer.

2007

Postal Savings Bank of China was officially established, strategically focusing on providing financial services to Sannong customers, urban and rural residents and SMEs. It established the unique "self-operated + agency" operation model in the banking industry of China.

2012

Postal Savings Bank of China was transformed to a joint-stock limited liability company.

2015

The Bank introduced ten strategic investors from home and abroad. PSBC Consumer Finance Co., Ltd. was established and open for business.

2016

The Bank completed the initial public offering on the Main Board of the Hong Kong Stock Exchange and gained access to international capital markets.

2019

The Bank was successfully listed on the Shanghai Stock Exchange. PSBC Wealth Management Co., Ltd. was established and open for business.

邮惠万家银行

2021

The Bank obtained approval from the CBIRC on the opening for business of YOU+ BANK, making it the first major state-owned bank to participate in the direct banking pilot program.

Culture is an inner beacon that guides our behavior

The world is experiencing a scale of changes unseen in a century. Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank would carry forward the core socialist values, remain true to our original aspiration, keep our mission firmly in mind, translate the brand premise of "Together We Make it Better" into actions, and press ahead our business in terms of management, operation, risk control, service, human resources and coordination, and endeavor to develop a first-tier large retail bank which is responsible, resilient and caring.

Corporate Information

Legal name in Chinese	中國郵政儲蓄銀行股份有限公司(“中國郵政儲蓄銀行”)
Legal name in English	POSTAL SAVINGS BANK OF CHINA CO., LTD. (“PSBC”)
Legal representative	Zhang Jinliang
Chairman	Zhang Jinliang
President	Liu Jianjun
Authorized representatives	Yao Hong, Du Chunye
Secretary to the Board of Directors	Du Chunye Address: No. 3 Financial Street, Xicheng District, Beijing Telephone: 86-10-68858158 Fax: 86-10-68858165 E-mail: psbc.ir@psbcoa.com.cn
Registered address and place of business	No. 3 Financial Street, Xicheng District, Beijing
Principal place of business in Hong Kong	40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wan Chai, Hong Kong
Contacts for investors	Postal code: 100808 Telephone: 86-10-68858158 Fax: 86-10-68858165 E-mail: psbc.ir@psbcoa.com.cn Website: www.psbc.com
Hotline for customer services and complaints	86-95580
Information disclosure media	China Securities Journal (www.cs.com.cn), Shanghai Securities News (www.cnstock.com), Securities Times (www.stcn.com), Securities Daily (www.zqrb.cn)
Annual report available at	Office of the Board of Directors of the Bank No. 3 Financial Street, Xicheng District, Beijing
Unified social credit code	9111000071093465XC
A share listing place, stock name, stock code and website for publication of annual report	Stock exchange on which shares are listed: Shanghai Stock Exchange Stock name: Postal Savings Bank of China Stock code: 601658 Share Registrar: China Securities Depository and Clearing Corporation Limited, Shanghai Branch 188 Yanggao South Road, Pudong New Area, Shanghai Website of Shanghai Stock Exchange for publication of annual report: www.sse.com.cn

H share listing place, stock name, stock code and website for publication of annual report	Stock exchange on which shares are listed: The Stock Exchange of Hong Kong Limited Stock name: Postal Savings Bank of China Stock code: 1658 Share Registrar: Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong Website of Hong Kong Stock Exchange for publication of annual report: www.hkexnews.hk
Preference share listing place, stock name and stock code	Stock exchange on which shares are listed: The Stock Exchange of Hong Kong Limited Stock name: PSBC 17USDPREF Stock code: 4612
Legal advisor as to laws of the Chinese mainland	King & Wood Mallesons
Legal advisor as to laws of Hong Kong, PRC	Clifford Chance LLP
Domestic auditor	Deloitte Touche Tohmatsu Certified Public Accountants LLP Place of business: 30/F, 222 Yan An Road East, Huangpu District, Shanghai Signing accountants: Wu Weijun, Hu Xiaojun, Shen Xiaohong
International auditor	Deloitte Touche Tohmatsu
Sponsors for continuous supervision and guidance	China International Capital Corporation Limited Place of business: 27th and 28th Floor, China World Office 2, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing Signing sponsors: Zhou Shaolong, Li Yifan Period of continuous supervision and guidance: December 10, 2019 to December 31, 2022 China Post Securities Co., Ltd. Place of business: No. 17 Zhushikou East Street, Dongcheng District, Beijing Signing sponsors: Li Yong, Xie Min Period of continuous supervision and guidance: December 10, 2019 to January 5, 2021 CITIC Securities Co., Ltd. Place of business: 23rd Floor, CITIC Securities Building, No. 48 Liangmaqiao Road, Chaoyang District, Beijing Signing sponsors: Sun Yi, Ma Xiaolong Period of continuous supervision and guidance: January 6, 2021 to December 31, 2022

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

Rankings and Awards

Rankings

Top 1000 World Banks

(in terms of tier 1 capital at the end of 2020)

The Banker (UK)

Ranked 39th in 2016	Ranked 22nd in 2019	Ranked 15th in 2021

Global 2000 – the World's 2000 Largest Public Companies in 2021	China Top 500 Companies	The World's Top 500 Most Valuable Brands	Top 1000 World Banks
Ranked 28th	Ranked 38th	Ranked 133rd	Ranked 15th
Forbes	(in terms of operating income in 2020) Fortune China	Brand Finance	(in terms of tier 1 capital at the end of 2020) The Banker (UK)

Awards and Honors

- National Advanced Unit of Law Popularization
  Publicity Department of the Communist Party of China, Ministry of Justice, the National Office for Law Popularization

- Advanced Organization in building exemplary institutions of Central CPC and Government Organs
- Advanced Primary-Level Party Organization of CPC Central Committee and Government Organs
  Work Committee of CPC Central Committee and Government Organs

- Financial Technology Development Award of the Year
  The PBOC

- Excellent Organizer in Joint Financial Literacy and Education Campaign
  Financial Rights Protection Bureau of the CBIRC

- Market Influence Award of the Year
  National Interbank Funding Center

- Advanced Organization for Green Bank Evaluation of the Year
  China Banking Association

- Bond Market Leader Institution of the Year
  China Central Depository & Clearing Co., Ltd.

- Outstanding Dealer (Bank)
  Shanghai Commercial Paper Exchange Corporation Ltd.

- Award for Outstanding Contribution to the Co-Building of Acceptance Environment
  China UnionPay

- IFF Global Green Finance Award Innovation Award
  The International Financial Forum (IFF)

- Excellent Case of Financial Services for Micro, Small and Medium-sized Enterprises
  Organizing Committee of China SME Investment & Financing Expo

- Demonstration Case of Facilitating Rural Revitalization in the Financial Industry at the Beginning of the 14th Five-Year Plan Period
  Liaowang Think Tank

- Best Consumer Bank
- Outstanding Leadership in Green Loans of Asia-Pacific
  Global Finance

- Best Investor Relations Award
- Best Investment Value Award
  China Financial Market

- Most Valuable Listed Company
- Best Listed Company for ESG Practices
  Ta Kung Wen Wei Media Group

- Demonstration Institution of Financial Services for Rural Revitalization of the Year
  Hong Kong Commercial Daily

- Outstanding Contribution Award for Technology Empowerment of Financial Business Development
- Outstanding Contribution Award for Information Security in the Financial Industry
  Financial Computerizing

- Top 10 Intelligent Risk Management Innovation Award
  The Chinese Banker

- Best Inclusive Financial Services Bank of the Year
  Financial News

- Top 10 Socially Responsible Organizations of the Year
  China Banking and Insurance News

- The Gamma Award for High-Quality Development Bank of the Year
- The Gamma Award for Golden Bank Brand of the Year
  Securities Times

- Golden Bull Award for Bank Wealth Management Products
  China Securities Journal

- Sustainable Development Benefits Award
  Caijing Magazine

- Asian Excellent Commercial Bank of the Year
- Technology Bank of the Year
  21st Century Business Herald

- Best Risk Control and Wealth Management Bank
  China Business News

- Digital Operation Bank of the Year
  China Times

- Outstanding Major State-owned Commercial Bank of the Year
  China.com.cn

- Carbon Finance Pioneer of the Year
  The Paper

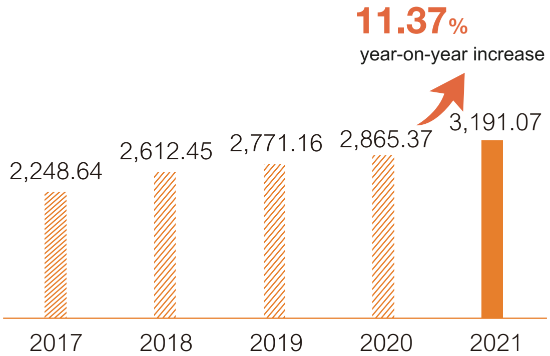
- Outstanding Risk Control and Management Award
  JRJ.com

- Top 30 Employers of the Year
  Zhaopin.com and the Institute of Social Science Survey of Peking University

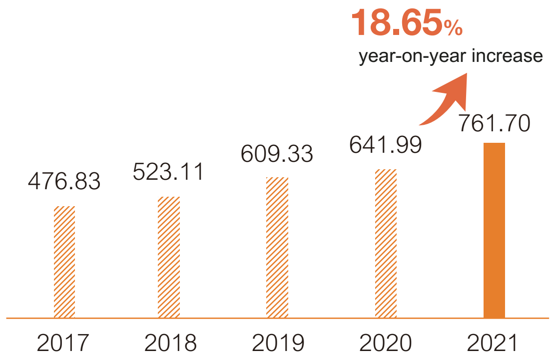
Financial Highlights

Financial data and indicators in this report have been prepared in accordance with the IFRSs. Unless otherwise specified, they are consolidated data of the Bank and its subsidiaries and denominated in Renminbi.

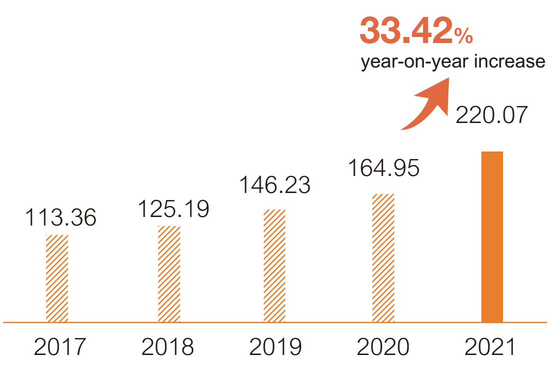
Operating income
(In 100 millions of RMB)



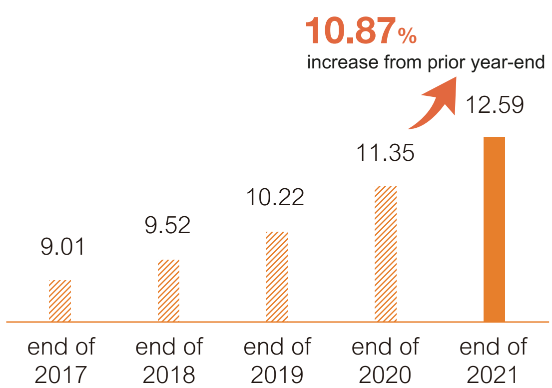
Net profit attributable to equity holders of the Bank
(In 100 millions of RMB)



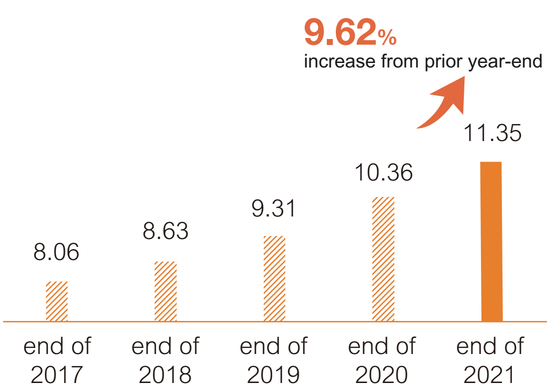
Net fee and commission income
(In 100 millions of RMB)



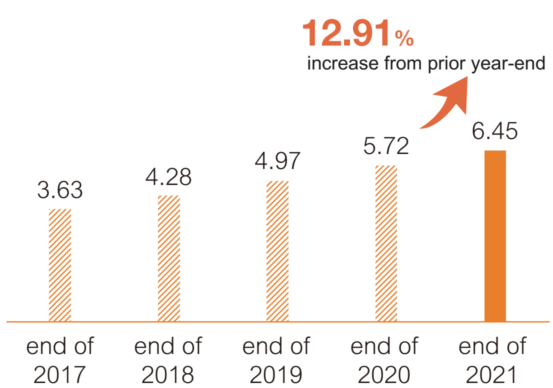
Total assets
(In trillions of RMB)



Customer deposits
(In trillions of RMB)

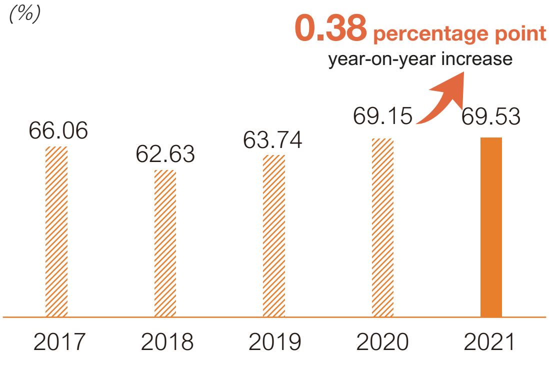


Total loans to customers
(In trillions of RMB)



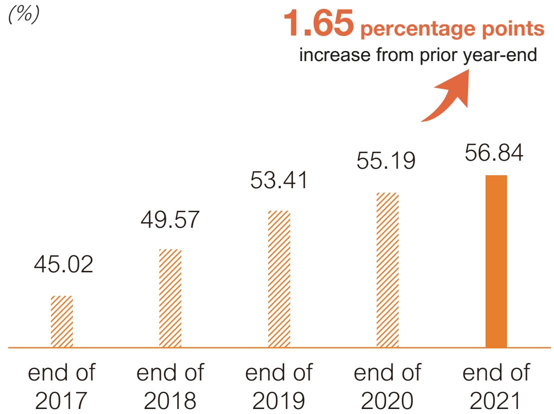
Percentage of operating income of personal banking business

(%)



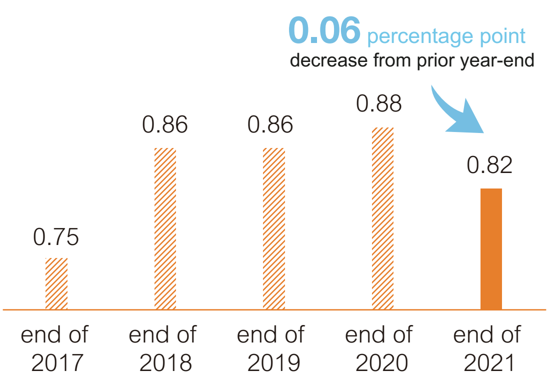
Loan-to-deposit ratio

(%)



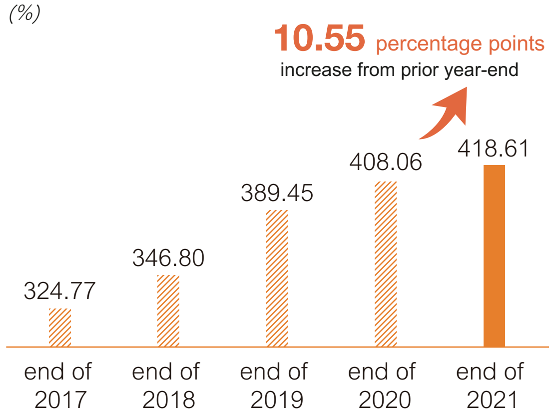
Non-performing loan ratio

(%)



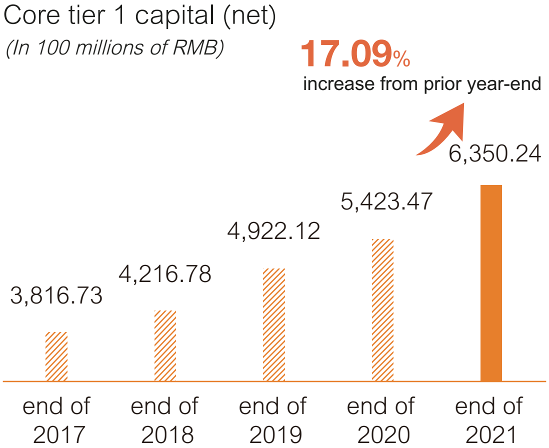
Allowance to NPLs ratio

(%)



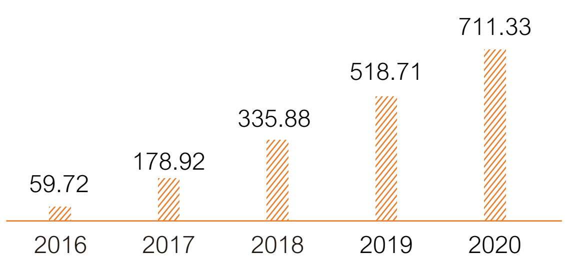
Core tier 1 capital (net)

(In 100 millions of RMB)



Accumulated cash dividends

(In 100 millions of RMB)



Key Financial Data

In millions of RMB, unless otherwise stated

Item	2021	2020	2019	2018	2017
Operating results					
Operating income	319,107	286,537	277,116	261,245	224,864
Net interest income[(1)]	269,382	253,378	242,686	236,037	189,516
Net fee and commission income[(1)]	22,007	16,495	14,623	12,519	11,336
Operating expenses	190,995	167,984	157,976	152,324	147,016
Credit impairment losses	46,638	50,398	55,384	55,414	N/A
Impairment losses on other assets	20	19	11	20	N/A
Impairment losses on assets	N/A	N/A	N/A	N/A	26,737
Profit before income tax	81,454	68,136	63,745	53,487	51,111
Net profit	76,532	64,318	61,036	52,384	47,709
Net profit attributable to equity holders of the Bank	76,170	64,199	60,933	52,311	47,683
Net cash flows from operating activities	109,557	161,772	26,443	184,505	(399,348)
Per share data (in RMB)					
Basic and diluted earnings per share[(2)]	0.78	0.71	0.72	0.62	0.59

Note (1): The installment fee income of credit card of each comparable period in this report was reclassified from fee and commission income to interest income.

Note (2): Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by the CSRC. There were no potential diluted ordinary shares of the Bank, so the diluted earnings per share was the same as the basic earnings per share. As preference shares and perpetual bonds outstanding of the Bank were classified as other equity instruments, the computation of earnings per share excluded the impact of preference shares, perpetual bonds and other related factors.

In millions of RMB, unless otherwise stated

Item[1]	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Data as at the end of the reporting period					
Total assets	12,587,873	11,353,263	10,216,706	9,516,211	9,012,551
Total loans to customers[2]	6,454,099	5,716,258	4,974,186	4,276,865	3,630,135
Allowance for impairment losses on loans to customers[3]	216,900	203,897	166,124	127,327	88,564
Loans to customers, net	6,237,199	5,512,361	4,808,062	4,149,538	3,541,571
Financial investments[4]	4,348,620	3,914,650	3,675,030	3,387,487	3,167,033
Cash and deposits with central bank	1,189,458	1,219,862	1,154,843	1,202,935	1,411,962
Total liabilities	11,792,324	10,680,333	9,671,827	9,040,898	8,581,194
Customer deposits[2]	11,354,073	10,358,029	9,314,066	8,627,440	8,062,659
Equity attributable to equity holders of the Bank	794,091	671,799	543,867	474,404	430,973
Net capital	945,992	784,579	671,834	593,729	555,445
Core tier 1 capital – net	635,024	542,347	492,212	421,678	381,673
Additional tier 1 capital – net	157,982	127,954	47,948	47,927	47,887
Risk-weighted assets	6,400,338	5,651,439	4,969,658	4,316,219	4,440,497
Per share data (in RMB)					
Net assets per share[5]	6.89	6.25	5.75	5.26	4.73

Note (1): In accordance with the relevant regulations under the Notice on Amending the Format of Financial Statements for Financial Enterprises in 2018 (Cai Kuai [2018] No.36) issued by the MOF, the interest on financial instruments from corresponding assets and liabilities should be included in the balance of carrying amounts of the financial instruments accordingly but should not be accounted for as separate items of "interest receivable" and "interest payable" since 2018. The balance of "interest receivable" or "interest payable" shown in "other assets" or "other liabilities" is only interest receivable or interest payable on relevant matured financial instruments but not received nor paid on the date of the balance sheet.

Note (2): For ease of reference, "loans to customers" refers to "loans and advances to customers" and "customer deposits" refers to "deposits from customers" in this report.

Note (3): Allowance for impairment losses on loans to customers at amortized cost.

Note (4): Consists of financial assets at fair value through profit or loss, debt instruments at fair value through other comprehensive income, equity instruments at fair value through other comprehensive income and financial assets at amortized cost.

Note (5): Calculated by dividing equity attributable to ordinary shareholders of the Bank at the end of the period by the total number of ordinary shares at the end of the period.

Financial Indicators

Item	2021	2020	2019	2018	2017
Profitability (%)					
Return on average total assets(1)	0.64	0.60	0.62	0.57	0.55
Return on weighted average equity(2)	11.86	11.84	13.10	12.31	13.07
Net interest margin(3)	2.36	2.42	2.53	2.69	2.42
Net interest spread(4)	2.30	2.36	2.48	2.67	2.47
Net fee and commission income to operating income ratio	6.90	5.76	5.28	4.79	5.04
Cost to income ratio(5)	59.08	57.86	56.29	57.60	64.64

Item	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Asset quality(%)					
Non-performing loan ratio(6)	0.82	0.88	0.86	0.86	0.75
Allowance to NPLs ratio(7)	418.61	408.06	389.45	346.80	324.77
Allowance to loans ratio(8)	3.43	3.60	3.35	2.99	2.44
Capital adequacy ratio (%)					
Core tier 1 capital adequacy ratio(9)	9.92	9.60	9.90	9.77	8.60
Tier 1 capital adequacy ratio(10)	12.39	11.86	10.87	10.88	9.67
Capital adequacy ratio(11)	14.78	13.88	13.52	13.76	12.51
Risk-weighted assets to total assets ratio(12)	50.85	49.78	48.64	45.36	49.27
Total equity to total assets ratio	6.32	5.93	5.33	4.99	4.79

Note (1): Calculated by dividing net profit by the average balance of total assets at the beginning and at the end of the reporting period.

Note (2): Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by the CSRC. As preference shares and perpetual bonds outstanding of the Bank were classified as other equity instruments, the computation of return on weighted average equity excluded the impact of preference shares, perpetual bonds and related factors.

Note (3): Calculated by dividing net interest income by the average balance of interest-earning assets.

Note (4): Calculated by the spread between yield on average balance of interest-earning assets and cost on average balance of interest-bearing liabilities.

Note (5): Calculated by dividing operating expenses (less taxes and surcharges) by operating income.

Note (6): Calculated by dividing the total NPLs by total loans to customers, and the total loans exclude the accrued interest.

Note (7): Calculated by dividing total allowance for impairment losses on loans to customers by total NPLs. Total allowance for impairment losses on loans to customers includes allowance for impairment losses on loans to customers at amortized cost and allowance for impairment losses on loans to customers at fair value through other comprehensive income.

Note (8): Calculated by dividing total allowance for impairment losses on loans to customers by total loans to customers. Starting from 2021, the total loans no longer include the accrued interest when calculating the allowance to loans ratio.

Note (9): Calculated by dividing core tier 1 capital (net of core tier 1 capital deductions) by risk-weighted assets.

Note (10): Calculated by dividing tier 1 capital (net of tier 1 capital deductions) by risk-weighted assets.

Note (11): Calculated by dividing total capital (net of capital deductions) by risk-weighted assets.

Note (12): Calculated by dividing risk-weighted assets by total assets.

Other Major Indicators

Item		Regulatory criteria	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Liquidity ratio (%)[(1)]	RMB and foreign currency	≥25	72.86	71.61	67.96	61.17	42.10
Percentage of loans to largest single borrower (%)[(2)]		≤10	18.72	23.21	27.19	29.78	35.04
Percentage of loans to the ten largest borrowers (%)			28.67	34.49	39.42	41.39	47.80
Loan migration ratio (%)	Normal		0.90	1.02	1.28	1.24	1.61
	Special mention		27.09	48.94	16.42	25.01	21.39
	Substandard		50.76	52.81	63.32	75.09	92.74
	Doubtful		59.16	86.23	81.80	83.55	88.95

Note (1): Calculated by dividing current assets by current liabilities.

Note (2): Percentage of loans to largest single borrower = balance of loans to the largest borrower/net capital x 100%. The largest borrower refers to the borrower with the highest balance of loans at the period end. As at the end of the reporting period, China State Railway Group Co., Ltd. was the Bank's largest single borrower. The outstanding loan balance with China State Railway Group Co., Ltd. was RMB177,089 million, accounting for 18.72% of the Bank's net capital. The credit line the Bank extended to China State Railway Group Co., Ltd. includes the legacy credit line of RMB240 billion which was approved by the relevant regulatory authorities. As at the end of the reporting period, the outstanding loan balance under such credit line for China State Railway Group Co., Ltd. was RMB160 billion. After deduction of this RMB160 billion, the Bank's balance of loans to China State Railway Group Co., Ltd. represented 1.81% of the Bank's net capital.

Credit Rating

Rating Agency	2021	2020	2019	2018	2017
S&P Global Ratings	A (stable)	A (stable)	A (stable)	A (stable)	A (stable)
Moody's Investors Service	A1 (stable)	A1 (stable)	A1 (stable)	A1 (stable)	A2 (positive)
Fitch Ratings	A+ (stable)	A+ (stable)	A+ (stable)	A+ (stable)	A+ (stable)
S&P Global (China) Ratings	AAAspc (stable)	AAAspc (stable)	AAAspc (stable)	–	–
CCXI	AAA (stable)	AAA (stable)	AAA (stable)	AAA (stable)	AAA (stable)

Quarterly Financial Data

In millions of RMB

Item	2021 Q1	2021 Q2	2021 Q3	2021 Q4
Operating income	77,383	80,395	80,761	80,568
Net profit attributable to equity holders of the Bank	21,201	19,809	23,497	11,663
Net cash flows from operating activities	112,904	55,173	(217,863)	159,343

Zhang Jinliang
Chairman

Messages From the Chairman and the President

Message From the Chairman

The ceaseless inflow of rivers makes the ocean deep, and the inclusiveness of financial service makes the enterprise long-lasting. Over one hundred years ago, Postal Savings Bureau adhered to the philosophy of **"working on the trivial work even others despise; working towards stability rather than big profits"**. At the beginning of reform and opening-up, Postal Savings Business was committed to **"looking for savings resources from millions of families, conducting publicity by thousands of words, and using every possible means to make contributions"**. Today, Postal Savings Bank of China sticks to the strategic position of **"serving Sannong customers, urban and rural residents and SMEs"**. Throughout the Bank's history, the genes of inclusiveness and stability have always been deeply rooted in our blood. Guided by the mission of making financial services accessible to everyone, we create happiness and bring a better life for the people.

Since our establishment in March 2007, PSBC has transformed from a savings and remittance bureau to a large modern retail bank. Over the past 15 years, staying true to the strategic positioning, we have resolutely fulfilled our responsibilities of serving the economy and people's livelihood as well as the overall social stability, and established an integrated online-offline financial service system. Our assets grew from RMB2.23 trillion at the beginning of our establishment to RMB12.59 trillion, total deposits rose from RMB2.13 trillion to RMB11.35 trillion, loans from zero to RMB6.45 trillion, operating income from RMB39.699 billion to RMB319.107 billion, net profit from RMB1.024 billion to RMB76.532 billion and equity attributable to equity holders of the Bank from RMB22,024 million to RMB794,091 million. We owe the Bank's solid and rapid growth to the trust of hundreds of millions of customers, and owe our distinctive competitive edges to all PSBC employees' perseverance and dedication. We once again obtained the best credit rating among Chinese banks granted by the world's top three rating agencies, and ranked 15th in The Banker's list of "Top 1000 World Banks".

In 2021, at the beginning of the 14th Five-Year Plan period, we were committed to the new development philosophy, actively served and integrated ourselves into new development pattern, and strode forward on the path of development in the new era.

We boosted development through innovation. We stuck to systematic thinking and **drove changes in production and operation through digital transformation,** achieving development with a new height of innovation. By putting forward the IT strategy featuring smart, platform, experience, ecosystem and digitalization (SPEED), we promoted overall innovation of systems and mechanisms, organizational structure, and products and services. Over the past three years, the Bank invested over RMB27.2 billion in science and technology, accounting for over 3% of our operating income. Solid progresses were made in e-CNY business and YOU+ BANK was approved to open for business. An innovation ecosystem with symbiosis is forming, and the primary driving force for development, or innovation, keeps playing its role.

We consolidated advantages through coordination. Leveraging our advantages deeply rooted in serving Sannong customers, urban and rural residents and SMEs, we actively served national development strategies, and put efforts into promoting the **coordinated development between urban and rural areas, among regions and among industries.** We developed ten core programs for rural revitalization, sped up the building of a rural credit system, let the idea of "credit equals wealth" benefit the broader rural areas, and focused on building a digital ecosystem bank serving rural revitalization. The balance of agro-related loans stood at RMB1.61 trillion, accounting for 25% of total loans. We also signed strategic cooperation agreements with the National Equities Exchange and Quotations Corporation Limited and Beijing Stock Exchange to fully support the growth of specialized and sophisticated enterprises that produce new and unique products. The balance of inclusive finance loans to micro and small enterprises exceeded RMB960 billion, accounting for over 14% of the Bank's total loans and covering 1.71 million customers. Centering on the supply-side structural reform, we intensified investment in key areas, new infrastructure and new urbanization initiatives as well as major projects. The medium and long-term loans to the manufacturing sector grew by 42.72%, agro-related corporate loans increased by 27.88%, and the proportion of new loans to private enterprises rose by 4.70 percentage points.

We created a better life through green development. We **actively implemented peak carbon emissions and carbon neutrality strategy,** put forward the proposition of "Green World, Better Life", vigorously developed green financial businesses including green loans, green financing and green bonds, and strengthened ESG risk management. The balance of green loans registered RMB372.294 billion, up 32.52% compared with the prior year-end. We officially adopted the Principles for Responsible Banking (PRB), and became a supporter of the Task Force on Climate-related Financial Disclosures (TCFD). We published STOXX PSBC China A ESG Index together with Deutsche Börse Group, facilitated 457 corporate customers in completing carbon accounting, and set up a number of specialized green finance institutions. We were awarded Grade "A" in 2021 MSCI's ESG Ratings.

We upgraded service models through openness. By creating network, strengthening linkage and expanding business district, we built a "scenarios plus" open bank model. **Creating network:** As nearly 40,000 offline outlets and online channels complemented each other, we served as a bank close to people's homes and close at hand. **Strengthening linkage:** We optimized a classified and multi-tier service system for different types of customers including strategic customers, interbank customers, institutional customers, and micro, small and medium-sized customers, and upgraded professional operation systems, forming a service model covering whole customer journey, all channels and entire chain. In doing so, we boosted the stable circulation of industrial chain and supply chain and optimized our "value chain". **Expanding business district:** We promoted the digital transformation of online retail business, built offline business model featuring "outlets plus business district", and created an interbank ecosystem. By understanding customers, discovering demands, creating scenarios and establishing ecosystem, we integrated financial products and services into customers' production and lives.

We created value through sharing. We **continued to create value for shareholders.** Since going public in the H-share market in 2016, we have distributed RMB71.133 billion dividends to shareholders, with a dividend payout ratio of 30% in the past three years. We plan to pay all ordinary shareholders cash dividends with RMB2.474 (before tax) per ten ordinary shares for the year 2021. **Implementing the economics of seeking happiness for the people,** we built nearly 40,000 outlets into wealth investment education centers and value-creation platforms by comprehensively enhancing capabilities of team building, investment and research, and science and technology, thus sharing the achievements of China's economic development with over 600 million customers and promoting common prosperity. **We grew together with our employees.** We recruited talents from all walks of life and gave full play to employees' potential, creating a vast platform for them where they can chase their brilliant career dreams.

Drawing confidence and strength from our past successes, we press ahead with courage and anticipation. In 2022, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we will acquire a deep understanding of the political importance and the people-centered nature of financial work, apply the new development philosophy in full, in the right way and in all fields of endeavor, promote the reform of systems and mechanisms and keep modernizing our corporate governance system and capacity, thus staying ahead and conveying our characteristics in the pursuit of high-quality development.

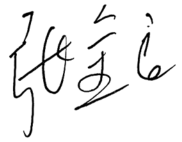
We will stay committed to value creation. Keeping in mind the top priority of letting the people live a happy life, we will strength our devotion to the country through financial services. We will continue to consolidate our advantages of network, customers, funds and asset quality. Fulfilling our original mission of serving the real economy, promoting social and economic development and progress and meeting people's aspiration for a better life, we will actively shoulder our responsibilities and carry out duties, focus on our main responsibilities and businesses, and make innovations on the basis of tradition. We will serve customers sincerely, continue to give back to shareholders, contribute to society, and unswervingly follow the financial development path with Chinese characteristics, so as to live up to the trust of the Party and the people.

We will enhance risk control guarantee. We will always keep a long-term perspective, remain mindful of potential risks, maintain strategic focus and determination, and "attain to the broad and great while addressing the delicate and minute". With the worst-case scenario in mind, we will stay vigilant at all times to prevent and control risks, maintain our reputation of high asset quality, and continue to strengthen digital and intelligent risk management and study industry dynamics with insights. We will further improve a comprehensive risk management system featuring "all aspects, whole process and entire staff", and progressively promote the implementation of the advanced approaches for capital management. We will attach great importance in ideological terms to the response to small-probability events, and improve the efficiency and quality of risk management, in a bid to safeguard value through better risk management.

We will adhere to technology-driven development. We will stay committed to pursuing innovative development, comprehensively promote the implementation of the IT Plan for the 14th Five-Year Plan period with high standards at a high starting point, and speed up IT application in all respects with focus on four "new-generation" systems, ten project clusters and 100 key programs. Through "digital and intelligent" transformation, we will give full play to data as the role of driving factor and build a big data ecosystem, pushing operation and management to a new level.

We will be committed to a people-centered approach. Adhering to the strategy of making the Bank stronger through talents and persisting in the philosophy of generating value through processional services, we will intensify our efforts in building a talent team with an optimized tiered structure in which every employee has a higher level of efficiency, competence and quality. Just like planting a Chinese parasol tree to attract the phoenix, or building a golden hathpace to welcome talents, we will continue to provide competition mechanisms that enable outstanding employees to emerge and build platforms for employees to put their talent to good use. In order to build an excellent leader team that can fulfill major duties and shoulder major responsibilities, we will send young employees to front-line operation so that they can learn and grow by going through hardships. Internalizing the consensus of PSBCers in the mind and externalizing it into practice, we will develop our core business capabilities through cultural soft power. We are convinced that the employees of PSBC will be more self-driven, more creative and more responsible in the future.

Let's seize the day and live it to the fullest, and set the stage for the 20th National Congress of the CPC with concrete actions!

Chairman 

Liu Jianjun

President

Message From the President

The year 2021 marked the start of the 14th Five-Year Plan period. At the historic crossroad of the "Two Centenary Goals", guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we promoted innovations on the basis of tradition with the courage to overcome challenges, and our achievements had won the approval of the investors. In 2021, we realized operating income of RMB319.107 billion, representing an increase of 11.37%; net profit amounted to RMB76.532 billion, representing an increase of 18.99%; our assets stood at RMB12.59 trillion, and major risk indicators maintained a leading position in the industry. Since our listing in the A-share market two years ago, the market value of PSBC ranked at the forefront among listed banks, and we have been granted the highest credit ratings among domestic commercial banks by the three international rating institutions. In 2021, it ranked 15th in The Banker's list of "Top 1000 World Banks" in terms of tier 1 capital. Our operating results have been fully recognized by all walks of life.

As a young bank, we have stayed positive and humble. We aim high and work hard to reach our goal. In the past year, we firmly practiced "creating value for customers" and did the right things even when they were hard. As a result, we won the recognition of customers and made major achievements in business development.

In the past year, we adhered to our strategic positioning, remained mindful of the country's most fundamental interests and demonstrated the "PSBC power" in performing our political responsibilities. In painting the magnificent picture of rural revitalization, we worked hard to chase our dream of "extending PSBC loans to every rural household" and sowed the seed of inclusive finance in the field of hope. We explored the active credit granting mechanism based on agricultural and rural big data, provided small-amount, wide-coverage and pure credit loans on the online service platform, and registered a balance of agro-related loans of RMB1.61 trillion. We threw ourselves into serving the MSMEs, which constitute the most dynamic part of the economy. We connected to an extensive range of external data such as taxes and invoices, developed online loans to address "short-term, small-amount, frequent and urgent" financing needs, and provided financing to more than 1.71 million inclusive micro and small enterprises. We were in the core areas for implementing major regional strategies and coordinated regional development strategies, and at the forefront of efforts to serve advanced manufacturing industries and "little giant" firms recognized as specialized and sophisticated enterprises that produce new and unique products. Wherever the nation and the industry called, we always stepped in and performed our mission.

Message From the President

In the past year, we always kept the people's financial needs in mind, served the customers in urban and rural areas with "PSBC warmth", and provided greater access to financial services. With nearly 40,000 outlets and convenient online channels, we are closely connected to 637 million personal customers. Along the journey of promoting common prosperity, we have launched the "Program for Better Life", accelerated the upgrading of the wealth management system, and launched the investor education program "Weekly Wealth Management Lecture" to help customers develop a sensible and sustainable investment philosophy, so that China's development gains will benefit all the people. To address the "last-mile delivery" of financial services, we continued to provide targeted services to lower-tier markets including agro-related economic entities, and effectively reduced the cost for customers to enjoy financial services. We formulated special action plans to provide considerate services to the elderly, accelerated the barrier-free transformation of intelligent applications, and helped elderly customers address the difficulties in using smart technologies. We provided "special care" to special groups. All employees at Beijing Xiangshan Sub-branch learned sign language and provided thoughtful financial services and quiet kindness to customers with hearing disabilities over the past decade. A river starts when trickles of water come together. The PSBCers practiced our service philosophy of "make every effort to build customer confidence and trust" with concrete actions.

Over the year, we took greater and bolder steps toward technology empowerment, system reform and innovative models, and the new "PSBC advantages" began to take shape. We developed a FinTech ecosystem with PSBC characteristics. To improve the supporting capability of technology, we successfully launched the distributed technology platform, operation and maintenance platform. We also built the "PSBC Brain" AI platform and enriched the "blockchain plus" scenarios, so as to provide intelligent support for the whole Bank. We started "nationally centralized" intensive reform of the internal process, established a preliminary intensive operation management system across different regions, businesses, levels and channels that features "comprehensive reception at the front office and centralized professional processing at the back office", and firmly moved toward the goal of a large modern retail commercial bank. We held the Interbank Cooperation & Development Forum with the theme of "PSBC with you", so as to build a high-quality interbank ecosystem under the new development pattern. It took us two years to establish YOU+ BANK, which expanded the business reach of PSBC to the inclusive financial service platform and digital life sharing platform, and opened up more space for our future development.

Guided by the simple philosophy of "working on the trivial work even others despise" that the postal savings business has been adhering to since our start in 1919, we have kept up with the times, carried out reform and development and grown into a bank that is responsible, resilient and caring. Looking ahead, we are ready to embark on a road of transformation into a modern commercial bank in an era full of change. Our confidence comes from the strong leadership of the Party, the support and trust of customers, the concerted efforts of our employees, as well as our unique insight into the market and our deep understanding of the changing rules of the banking industry.

We firmly believe that green and low-carbon development leads to a better and more sustainable future, hence deserves more investment. To support the carbon peak and carbon neutrality goals, the financial industry shall not only help to retain lucid waters and lush mountains, but also cooperate with the real economy to generate more wealth and prosperity, and hence embark on a new development path featuring "lucid waters and lush mountains are invaluable assets". During the 14th Five-Year Plan period, we take green finance as one of the four strategic areas, put forward the brand proposition "Green World, Better Life", and strive to build PSBC into a first-tier green inclusive bank, climate-friendly bank and ecology-friendly bank. The Bank was awarded "A" in 2021 MSCI's ESG Ratings with an industry leading level in China, and will try harder in the future.

We firmly believe that the first-class financial services rely on first-class system capabilities. Only with strong support of the back office can the front office better satisfy the differentiated financial needs of the customers. Compared with the single-product or single-channel model, the advantages established on system capability are more sustainable and more difficult to replicate. We make efforts to strengthen major capabilities in six aspects including core business, system support, coordination and integration, technological facilitation, institutional drive and innovation leadership, leverage the human resource advantages of a major bank, incorporate customer profile, risk warning, intensive operation and customer experience feedback into the service procedures, pool resources from the whole Bank to support service for each customer, and provide more targeted and refined service to every customer. This is a difficult road, but it will lead us further.

We firmly believe that we must strengthen risk control capability, the core competitiveness for a bank to eliminate uncertainty. We accelerated the development of advanced capital management approaches, established a lifecycle management mechanism for risk models, and effectively improved the capability to measure risk cost and capital. We recruited professionals with both financial and technology background to build a team with solid professional strength and improve the intelligent risk control system. We carried out investigation in high-risk areas, and performed in-depth and effective management throughout the process with the purpose of ensuring asset quality. In a complex and volatile market, we must have the wisdom to define the nature of risks, so as to help our customers to derive benefit from uncertainties.

We firmly believe that intensive operation is an ideal solution for large banks to reduce costs, improve efficiency and prevent risks. Time and tide wait for no man. On the basis of the operation centers at the Head Office and branch levels established in 2021, we will move faster to promote centralized approval and post-lending management of retail credit as well as the centralized operation of counter services, anti-money laundering (AML) and finance. Through standardized operation, streamlined production, automatic control and professional management, we will migrate operation and management to the back office, and liberate the front-line business institutions from heavy administrative work, so as to explore a new model to solve the risk control issue and the bottleneck of efficiency in large banks from the root.

Message From the President

We firmly believe that talents and culture are inexhaustible sources that can stimulate the internal impetus and promote enterprise innovation and development. As the saying goes, success comes to those who share in one purpose. We will continue to improve the talent selection and recruitment mechanism based on the principles of openness, equality and fairness, promote the open recruitment, fixed-term appointment and contract management, improve the market-oriented recruitment mechanism, and change from “spotting talents via good judges” to “selecting talents through fair competition”. We will optimize the dual promotion channels of “management plus professional” to provide employees with more career development opportunities. We will establish a performance-based appraisal mechanism based on the value created and apply the assessment results to the personnel management system, under which managers are prepared for both promotion and demotion, the salaries can be raised or cut, and employees can leave for poor performance, so that the talents can realize their value through frugality and entrepreneurship, and PSBC can achieve a competitive edge in human resources. We will vigorously promote our corporate culture, and create a positive atmosphere that encourages everyone to do the “right but difficult” things and make pragmatic and sustained efforts and allows and encourages innovation and tolerates failure. Every PSBCer is a dream chaser who observes long-termism values. With the intelligence and wisdom of ten of thousands of PSBCers, we will explore the possibilities to a better future.

Loaded with dreams, we have the confidence and the ability to innovate despite challenges. With the trust of every customer and the support of every investor, we are proud to dream big. We will spare no effort to provide professional services to our customers, and join hands with every dream chaser to forge ahead in the spring breeze.

President

Chen Yuejun

Chairman of the Board of Supervisors

Discussion and Analysis

Environment and Prospect

The year 2021 witnessed the recovery of global economy amid fluctuations, and major economies gradually realized positive growth. However, due to epidemic resurgence, the economic recovery has slowed down since the second half of the year with a widening divergence of economic growth. The circulation of supply chain was hampered, and overseas inflationary pressures increased, with an increasing shortage of labor force in developed countries. Major developed economies began to adjust monetary policies, and some emerging economies started to raise interest rates, resulting in heightened volatility in the financial market and stronger spillover effect to the global economy. The global banking industry was growing at a slow pace, with the net interest margin still under stress and divergence of profitability across countries.

Maintaining a global lead in epidemic control and economic development, China has made strides in fostering a new development pattern and achieved new results in high-quality development, securing a good start of the 14th Five-Year Plan. The quality, efficiency and sustainability of the proactive fiscal policy were enhanced to meet the needs of stabilizing growth and forestalling risks. Deficits, debts and expenditures were properly managed with the spending structure optimized. The prudent monetary policy maintained its continuity, consistency and sustainability. Market expectations were managed in a scientific way and financial risks were forestalled and controlled effectively. China's banking industry maintained healthy and stable performance and served the real economy on a continuous basis. Real lending rates dropped steadily with better structured loan portfolio, leading to lower financing costs for enterprises. On the whole, the industry enhanced its quality and efficiency of serving the real economy as well as its capability of forestalling and controlling financial risks.

Looking into 2022, the global epidemic has continued to evolve, and there are more uncertainties in the external environment, posing grave challenges. The shift of macro policies in major developed economies may result in financial risk and have spillover and risk contagion effects on emerging economies, and China's economy is facing threefold pressure from demand contraction, supply shocks and weakening expectations as well as some periodic, structural and cyclical factors. China will act on the general principle of pursuing progress while ensuring stability, and follow the requirements of grounding our work in the new development stage, applying the new development philosophy, creating a new development pattern and pursuing high-quality development. It will focus on the main task of supply-side structural reform, ensure the success of the strategy of expanding domestic demand, and thoroughly implement major regional development strategies and coordinated regional development strategies. Furthermore, China will continue to ensure stability on six key fronts and maintain security in six key areas, maintain macroeconomic stability, and keep major economic indicators within an appropriate range. It will integrate cross-cyclical and counter-cyclical adjustments of macro policies and enhance the efficiency of proactive fiscal policy. It will keep a prudent monetary policy in flexible and appropriate manner to maintain a proper and adequate level of liquidity supply. China will also improve the monetary supply control mechanism and enhance the stability of the total credit growth. It will keep the macro leverage ratio and prices generally stable, and balance the needs of promoting economic growth and preventing risks. In the new development stage, the banking industry will earnestly apply the new development philosophy, serve and integrate itself into the new development pattern, actively forestall and defuse financial risks, and bolster support for key fields and weak links in manufacturing, micro and small enterprises, technological innovation and green development.

In 2022, the Bank will follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and thoroughly implement the guiding principles of the 19th National Congress of the Communist Party of China, all plenary sessions of the 19th Party Central Committee and the Central Economic Work Conference. Focusing on the Bank's 14th Five-Year Plan, the Bank will ground work in the new development stage, apply the new development philosophy and integrate itself into the new development pattern. With high-quality development as its priority, reform and innovation as the driving force, the Bank will be customer-centric and aim at value creation, continue to deepen the five-pronged transformation and strengthen major capabilities in six aspects including core business, system support, coordination and integration, technological facilitation, institutional drive and innovation leadership to speed up the building of a first-tier large retail bank.

Firstly, the Bank will strengthen political responsibilities and firmly implement the decisions and plans of the Party Central Committee. The Bank will vigorously support advanced manufacturing, strategic emerging industries and specialized and sophisticated enterprises that produce new and unique products, and better facilitate major regional development strategies as well as the strategies for coordinated regional development. It will increase financial support for key areas of rural revitalization, earnestly support micro and small enterprises with tax and fee cuts, and accelerate the building of a green bank.

Secondly, the Bank will continuously improve the development efficiency and speed up the business transformation. The Bank will build a three-pronged development model of "attracting users, retaining customers, and delivering more value", seize strategic opportunities arising from residents' wealth growth and consumption upgrade, push ahead with the stratified customer management and targeted customer service for retail banking business, strengthen scenario building, and advance the wealth management strategy. Focusing on core customer groups of the corporate banking business, the Bank will build a "1 plus N" operation and service system, provide comprehensive and professional services combining both investment banking and commercial banking with coordinated development of wholesale and retail banking, and strive to be the lead bank for customers so as to transform the corporate banking business to be more capital-efficient with distinct features and marked comparative advantages. It will continuously develop the ecosystem among financial institutions, adhere to an investment- and research-driven approach, and enhance the value contribution of the treasury and asset management business.

Thirdly, the Bank will strengthen comprehensive risk management and firmly guard the bottom line of risks. The Bank will upgrade its comprehensive risk management system, strengthen credit risk management, strengthen the building of intelligent risk control and risk prevention and control in key areas, prioritizing risk preparedness in business development on a continuous basis.

Fourthly, the Bank will push forward all-round digital transformation and accelerate technology empowerment. Under the guidance of the IT Planning for the 14th Five-Year Plan period, the Bank will cement the foundation for the enterprise-level sharing platform, vigorously advance innovation and application of FinTech, and devote major efforts to improving independent R&D capabilities and automated operation and maintenance.

Fifthly, the Bank will enhance online and offline service capability to improve customer experience. Firmly upholding the customer-centric philosophy, the Bank will create value for customers wholeheartedly, raise the efficiency and productivity of outlets, optimize the mobile banking and remote banking platforms, and deepen the reform of key areas in service experience.

Sixthly, the Bank will strengthen comprehensive capacity building to support business transformation. It will enhance asset and liability management, accelerate intensive transformation, implement the strategy of building a strong bank with talents, stay committed to coordinated development and pool collective strength for development.

Analysis of Financial Statements

In 2021, under the guidance of the Bank's 14th Five-Year Plan and staying committed to its retail banking strategy, the Bank actively and steadily developed various businesses, and thereby yielded good results in transformative development, which were mainly manifested in:

The Bank's operating results continued steady improvement and its capabilities of value creation continued to be strengthened. During the reporting period, the Bank recorded a net profit of RMB76,532 million, representing a year-on-year increase of 18.99%. The operating income amounted to RMB319,107 million, representing a year-on-year increase of 11.37%, among which: the net interest income was RMB269,382 million, representing a year-on-year increase of 6.32%; and the net fee and commission income was RMB22,007 million, representing a year-on-year increase of 33.42%. Return on average total assets and return on weighted average equity were 0.64% and 11.86% respectively, up 0.04 percentage point and 0.02 percentage point compared with the same period of last year. Earnings per share registered RMB0.78, representing a year-on-year increase of RMB0.07.

The Bank achieved steady growth in the scale of assets and liabilities, showing demonstrable results in structure optimization. As at the end of the reporting period, the Bank's total assets amounted to RMB12,587,873 million, representing an increase of 10.87% compared with the prior year-end, of which total loans to customers amounted to RMB6,454,099 million, representing an increase of 12.91% compared with the prior year-end. The loan-to-deposit ratio, the percentage of credit assets and the percentage of personal loans increased by 1.65 percentage points, 0.92 percentage point and 1.28 percentage points respectively over the prior year-end. Total liabilities amounted to RMB11,792,324 million, representing an increase of 10.41% compared with the prior year-end, of which total customer deposits amounted to RMB11,354,073 million, representing an increase of 9.62% compared with the prior year-end. The Bank's deposit structure continued to be improved as the proportion of deposits with a term of one year or below increased, and long-term and high-cost deposits dropped significantly.

The Bank maintained sound asset quality, and its capital strength was further built up. As at the end of the reporting period, the Bank's non-performing loan ratio was 0.82%, representing a decrease of 0.06 percentage point compared with the prior year-end; an allowance to NPLs ratio of 418.61%, representing an increase of 10.55 percentage points compared with the prior year-end. The core tier 1 capital adequacy ratio and capital adequacy ratio were 9.92% and 14.78% respectively, representing an increase of 0.32 percentage point and 0.90 percentage point compared with the prior year-end.

Analysis of Income Statement

During the reporting period, the Bank's net profit amounted to RMB76,532 million, representing an increase of RMB12,214 million, or 18.99% compared with the same period of the prior year.

Changes of Principal Components in the Income Statement

In millions of RMB, except for percentages

Item	2021	2020	Increase/ (decrease)	Change (%)
Net interest income	269,382	253,378	16,004	6.32
Net fee and commission income	22,007	16,495	5,512	33.42
Net other non-interest income	27,718	16,664	11,054	66.33
Operating income	319,107	286,537	32,570	11.37
Less: Operating expenses	190,995	167,984	23,011	13.70
Credit impairment losses	46,638	50,398	(3,760)	(7.46)
Impairment losses on other assets	20	19	1	5.26
Profit before income tax	81,454	68,136	13,318	19.55
Less: Income tax expenses	4,922	3,818	1,104	28.92
Net profit	76,532	64,318	12,214	18.99
Attributable to equity holders of the Bank	76,170	64,199	11,971	18.65
Attributable to non-controlling interests	362	119	243	204.20
Other comprehensive income	9,329	406	8,923	2,197.78
Total comprehensive income	85,861	64,724	21,137	32.66

Net Interest Income

During the reporting period, the Bank achieved steady growth in assets and liabilities with continuously improved structure. On the asset side, the Bank steadily improved its loan-to-deposit ratio, and increased the proportion of high-yield assets. On the liability side, the Bank actively diversified sources of financing and effectively managed and controlled deposits with high cost. By these efforts, the Bank realized a net interest income of RMB269,382 million, representing an increase of RMB16,004 million, or 6.32% compared with the same period of the prior year, of which an increase in net interest income of RMB25,844 million was driven by the scale expansion, and a decrease in net interest income of RMB9,840 million was brought by the changes in interest rates. Net interest margin and net interest spread were 2.36% and 2.30%, respectively.

Average Yield of Interest-Earning Assets and Average Cost of Interest-Bearing Liabilities

In millions of RMB, except for percentages

Item	2021 Average balance	2021 Interest income/ expense	2021 Average yield/ cost (%)	2020 Average balance	2020 Interest income/ expense	2020 Average yield/ cost (%)
Assets						
Total loans to customers	6,133,063	287,207	4.68	5,411,670	256,955	4.75
Investments(1)	3,548,414	127,677	3.60	3,479,598	126,233	3.63
Deposits with central bank(2)	1,160,105	18,902	1.62	1,086,652	17,655	1.62
Deposits and placements with banks and other financial institutions(3)	597,065	17,781	2.98	498,650	15,409	3.09
Total interest-earning assets	11,438,647	451,567	3.95	10,476,570	416,252	3.97
Allowance for impairment losses on assets	(239,944)	–	–	(208,355)	–	–
Non-interest-earning assets(4)	863,724	–	–	697,670	–	–
Total assets	12,062,427	–	–	10,965,885	–	–
Liabilities						
Customer deposits	10,723,890	175,218	1.63	9,743,427	154,793	1.59
Deposits and placements from banks and other financial institutions(5)	224,932	4,100	1.82	251,976	4,425	1.76
Debt securities issued(6)	70,965	2,586	3.64	99,409	3,417	3.44
Borrowings from central bank	17,029	281	1.65	13,860	239	1.72
Total interest-bearing liabilities	11,036,816	182,185	1.65	10,108,672	162,874	1.61
Non-interest-bearing liabilities(7)	251,885	–	–	211,347	–	–
Total liabilities	11,288,701	–	–	10,320,019	–	–
Net interest income	–	269,382	–	–	253,378	–
Net interest spread(8)	–	–	2.30	–	–	2.36
Net interest margin(9)	–	–	2.36	–	–	2.42

Note (1): Consists of interest-earning assets in financial assets at fair value through other comprehensive income and financial assets at amortized cost.

Note (2): Consists of statutory deposit reserves and surplus deposit reserves.

Note (3): Consists of deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements.

Note (4): Consists of financial assets at fair value through profit or loss, cash, property and equipment, derivative financial assets, deferred tax assets and other assets.

Note (5): Consists of deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

Note (6): Consists of qualified tier 2 capital instruments issued and interbank certificates of deposit.

Note (7): Consists of financial liabilities at fair value through profit or loss, derivative financial liabilities, employee benefits payable, liabilities for agency services, corporate income tax payable and other liabilities.

Note (8): Calculated as the difference between the average yield of total interest-earning assets and the average cost of total interest-bearing liabilities.

Note (9): Calculated by dividing net interest income by the average balance of total interest-earning assets.

Changes in Net Interest Income Due to Changes in Volume and Interest Rate

In millions of RMB

Item	2021 vs 2020 Increase/(decrease)		
	Volume[1]	Interest rate[2]	Total[3]
Assets			
Total loans to customers	33,782	(3,530)	30,252
Investments	2,476	(1,032)	1,444
Deposits with central bank	1,197	50	1,247
Deposits and placements with banks and other financial institutions	2,931	(559)	2,372
Total changes in interest income	40,386	(5,071)	35,315
Liabilities			
Customer deposits	16,020	4,405	20,425
Deposits and placements from banks and other financial institutions	(493)	168	(325)
Debt securities issued	(1,037)	206	(831)
Borrowings from central bank	52	(10)	42
Total changes in interest expense	14,542	4,769	19,311
Changes in net interest income	25,844	(9,840)	16,004

Note (1): Represents the difference between the average balance for the period and the average balance for the previous period, multiplied by the average yield/cost for the period.

Note (2): Represents the difference between the average yield/cost for the period and the average yield/cost for the previous period, multiplied by the average balance for the previous period.

Note (3): Represents the difference between the interest income/expense for the period and the interest income/expense for the previous period.

Interest Income

During the reporting period, the Bank's interest income amounted to RMB451,567 million, representing an increase of RMB35,315 million, or 8.48% compared with the same period of the prior year, primarily due to the growth in the scale of interest-earning assets, and further improvement in the asset structure with increased proportions of credit assets and retail loans.

Interest Income from Loans to Customers

During the reporting period, the Bank's interest income from loans to customers amounted to RMB287,207 million, representing an increase of RMB30,252 million, or 11.77% compared with the same period of the prior year.

Specifically, interest income from personal loans amounted to RMB189,021 million, representing an increase of RMB23,444 million, or 14.16% compared with the same period of the prior year, primarily because the Bank gave full play to its strengths in retail banking and continued to enhance its capabilities of product innovation and customer service to continuously meet customers' comprehensive credit needs, achieving rapid growth in the average balance of personal loans such as consumer loans and micro loans.

The Bank's interest income from corporate loans amounted to RMB86,119 million, representing an increase of RMB7,535 million, or 9.59% compared with the same period of the prior year, primarily because the Bank seized opportunities in key national strategies, and stepped up credit support for key regions and key industries, with steady growth in the average balance of corporate loans; at the same time, its loan term structure was further improved, driving growth of interest income from corporate loans.

Interest income from discounted bills registered RMB12,067 million, representing a decrease of RMB727 million, or 5.68% compared with the same period of the prior year, mainly because the Bank optimized the asset structure and reduced the average balance of discounted bills with lower yield.

Analysis on Average Yield of Loans to Customers by Business Line

In millions of RMB, except for percentages

Item	2021			2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Personal loans	3,529,827	189,021	5.35	3,012,667	165,577	5.50
Corporate loans	2,147,034	86,119	4.01	1,909,038	78,584	4.12
Discounted bills	456,202	12,067	2.65	489,965	12,794	2.61
Total loans to customers	6,133,063	287,207	4.68	5,411,670	256,955	4.75

Analysis on Average Yield of Loans to Customers by Maturity Structure

In millions of RMB, except for percentages

Item	2021			2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	2,276,388	102,341	4.50	2,106,473	88,528	4.20
Medium- and long-term loans	3,856,675	184,866	4.79	3,305,197	168,427	5.10
Total loans to customers	6,133,063	287,207	4.68	5,411,670	256,955	4.75

Interest Income from Investments

During the reporting period, the Bank's interest income from investments amounted to RMB127,677 million, representing an increase of RMB1,444 million, or 1.14% compared with the same period of the prior year, primarily driven by the increase of average balance of financial investments in local government bonds and interbank certificates of deposit.

Interest Income from Deposits with Central Bank

During the reporting period, the Bank's interest income from deposits with central bank amounted to RMB18,902 million, representing an increase of RMB1,247 million, or 7.06% compared with the same period of the prior year, primarily due to an increase in the average balance of deposits with central bank driven by growth of deposits.

Interest Income from Deposits and Placements with Banks and Other Financial Institutions

During the reporting period, the Bank's interest income from deposits and placements with banks and other financial institutions amounted to RMB17,781 million, representing an increase of RMB2,372 million, or 15.39% compared with the same period of the prior year. It was primarily due to the increase in the average balance of financial assets held under resale agreements.

Interest Expense

During the reporting period, the Bank's interest expense amounted to RMB182,185 million, representing an increase of RMB19,311 million, or 11.86% year on year, primarily due to the increase of interest expense on customer deposits.

Interest Expense on Customer Deposits

During the reporting period, the Bank's interest expense on customer deposits amounted to RMB175,218 million, representing an increase of RMB20,425 million, or 13.20% year on year, primarily driven by the growth in the scale of deposits and an increase in average cost.

Analysis on Average Cost of Customer Deposits by Product Type

In millions of RMB, except for percentages

	2021			2020		
Item	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Personal deposits						
Demand	2,792,014	8,609	0.31	2,675,946	8,268	0.31
Time	6,631,739	151,363	2.28	5,849,364	131,551	2.25
Subtotal	9,423,753	159,972	1.70	8,525,310	139,819	1.64
Corporate deposits						
Demand	902,769	5,936	0.66	843,387	5,797	0.69
Time	397,368	9,310	2.34	374,730	9,177	2.45
Subtotal	1,300,137	15,246	1.17	1,218,117	14,974	1.23
Total customer deposits	10,723,890	175,218	1.63	9,743,427	154,793	1.59

Interest Expense on Deposits and Placements from Banks and Other Financial Institutions

During the reporting period, the Bank's interest expense on deposits and placements from banks and other financial institutions amounted to RMB4,100 million, representing a decrease of RMB325 million, or 7.34% compared with the same period of the prior year, mainly due to the optimization of liability structure and reduction of interbank liabilities such as financial assets sold under repurchase agreements.

Interest Expense on Debt Securities Issued

During the reporting period, the Bank's interest expense on debt securities issued amounted to RMB2,586 million, representing a decrease of RMB831 million, or 24.32% compared with the same period of the prior year, primarily due to the decrease in the issuance scale and average cost of interbank certificates of deposit.

Net Fee and Commission Income

During the reporting period, the net fee and commission income of the Bank amounted to RMB22,007 million, representing an increase of RMB5,512 million, or 33.42% compared with the same period of the prior year. In particular, fee and commission income amounted to RMB42,383 million, representing an increase of RMB9,637 million, or 29.43% compared with the same period of the prior year. Fee and commission expense amounted to RMB20,376 million, representing an increase of RMB4,125 million, or 25.38% compared with the same period of the prior year.

Specifically, agency business fee income amounted to RMB12,239 million, representing an increase of RMB5,752 million, or 88.67% compared with the same period of the prior year. It was mainly because the Bank accelerated the upgrading of the wealth management system and transformed from sales of one product alone to diversified product offerings, achieving rapid growth in the income of agency sales businesses such as bancassurance, agency fund products and agency sales of collective asset management plans. Bank cards business fee income amounted to RMB11,951 million, representing an increase of RMB435 million, or 3.78% compared with the same period of the prior year, mainly because the Bank advanced channel building and product innovation of credit cards, deepened the development of business district scenarios, achieving continuous improvement in credit card customer acquisition and volume of transactions as well as steady growth of income. Settlement and clearing fee income amounted to RMB9,626 million, representing an increase of RMB1,345 million, or 16.24% compared with the same period of the prior year, primarily because the Bank continued to optimize its quick payment products, enriched its card-binding tools and broadened its card-binding channels, and realized steady growth in the scale and income of electronic payment. Wealth management fee income amounted to RMB5,170 million, representing an increase of RMB972 million or 23.15% compared with the same period of the prior year, primarily due to the accelerated pace in the net value transformation of wealth management business, enhanced investment analysis capabilities and improved product mix, resulting in steady growth in the wealth management business income. Investment banking fee income amounted to RMB1,366 million, representing an increase of RMB417 million or 43.94% compared with the same period of the prior year, mainly because the Bank strengthened business and product innovation and actively expanded bond underwriting and syndicated loan business, thus realizing rapid growth in investment banking income. Custody business fee income amounted to RMB1,164 million, representing an increase of RMB277 million, or 31.23% compared with the same period of the prior year. It was mainly because the Bank actively advanced the transformation and upgrading of its custody operation services and vigorously developed the custody of mutual funds, resulting in a further optimized structure of and rapid income from custody business. Fee and commission expense amounted to RMB20,376 million, representing an increase of RMB4,125 million, or 25.38% compared with the same period of the prior year, primarily due to an increase in the commission expense led by the increased scale of financial products sold by agency outlets.

Components of Net Fee and Commission Income

In millions of RMB, except for percentages

Item	2021	2020	Increase/ (decrease)	Change (%)
Agency business	12,239	6,487	5,752	88.67
Bank cards business	11,951	11,516	435	3.78
Settlement and clearing	9,626	8,281	1,345	16.24
Wealth management business	5,170	4,198	972	23.15
Investment banking business	1,366	949	417	43.94
Custody business	1,164	887	277	31.23
Others	867	428	439	102.57
Fee and commission income	42,383	32,746	9,637	29.43
Less: Fee and commission expense	20,376	16,251	4,125	25.38
Net fee and commission income	22,007	16,495	5,512	33.42

Net Other Non-Interest Income

During the reporting period, the Bank's net other non-interest income amounted to RMB27,718 million, representing an increase of RMB11,054 million, or 66.33% compared with the same period of the prior year.

Net trading gains amounted to RMB3,286 million, representing an increase of RMB27 million, or 0.83% compared with the same period of the prior year, primarily driven by rising valuation of held-for-trading debt securities due to the Bank's well-adjusted pace of investment and optimized business layouts.

Net gains on securities investment amounted to RMB23,081 million, representing an increase of RMB7,160 million, or 44.97% compared with the same period of the prior year. It was mainly because the Bank actively optimized its asset structure by increasing the investment in securities investment funds with tax benefits, driving an increase in dividend income. The gains were also attributable to the enriched trading strategies, expanded scale and frequency of trading and increased trading spread yields.

Net other operating gains amounted to RMB745 million, representing an increase of RMB3,262 million compared with the same period of the prior year, primarily due to the fluctuation in exchange rate of RMB against the US dollar.

Components of Net Other Non-Interest Income

In millions of RMB, except for percentages

Item	2021	2020	Increase/ (decrease)	Change (%)
Net trading gains	3,286	3,259	27	0.83
Net gains on securities investment	23,081	15,921	7,160	44.97
Net gains on derecognition of financial assets at amortized cost	606	1	605	60,500.00
Net other operating gains	745	(2,517)	3,262	–
Total	27,718	16,664	11,054	66.33

Operating Expenses

During the reporting period, the Bank continued to highlight the concept of return on resources, and strengthened the refined management of expenses. Operating expenses amounted to RMB190,995 million, representing an increase of RMB23,011 million, or 13.70% compared with the same period of the prior year.

In particular, deposit agency fee and others amounted to RMB89,182 million, representing an increase of RMB6,869 million, or 8.34% compared with the same period of the prior year, primarily due to the increase in the scale of personal deposits taken through agency outlets. Staff costs amounted to RMB59,228 million, representing an increase of RMB7,873 million, or 15.33% compared with the same period of the prior year. It was mainly because the Bank further implemented the strategy of building a strong bank with talents, accelerated building of a professional talent pool, with steady growth in human resources investment, as well as the expiry of the social insurance premium reduction policy during the pandemic in the same period of the previous year. Depreciation and amortization stood at RMB9,037 million, representing an increase of RMB959 million, or 11.87% compared with the same period of the prior year, mainly due to the increase in depreciation of fixed assets. Other costs stood at RMB31,080 million, representing an increase of RMB7,029 million, or 29.23% compared with the same period of the prior year, mainly because the Bank increased investment in information technology and business marketing in order to assist in high-quality development.

Major Components of Operating Expenses

In millions of RMB, except for percentages

Item	2021	2020	Increase/ (decrease)	Change (%)
Deposit agency fee and others	89,182	82,313	6,869	8.34
Staff costs	59,228	51,355	7,873	15.33
Depreciation and amortization	9,037	8,078	959	11.87
Taxes and surcharges	2,468	2,187	281	12.85
Others	31,080	24,051	7,029	29.23
Total operating expenses	190,995	167,984	23,011	13.70

Credit Impairment Losses

During the reporting period, the Bank's credit impairment losses amounted to RMB46,638 million, representing a decrease of RMB3,760 million, or 7.46% compared with the same period of the prior year. Among that, the impairment losses on loans to customers amounted to RMB28,728 million, representing a decrease of RMB23,649 million, or 45.15% compared with the same period of the prior year. It was mainly driven by the Bank's efforts to keep the quality of its credit assets at a stable level with a decline in the non-performing loan formation rate, combined by the impact of forward-looking impairment provisions during the pandemic in the same period of the previous year. Impairment losses on financial investments amounted to RMB12,200 million, which was mainly attributable to the Bank's efforts in incorporating wealth management assets at risk into its balance sheet and full provision for impairment loss of RMB10,723 million on such assets based on the expected credit loss (ECL) model.

Income Tax Expenses

During the reporting period, the Bank's income tax expenses amounted to RMB4,922 million, representing an increase of RMB1,104 million, or 28.92% compared with the same period of the prior year, primarily due to the growth in the profit before income tax.

Segment Information

Operating Income by Business Segment

In millions of RMB, except for percentages

Item	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Personal banking	221,883	69.53	198,127	69.15
Corporate banking	59,105	18.52	55,899	19.51
Treasury business	37,706	11.82	32,103	11.20
Others	413	0.13	408	0.14
Total operating income	319,107	100.00	286,537	100.00

For further details of business scope of each segment, please refer to "Notes to the Consolidated Financial Statements – 43.1 Business segment".

Operating Income by Geographical Region

In millions of RMB, except for percentages

Item	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	23,092	7.24	19,636	6.85
Yangtze River Delta	48,530	15.21	41,636	14.53
Pearl River Delta	39,575	12.40	35,532	12.40
Bohai Rim	45,811	14.36	40,770	14.23
Central China	82,694	25.91	75,646	26.41
Western China	60,297	18.90	55,252	19.28
Northeastern China	19,108	5.98	18,065	6.30
Total operating income	319,107	100.00	286,537	100.00

For further details of business scope of each geographical region, please refer to "Notes to the Consolidated Financial Statements – 43.2 Geographical segment".

Balance Sheet Analysis

Assets

As at the end of the reporting period, the Bank's total assets amounted to RMB12,587,873 million, representing an increase of RMB1,234,610 million, or 10.87% compared with the prior year-end. In particular, total loans to customers increased by RMB737,841 million, or 12.91% compared with the prior year-end; financial investments increased by RMB433,970 million, or 11.09% compared with the prior year-end; cash and deposits with central bank decreased by RMB30,404 million, or 2.49% compared with the prior year-end. In terms of the structure, net loans to customers accounted for 49.55% of total assets, representing an increase of 1 percentage point compared with the prior year-end; financial investments accounted for 34.55% of total assets, representing an increase of 0.07 percentage point compared with the prior year-end; cash and deposits with central bank accounted for 9.45% of total assets, representing a decrease of 1.29 percentage points compared with the prior year-end; total deposits and placements with banks and other financial institutions and financial assets held under resale agreements accounted for 5.06% of total assets, representing an increase of 0.20 percentage point compared with the prior year-end. The asset structure was further improved.

Key Items of Assets

In millions of RMB, except for percentages

	December 31, 2021		December 31, 2020	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Total loans to customers	6,454,099	–	5,716,258	–
Less: Allowance for impairment losses on loans[1]	216,900	–	203,897	–
Loans to customers, net	6,237,199	49.55	5,512,361	48.55
Financial investments	4,348,620	34.55	3,914,650	34.48
Cash and deposits with central bank	1,189,458	9.45	1,219,862	10.74
Deposits with banks and other financial institutions	90,782	0.72	43,682	0.38
Placements with banks and other financial institutions	280,093	2.23	248,396	2.19
Financial assets held under resale agreements	265,229	2.11	259,956	2.29
Other assets[2]	176,492	1.39	154,356	1.37
Total assets	12,587,873	100.00	11,353,263	100.00

Note (1): Allowance for impairment losses on loans to customers at amortized cost.

Note (2): Other assets consist primarily of property and equipment, deferred tax assets, right-of-use assets, settlement and clearance payables, other receivables and derivative financial assets, etc.

Loans to Customers

As at the end of the reporting period, the Bank's total loans to customers amounted to RMB6,454,099 million, representing an increase of RMB737,841 million, or 12.91% compared with the prior year-end.

Loans to Customers by Business Line

In millions of RMB, except for percentages

Item	December 31, 2021		December 31, 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Personal loans	3,756,153	58.20	3,253,893	56.92
Corporate loans	2,253,936	34.92	1,977,785	34.60
Discounted bills	444,010	6.88	484,580	8.48
Total loans to customers	6,454,099	100.00	5,716,258	100.00

Loans to Customers by Maturity

In millions of RMB, except for percentages

Item	December 31, 2021		December 31, 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Short-term loans	2,375,999	36.81	2,170,286	37.97
Medium and long-term loans	4,078,100	63.19	3,545,972	62.03
Total loans to customers	6,454,099	100.00	5,716,258	100.00

Loans to Customers by Geographical Region

In millions of RMB, except for percentages

Item	December 31, 2021		December 31, 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	342,903	5.31	318,627	5.57
Yangtze River Delta	1,305,967	20.23	1,157,455	20.25
Pearl River Delta	813,089	12.60	668,372	11.69
Bohai Rim	964,919	14.95	869,133	15.20
Central China	1,583,333	24.53	1,406,061	24.60
Western China	1,105,157	17.12	979,625	17.14
Northeastern China	338,731	5.26	316,985	5.55
Total loans to customers	6,454,099	100.00	5,716,258	100.00

Personal Loans

As at the end of the reporting period, the Bank's total personal loans amounted to RMB3,756,153 million, representing an increase of RMB502,260 million, or 15.44% compared with the prior year-end.

Personal consumer loans amounted to RMB2,665,930 million, representing an increase of RMB302,930 million, or 12.82% compared with the prior year-end, mainly because the Bank increased credit support for real estate purchase for personal use or customers' second home, accelerated the digital transformation of consumer credit and provided customers with more convenient and quality consumer credit services, maintaining a steady momentum of development in its personal consumer loans.

Personal micro loans amounted to RMB915,354 million, representing an increase of RMB169,102 million, or 22.66% compared with the prior year-end, mainly because the Bank increased its credit support for key areas in the rural revitalization strategy, continued to promote the digital transformation of Sannong finance, and strived to enhance the quality and efficiency of Sannong financial services, contributing to the relatively rapid growth of micro loans.

Credit card overdrafts and others amounted to RMB174,869 million, representing an increase of RMB30,228 million, or 20.90% compared with the prior year-end. This was mainly due to the fact that the Bank actively facilitated the institutional and mechanism reform of the Credit Card Center as a Specialized Institution, vigorously enhanced its ability to innovate credit card products, and strengthened the building of business district scenarios and brand marketing efforts, resulting in continuously increased scale of customer acquisition and steady growth of credit card business.

Personal Loans by Product Type

In millions of RMB, except for percentages

	December 31, 2021		December 31, 2020	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Consumer loans	2,665,930	70.98	2,363,000	72.62
Residential mortgage loans	2,169,309	57.75	1,921,055	59.04
Other consumer loans	496,621	13.23	441,945	13.58
Personal micro loans	915,354	24.37	746,252	22.93
Credit card overdrafts and others	174,869	4.65	144,641	4.45
Total personal loans	3,756,153	100.00	3,253,893	100.00

Corporate Loans

As at the end of the reporting period, the Bank's corporate loans amounted to RMB2,253,936 million, representing an increase of RMB276,151 million, or 13.96% compared with the prior year-end. This was primarily because the Bank seized the opportunities of key national strategies, actively developed new energy loans and other loan products, and increased investment in such fields as manufacturing, new infrastructure and new urbanization initiatives as well as major projects, green credit, and private enterprises. As a result, corporate loans and small business loans registered a steady growth.

As at the end of the reporting period, the top five industries to which the Bank granted corporate loans were transportation, storage and postal services; manufacturing; financial services; production and supply of electricity, heating, gas and water; and real estate. The balance of loans extended to the top five industries in aggregate accounted for 72.71% of total corporate loans, representing a decrease of 0.13 percentage point compared with the prior year-end.

Corporate Loans by Industry

In millions of RMB, except for percentages

Item	December 31, 2021		December 31, 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Transportation, storage and postal services	706,262	31.33	611,929	30.94
Manufacturing	326,840	14.50	312,480	15.80
Financial services	237,739	10.55	193,861	9.80
Production and supply of electricity, heating, gas and water	229,209	10.17	204,923	10.36
Real estate	138,886	6.16	93,607	4.73
Leasing and commercial services	135,092	5.99	110,249	5.57
Wholesale and retail	129,855	5.76	117,424	5.94
Construction	119,839	5.32	110,440	5.58
Water conservancy, environmental and public facilities management	110,607	4.91	96,018	4.86
Mining	60,798	2.70	69,268	3.50
Other industries[1]	58,809	2.61	57,586	2.92
Total corporate loans	2,253,936	100.00	1,977,785	100.00

Note (1): Other industries consist of the agriculture, forestry, animal husbandry, fishery; information transmission, computer services and the software industry, etc.

Discounted bills

As at the end of the reporting period, discounted bills amounted to RMB444,010 million, representing a decrease of RMB40,570 million, or 8.37% compared with the prior year-end, mainly because the Bank optimized its credit business structure and reduced the scale of low-yield bills.

Financial Investments

During the reporting period, the Bank strengthened its investment analysis, kept abreast of market trends with well-adjusted pace of investment and optimized its business layout. As at the end of the reporting period, the Bank's financial investments amounted to RMB4,348,620 million, representing an increase of RMB433,970 million, or 11.09% compared with the prior year-end, primarily due to increased investments in government bonds, interbank certificates of deposit and securities investment funds with tax benefits and less capital consumption.

Investments by Product

In millions of RMB, except for percentages

Item	December 31, 2021		December 31, 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Debt securities	3,237,443	74.45	3,163,156	80.80
Interbank certificates of deposits	411,468	9.46	233,609	5.97
Financial institution wealth management products	–	–	493	0.01
Asset management plans	80,017	1.84	72,826	1.86
Trust investment plans	204,783	4.71	196,980	5.03
Securities investment funds	390,373	8.98	235,674	6.02
Others	24,536	0.56	11,912	0.31
Total financial investments	4,348,620	100.00	3,914,650	100.00

Investment Structure by Type of Investment Instruments

In millions of RMB, except for percentages

Item	December 31, 2021		December 31, 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Debt instruments	4,334,932	99.69	3,907,797	99.82
Equity instruments	13,688	0.31	6,853	0.18
Total financial investments	4,348,620	100.00	3,914,650	100.00

In terms of measurement approach, as at the end of the reporting period, the Bank's financial assets at fair value through profit or loss amounted to RMB750,597 million, representing an increase of RMB331,316 million, or 79.02% compared with the prior year-end, mainly due to the increase in the scale of interbank certificates of deposits and securities investment funds; financial assets at amortized costs stood at RMB3,280,003 million, representing an increase of RMB106,360 million or 3.35% over the prior year-end, primarily due to the increase in the scale of government bonds and interbank certificates of deposits; and financial assets at fair value through other comprehensive income amounted to RMB318,020 million, representing a decrease of RMB3,706 million, or 1.15% compared with the prior year-end.

Financial Investments by Measurement Approach

In millions of RMB, except for percentages

Item	December 31, 2021		December 31, 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss	750,597	17.26	419,281	10.71
Financial assets at fair value through other comprehensive income	318,020	7.31	321,726	8.22
Financial assets at amortized cost	3,280,003	75.43	3,173,643	81.07
Total financial investments	4,348,620	100.00	3,914,650	100.00

Investments in Debt Securities

As at the end of the reporting period, the Bank's investments in debt securities were RMB3,237,443 million, representing an increase of RMB74,287 million, or 2.35% compared with the prior year-end, mainly due to the optimized structure of the bond portfolio, and the increased investment in government bonds with less capital consumption and tax benefits.

Investments in Debt Securities by Issuing Institution

In millions of RMB, except for percentages

	December 31, 2021		December 31, 2020	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	1,310,629	40.48	1,129,819	35.72
Bonds issued by financial institutions	1,750,392	54.07	1,835,596	58.03
Corporate bonds	176,422	5.45	197,741	6.25
Total investments in debt securities	3,237,443	100.00	3,163,156	100.00

Investments in Debt Securities by Remaining Maturity

In millions of RMB, except for percentages

	December 31, 2021		December 31, 2020	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Overdue	27	0.00	10	0.00
Within 3 months	96,977	3.00	197,996	6.26
3-12 months	439,875	13.59	274,088	8.67
1-5 years	1,463,183	45.20	1,647,233	52.07
Over 5 years	1,237,381	38.21	1,043,829	33.00
Total investments in debt securities	3,237,443	100.00	3,163,156	100.00

Investments in Debt Securities by Currency

In millions of RMB, except for percentages

	December 31, 2021		December 31, 2020	
Item	Amount	Percentage (%)	Amount	Percentage (%)
RMB	3,181,529	98.27	3,110,535	98.34
Foreign currencies	55,914	1.73	52,621	1.66
Total investments in debt securities	3,237,443	100.00	3,163,156	100.00

Financial Bonds

As at the end of the reporting period, the Bank held RMB1,750,392 million worth of financial bonds issued by financial institutions, of which, bonds issued by policy banks amounted to RMB1,584,888 million, accounting for 90.54% of the total.

The Top Ten Financial Bonds in Terms of Par Value

In millions of RMB, except for percentages

Debt Securities	Par value	Annual interest rates (%)	Maturity date	Allowance for impairment losses[1]
2015 Policy Financial Bonds	75,576.76	3.71	2025/8/31	–
2012 Policy Financial Bonds	49,800.00	2.43	2022/6/6	–
2015 Policy Financial Bonds	40,585.72	3.39	2035/9/28	–
2016 Policy Financial Bonds	33,420.00	3.05	2026/8/25	–
2017 Policy Financial Bonds	32,160.00	4.30	2024/8/21	–
2019 Policy Financial Bonds	31,980.00	3.28	2024/2/11	–
2015 Policy Financial Bonds	29,143.22	3.36	2030/9/28	–
2018 Policy Financial Bonds	28,940.00	4.99	2023/1/24	–
2017 Policy Financial Bonds	28,280.00	4.04	2027/4/10	–
2015 Policy Financial Bonds	28,234.30	3.40	2035/10/15	–

Note (1): Excludes allowance for impairment losses for the stage 1 set aside in accordance with the new financial instrument standards.

Liabilities

As at the end of the reporting period, the Bank's total liabilities amounted to RMB11,792,324 million, representing an increase of RMB1,111,991 million, or 10.41% compared with the prior year-end. Among that, customer deposits amounted to RMB11,354,073 million, representing an increase of RMB996,044 million, or 9.62% compared with the prior year-end; deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements amounted to a total of RMB232,017 million, representing an increase of RMB90,228 million, or 63.64% compared with the prior year-end.

Key Items of Liabilities

In millions of RMB, except for percentages

Item	December 31, 2021		December 31, 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Customer deposits	11,354,073	96.28	10,358,029	96.98
Deposits from banks and other financial institutions	154,809	1.31	85,912	0.80
Placements from banks and other financial institutions	42,565	0.36	30,743	0.29
Financial assets sold under repurchase agreements	34,643	0.29	25,134	0.24
Debt securities issued	81,426	0.69	57,974	0.54
Borrowings from central bank	17,316	0.15	25,288	0.24
Other liabilities[1]	107,492	0.92	97,253	0.91
Total liabilities	11,792,324	100.00	10,680,333	100.00

Note (1): Consist of dividend payable, provisions, derivative financial liabilities, employee benefits payable, lease liabilities, agency business liabilities, corporate income tax payable, deferred tax liabilities and other liabilities.

Customer Deposits

As at the end of the reporting period, the Bank's total customer deposits amounted to RMB11,354,073 million, representing an increase of RMB996,044 million, or 9.62% compared with the prior year-end. The Bank's core liabilities grew steadily.

In particular, personal deposits amounted to RMB10,045,635 million, representing an increase of RMB950,071 million, or 10.45% compared with the prior year-end. It was mainly because the Bank constantly expanded sources of personal deposits and upheld development of value-based deposits, hence driving the rapid growth of deposits with maturities of one year or less and effectively reducing high-interest deposits. Corporate deposits amounted to RMB1,305,436 million, representing an increase of RMB45,587 million, or 3.62% compared with the prior year-end. It was attributed to the Bank's focus on "Ten Initiatives" of corporate deposits and the special campaign to consolidate the fundamentals and improve performance of corporate business, deepened efforts in institutional customers and strengthened comprehensive marketing around key customer groups, thus resulting in steady growth in corporate deposits.

Customer Deposits by Product and Customer

In millions of RMB, except for percentages

	December 31, 2021		December 31, 2020	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Personal deposits	10,045,635	88.47	9,095,564	87.81
Demand deposit	3,008,998	26.50	2,893,163	27.93
Time deposit	7,036,637	61.97	6,202,401	59.88
Corporate deposits	1,305,436	11.50	1,259,849	12.16
Demand deposit	898,371	7.91	874,155	8.44
Time deposit	407,065	3.59	385,694	3.72
Other deposits(1)	3,002	0.03	2,616	0.03
Total customer deposits	11,354,073	100.00	10,358,029	100.00

Note (1): Other deposits consist of remittance payable, credit card deposits and outbound remittance, etc.

Customer Deposits by Geographical Region

In millions of RMB, except for percentages

Item	December 31, 2021		December 31, 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	2,597	0.02	1,948	0.02
Yangtze River Delta	1,742,301	15.35	1,562,686	15.09
Pearl River Delta	1,062,125	9.35	970,623	9.37
Bohai Rim	1,735,582	15.29	1,639,051	15.82
Central China	3,525,754	31.05	3,177,977	30.69
Western China	2,439,846	21.49	2,220,159	21.43
Northeastern China	845,868	7.45	785,585	7.58
Total customer deposits	11,354,073	100.00	10,358,029	100.00

Customer Deposits by Remaining Maturity

In millions of RMB, except for percentages

Item	December 31, 2021		December 31, 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Repayable on demand	3,967,774	34.95	3,819,615	36.87
Within 3 months	2,771,431	24.41	2,105,517	20.33
3-12 months	3,483,183	30.68	3,112,622	30.05
1-5 years	1,131,685	9.96	1,320,275	12.75
Over 5 years	–	–	–	–
Total customer deposits	11,354,073	100.00	10,358,029	100.00

Equity

As at the end of the reporting period, the Bank's total equity amounted to RMB795,549 million, representing an increase of RMB122,619 million, or 18.22% compared with the prior year-end, mainly due to the increase of retained earnings and other reserves of RMB62,310 million, net proceeds from the non-public offering of RMB29,985 million of A-shares as well as net proceeds from the issuance of RMB29,997 million of perpetual bonds.

Composition of Equity

In millions of RMB, except for percentages

Item	December 31, 2021		December 31, 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Share capital	92,384	11.61	86,979	12.93
Other equity instruments – preference shares	47,869	6.02	47,869	7.11
Other equity instruments – perpetual bonds	109,986	13.83	79,989	11.89
Capital reserve	125,486	15.77	100,906	15.00
Other comprehensive income	12,054	1.52	2,725	0.40
Surplus reserve	50,105	6.30	42,688	6.34
General reserve	157,367	19.78	130,071	19.33
Retained earnings	198,840	24.99	180,572	26.83
Equity attributable to equity holders of the Bank	794,091	99.82	671,799	99.83
Non-controlling interests	1,458	0.18	1,131	0.17
Total equity	795,549	100.00	672,930	100.00

Off-Balance Sheet Items

The Bank's off-balance sheet items primarily include derivative financial instruments, contingent liabilities and commitments.

Derivative financial instruments of the Bank mainly include interest rate contracts, exchange rate contracts and others. For details of nominal amount and fair value of derivative financial instruments, please refer to "Notes to the Consolidated Financial Statements – 18 Derivative financial assets and liabilities".

The Bank's contingent liabilities and commitments mainly consist of lawsuits and claims, capital commitments, credit commitments, mortgage and pledged assets and redemption commitment for government bonds. For details of contingent liabilities and commitments, please refer to "Notes to the Consolidated Financial Statements – 41 Contingent liabilities and commitments". Credit commitments consist of loan commitments, bank acceptances, guarantees and letters of guarantee, letters of credit and unused credit card commitments.

Components of Credit Commitments

In millions of RMB, except for percentages

Item	December 31, 2021		December 31, 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Loan commitments	152,623	24.18	277,792	38.73
Bank acceptances	36,158	5.73	38,652	5.39
Guarantees and letters of guarantee	42,859	6.79	40,226	5.61
Letters of credit	32,209	5.10	30,383	4.24
Undrawn credit card limits	367,441	58.20	330,260	46.03
Total credit commitments	631,290	100.00	717,313	100.00

Analysis of Cash Flow Statement

During the reporting period, net cash inflow from operating activities of the Bank was RMB109,557 million, a year-on-year decrease of RMB52,215 million, mainly due to increased investments in held-for-trading interbank certificates of deposits and more cash paid compared to the same period of the prior year.

During the reporting period, net cash outflow from investing activities of the Bank amounted to RMB182,917 million, representing a year-on-year increase of RMB60,842 million, primarily due to the increase in cash paid for bond investments.

During the reporting period, net cash inflow from financing activities of the Bank amounted to RMB52,263 million, representing a year-on-year increase of RMB35,516 million, primarily due to the decrease in cash paid on matured interbank certificates of deposit compared to the same period of the prior year.

Other Financial Information

Explanation of Changes in Accounting Policies

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

Explanation of Differences in Financial Statements Prepared Under Domestic and International Accounting Standards

There was no difference between the net profit and the total equity in the consolidated financial statements prepared by the Bank under PRC GAAP and the corresponding figures prepared by the Bank under IFRSs.

Information on Debt Securities

During the reporting period, the Bank did not issue any corporate bonds, enterprise bonds or debt financing instruments of non-financial enterprises that need to be disclosed in accordance with the Standards Concerning the Contents and Formats of Information Disclosure by Companies Publicly Offering Securities No. 2 – Contents and Formats of Annual Reports (Revision 2021) and the Management Measures for the Information Disclosure of Corporate Credit Bonds.

Business Overview

Retail Banking

Business Strategy:

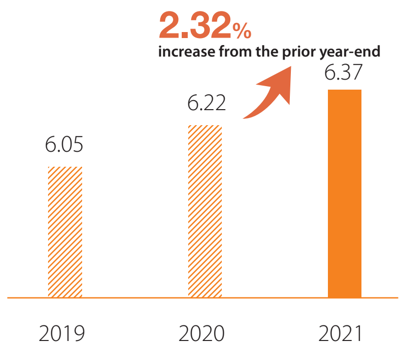
Adhering to the people-oriented philosophy, the Bank actively adapted to the trend of wealth growth and consumption upgrade of residents, accelerated the upgrading of its wealth management system and promoted the digital transformation of credit business on all fronts. It strengthened the development of a scenario system for credit card business, built a retail ecosystem of PSBC characteristics, optimized and upgraded customer experience, and achieved high-quality development of retail banking business, thus creating value for customers.

The Bank provided services for 637 million individuals and had RMB12.53 trillion in AUM of personal customers, up 11.40% year on year. Personal deposits surpassed RMB10 trillion.

Income from personal banking business grew by 11.99% year on year, accounting for 69.53% of the operating income, up 0.38 percentage point year on year.

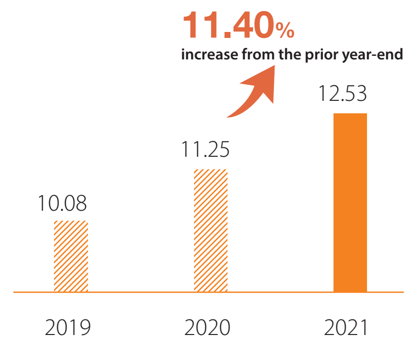
Number of Personal Customers

(In 100 million)



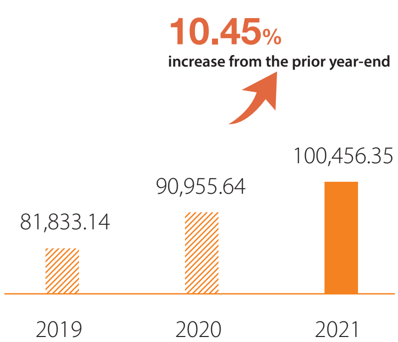
AUM of Personal Customers

(In trillions of RMB)



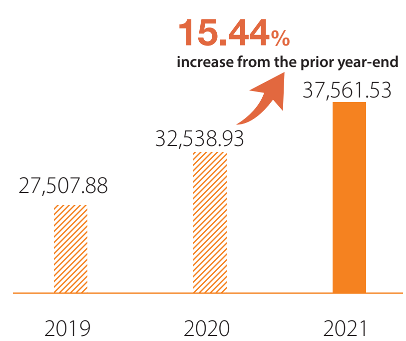
Personal Deposits

(In RMB100 million)



Personal Loans

(In RMB100 million)



1 Our customer segmentation is primarily based on each customer's personal financial assets and loan balances with us (collectively as consolidated assets). We usually classify customers with consolidated assets of RMB100,000 or more as our VIP customers and customers with consolidated assets of RMB500,000 or more as our affluent customers.

During the reporting period, adhering to the strategic vision of "building a first-tier large retail bank", the Bank grounded its efforts in comprehensive financial services for personal customers, in a bid to serve and integrate into the new development pattern, make new achievements and embark on a new journey of high-quality development in the 14th Five-Year Plan period. The Bank was committed to creating value for customers, and continued to strengthen the three-pronged development model characterized by "attracting users, retaining customers, and delivering more value" in order to improve the quality and efficiency of its business development and solidify its market position. The operating income of personal banking stood at RMB221,883 million, representing a year-on-year increase of 11.99%, and accounted for 69.53% of the Bank's operating income, with a year-on-year increase of 0.38 percentage point. Personal deposits surpassed RMB10 trillion to reach RMB10,045.635 billion, representing an increase of RMB950.071 billion compared with the prior year-end. Personal loans amounted to RMB3,756.153 billion, representing an increase of RMB502.260 billion compared with the prior year-end. We served 637 million personal customers, including 42.6298 million VIP customers, with an increase of more than RMB1 trillion in the assets under management (AUM) of personal customers in 2021, pushing its total AUM to RMB12.53 trillion.

The Bank focused on the customers' comprehensive financial needs, and intensified efforts in improving service ability to support its high-quality development. Based on the customers' needs for wealth management, the Bank pushed forward the development of the wealth management system and advanced the customer segmentation. It established a specialized team of wealth advisors, selected quality products across the market and improved the capabilities of asset allocation to improve customer experience of income gains. Following the trends of consumption upgrade, the Bank established an intensive operational mode, improved the credit process and enhanced its digital risk control capacity. It also enriched the credit card product system and strengthened the building of business district scenarios to enhance the card use experience. Furthermore, focusing on "building ecosystem, integrating into scenarios and operating intelligently", the Bank made all-round efforts to accelerate the building of a scenario ecosystem, launched the mobile banking app 7.0, enhanced the scenario-based service capacity and provided efficient and convenient comprehensive services to customers.

The Bank focused on providing better consumer experiences, and deployed technological innovation to drive high-quality development. It refined the Customer Relationship Management System (CRM) platform and the Personal Wealth Management System, consolidated customer relationship data and expanded the coverage of targeted services to provide convenient wealth management services to customers. Furthermore, the Bank rolled out the Integrated Marketing And Sales Performance Management System, and stimulated the motivation of its employees with efficient, convenient and precise performance evaluation tools. It also developed an efficient and intelligent operating system supported by digital technologies to improve operation efficiency.

Retail Banking Business

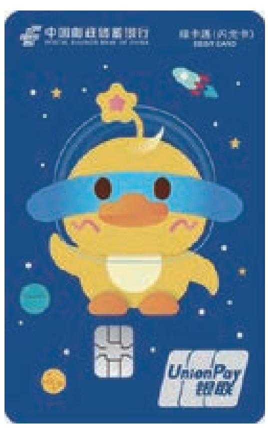
The Bank spared no effort to extend high-quality comprehensive financial services to more than 637 million personal customers. By utilizing big data, the Bank created multi-dimensional customer portraits and customized differentiated product portfolios, thereby realizing targeted customer marketing. It also integrated online and offline scenarios, and hence expanded the boundary of customer services.

Personal Deposit Business

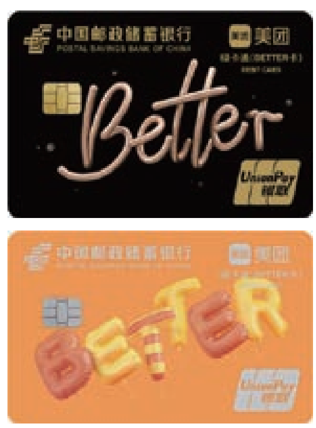
The Bank unwaveringly advanced the high-quality development of the deposit business. Responding to the country's requirement of staying put during the Spring Festival to contain the epidemic, the Bank actively provided comprehensive services to migrant workers, realizing rapid growth of personal deposits during the peak season of the Spring Festival. During the harvest season, the Bank provided one-stop fund settlement services for grain brokers, large-scale grain growers and self-employed farmers, with personal deposits at and below the county level accounting for nearly 70% of the Bank's personal deposits. The Bank matched differentiated products and follow-up schemes for the matured deposits of customers, and promoted the transition of matured deposits to value deposits, investment and wealth management products. The Bank's personal deposits surpassed RMB10 trillion to reach RMB10,045.635 billion, representing an increase of RMB950.071 billion compared with the prior year-end.

Debit Card Business

The Bank improved the online service ecosystem and continued to expand the membership benefits of the shining card and Meituan co-branded card to acquire and activate more customers. It continued to deepen cooperation with government departments to prepare for the issuance of the veteran service card and the third-generation financial social security card and provide relevant services. The Bank launched an innovative service to provide customized debit card design on three themes, i.e. children, parents and children, and pets. It cooperated with selected national supermarket chains, rail service providers, etc. to enrich the payment scenarios for "Happy Weekend" and other theme-based marketing campaigns for public benefit. Consumption via debit cards amounted to RMB9.14 trillion, representing a year-on-year increase of 8.68%.



Shining card



Meituan co-branded card

Customized debit card design (sample)

Personal Settlement Business

The Bank provides agency collection and payment services and various settlement services to individual customers. The agency collection and payment services primarily include payment of salary, benefits and allowances, collection of utility fees, and collection and payment of social security pension, etc. The Bank promoted the agency collection and payment business with great vigor, adopted new incentive and evaluation mechanisms, promoted cross-selling between corporate and retail banking segments, and continued to optimize products and enhance user experience. The volume of agency collection reached RMB670.267 billion and that of agency payment reached RMB1,693.018 billion. In particular, social security pension collected on an agency basis amounted to RMB64.557 billion, and pension payment on an agency basis amounted to RMB893.737 billion.

The Bank provided individual customers with various international settlement services such as cross-border telegraphic transfer (T/T) and Western Union money transfer. The number of transactions for personal international remittance was around 624,800, with a transaction volume of USD944 million.

Electronic Payment Business

The Bank remained committed to creating comprehensive, multi-level and systematic internet payment scenarios for individual customers. It cooperated with Alipay, WeChat, JD.com and other mainstream internet platforms in the market to open up payment channels, creating a multifaceted payment environment available at multiple fields for customers and enhancing their payment experience across the board. During the reporting period, the transaction amount of electronic payment via debit cards amounted to RMB8.31 trillion, a year-on-year increase of 16.30%.

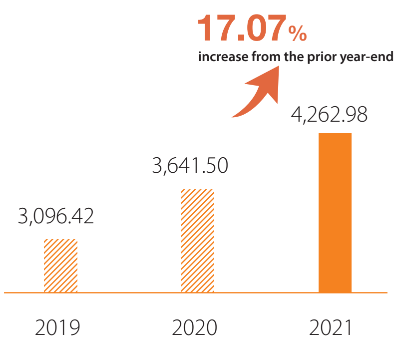
The comprehensive benefits of the Bank's electronic payment business have become increasingly prominent. The quick payment, as the most important business type in electronic payment business, has effectively boosted the high-quality development and value enhancement of retail customers. As at the end of the reporting period, the proportion of accounts with more than one monthly change among all accounts linked to quick payment of the customers was about 2.88 times as much as that of non-quick payment customers, and the AUM per account and demand deposits per account of customers whose cards linked to quick payment were nearly two times as much as those of non-quick payment customers.

The Bank's electronic payment product line was improved. In January 2020, the Bank launched "PSBC Pay" cashier, which integrated mainstream payment methods such as quick payment, gateway payment (B2B/B2C), WeChat payment, Alipay and so on, providing an open, convenient, efficient and flexible comprehensive solution for inter-bank online payments on both internal and external platforms.

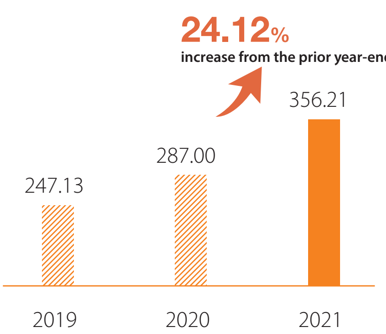
Wealth Management

The Bank adhered to a customer-oriented philosophy in its wealth management business, and improved the service differentiation system based on customer segmentation. Focusing on two key capabilities of customer relationship management and asset allocation, the Bank carried out overall capacity upgrading including "team capacity of the front office, product capacity and investment & research capacity of the middle office, and technology capacity of the back office" in order to provide high-quality wealth management services for urban and rural residents. As at the end of the reporting period, the Bank had 42.6298 million VIP customers, representing an increase of 17.07% compared with the prior year-end; the number of affluent customers reached 3.5621 million, representing an increase of 24.12% compared with the prior year-end.

Number of VIP Customers
(In 10,000)



Number of Affluent Customers
(In 10,000)



Wealth Management System

Adhering to the philosophy of creating value for customers, the Bank moved faster to upgrade the wealth management system in terms of products and services, professional team, IT systems, investment analysis, and service channels. Since it stepped up efforts in building the wealth management system in 2019, the Bank has strengthened customer segmentation, thus achieved joint customer acquisition through coordination among business lines and encouraged upward migration of customers. It devoted resources to building a "specialized, professional and dedicated" team of wealth advisors, expanded the team of financial consultants, and facilitated the improvement of wealth advisors' professional competency. The Bank continued to expand the coverage of high-end customer services, increased the supply of exclusive products for affluent customers, and strengthened coordination with PSBC Wealth Management. It selected quality products across the market and created an investment and wealth management product line with high-risk to low-risk products, and comprehensive and sound strategies. It also launched special financial services for high-end customers including customized services, family trust, etc., and a number of non-financial value-added services such as health and travel. The Bank strengthened support for investment analysis and technology application, and advanced capacity building in investment analysis. A research system was established for asset allocation with the flow of "macro policy - market - portfolio - product", with an emphasis on technology empowerment. A new personal wealth management system was developed and rolled out to facilitate wealth advisors in providing asset allocation services at each stage, including market analysis and prospect, customer demand identification, asset allocation planning, follow-up and overseeing. The Bank launched the "PSBC Wealth" brand, adopted the brand slogan "Accompany you every step of the way", and gradually built brand influence. We organized investor education activities in our urban and rural outlets to raise awareness and help customers develop a sensible and sustained investment philosophy and benefit from China's economic growth.

Wealth Management Product Line

The Bank continued to enrich its wealth management products, and built a diversified and multi-strategy product system. Leveraging its prudent investment strategy and professional asset allocation services, the Bank helped customers to boost their asset appreciation. Focusing on customers' life cycle, the Bank stepped up efforts in agency insurance business transformation to meet insurance needs of customers such as retirement planning, health management, children's education and wealth inheritance. The new regular premiums amounted to RMB78.944 billion, and the premiums of new policies for protection-oriented products amounted to RMB105.031 billion, representing a year-on-year increase of 46.65%. For personal wealth management business, the Bank actively improved customer services regarding product transformation, vigorously promoted the sales of net-worth wealth management products, introduced products of other bank-owned wealth management companies in an orderly manner, with the balance of personal wealth management products amounting to RMB860.328 billion. The Bank also strengthened cooperation with best-performing medium and large-sized fund managers, with a focus on selected "fixed income plus" products and equity funds, and provided customers with quality after-sales services. It optimized the transaction functions of mobile banking, provided a user-friendly interface, professional services and a better online transaction experience. Its agency sales of funds amounted to RMB188.210 billion, among which the non-monetary funds stood at RMB168.799 billion, a year-on-year increase of 30.68%. The Bank continued to introduce new strategy asset management and trust products from the market, and launched products such as "fixed income plus", quantitative neutral, and enhanced index fund (EIF). The agency sales of collective asset management plans (including trust plans) amounted to RMB88.014 billion, representing a year-on-year increase of 29.77%. The Bank introduced pilot sales of savings bonds (electronic) through mobile banking, which was the first of its kind among all peers, provided novel transaction service with big-font interface to meet the investment needs of elderly customers, and sold RMB41.455 billion savings bonds. It also promoted the online migration of the precious metals business, and expanded the trading channels, with the transaction amount of precious metals reaching RMB14.894 billion.

Column 1 Accelerating the Upgrading of Wealth Management Business

Along with the implementation of the "rural revitalization" and "common prosperity" strategies, the group of affluent customers will continue to expand, boosting the demand for wealth management. To adapt to the current trend of the wealth management sector towards net value-based products, diversified allocation, customized services and smart technologies, the commercial banks must rise to meet higher demands and greater challenges to develop their wealth management business.

With 637 million personal customers and nearly 40,000 outlets, the Bank has a unique resource endowment in the field of wealth management. It was committed to creating value for customers, emphasized the importance of wealth management as being strategic to the Bank as a whole, and made all-round efforts to promote the upgrading of wealth management system.

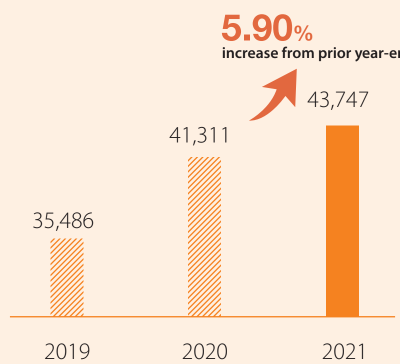
Continuously strengthening customer grouping and segmentation

Customer management is the core of wealth management. Based on the different needs of the general public and VIP customers, the Bank leveraged the system resources to improve its capabilities to provide targeted services and online services. The affluent customer management is implemented through customer grouping and segmentation, with a special product system to provide customized asset allocation and wealth management planning services to customers. The Bank promoted asset upgrade, new customer referral and qualified investor certification to encourage upward migration of customer grade. We encouraged multi-department collaboration within the Bank to reach potential affluent customers through joint customer acquisition, and to provide full and comprehensive services to customers. We also carried out diversified customer activities including the "Hundred City Summit" high-end customer forum and the first PSBC "Wealth Management Festival".

Remarkable achievements in team building

A professional team is the foundation of wealth management. The Bank's wealth advisor team continued to grow to a total of 43,747 people, with an increase of 2,436 in the year. A team of 1,389 senior wealth advisors has been established to provide specialized services to affluent customers. The wealth management middle office, with 272 wealth consultants, has played an increasingly greater supporting role in wealth management. The Bank has stepped up the team capacity building efforts. A tiered training program was established to enhance team capacity through on-the-job learning at the headquarters, weekly targeted training, standardized internal training courses and external programs. The total number of wealth advisors with AFP and CFP certification increased by 110.18% compared with the end of the prior year. The Head Office continued to strengthen investment analysis support, provided wealth advisors with all-round macroeconomic and financial market analysis and interpretation on a daily, weekly, monthly and quarterly basis, and sent investment analysis information to the front line through texts, pictures and voice broadcasting in a quick and timely manner, so as to facilitate the continuous improvement of the professional team.

Number of Wealth Advisors
(In person)



Continuing to enrich and improve the product system

High-quality products are the lifeline of wealth management. The Bank selected asset management partners from the whole market, accelerated the introduction of high-quality products with a focus on "fixed income plus" products, mixed products, equity products and derivatives, and developed products featuring pension, servicemen, teachers and ESG. Thus, a full-fledged wealth product system has been established for various customer groups with different risk-return profile. Breakthroughs and innovations have been achieved in overseas finance and high-end financial services. The Bank has become the officially approved pilot bank for southbound trading under the "Cross-border Wealth Management Connect" program, and rolled out a series of services such as family trust, insurance trust and customized services for high-end customers, so as to provide comprehensive financial solutions for high-net-worth customers.

Initial results of digital empowerment

Digital empowerment is the accelerator of wealth management. The Bank developed nearly 1,000 customer tags in the CRM system, which realized the transformation of the precise identification of personal customers from sporadic analysis to systematic management. Based on the different needs of customers at various family life cycles, the Bank launched target scenario planning functions in the personal wealth management system, including pension, children's education and insurance protection. With technology empowerment, the wealth advisors are able to formulate personalized service plans for customers in an intelligent and rapid manner. The wealth analysis function was launched in mobile banking to provide online wealth diagnosis and optimization advice to mass customers. In total, the Bank provided wealth analysis services to 1.0529 million customers, and formulated asset allocation plans for 190,400 affluent customers. Therefore, initial success was achieved in asset allocation services empowered by digital technology.

Customer Wealth Analysis Report

Successfully launching the "PSBC Wealth" brand

A sound brand image works to build lasting customer recognition. The Bank successfully launched the "PSBC Wealth" brand, and the brand slogan "Accompany you every step of the way" has been very well received by all sectors of society. As at the end of the reporting period, 30 wealth management centers were established, showing that the exclusive service venues for mid to high-end customers under the "PSBC Wealth" brand have taken shape.

PSBC Wealth Video

The "PSBC Wealth" brand promotional video features three "old friends" talking in the first person speech "to partners", delivering the genuine commitment of PSBC Wealth to customers, which engraves the brand slogan of "Accompany you every step of the way" and a trustworthy brand image in the hearts of the people. Meanwhile, the video demonstrates the competitiveness of "PSBC Wealth" in investment analysis, products, value-added services etc. In the gold track of wealth management in the next decade, PSBC Wealth will continue to create value for customers.

Wealth Management Center

Promoting investor education

Investor education is the source of wealth management. In nearly 40,000 outlets in urban and rural areas, the Bank launched the investor education program "Weekly Wealth Management Lecture" with a focus on investor equity protection, fund investment and insurance protection planning, in order to help customers develop a sensible and sustainable investment philosophy, and be insured against major life risks such as serious illness, accident and old age, which is crucial for customers to achieve a better life.

Retail Credit

With consumer loans and personal micro loans as the core of retail credit business, the Bank fully grasped development opportunities arising from rural revitalization, took digital transformation as the driving force, and continuously improved its capabilities in product innovation, customer service, intensive operation and risk control. It made active efforts to satisfy the comprehensive credit needs of personal customers and promote common prosperity to a new level.

We promoted the retail credit factory model for consumer credit business at 30 tier-1 branches, where the operational efficiency increased by 60% compared with the non-factory model.

The balance of personal consumer loans amounted to RMB2.67 trillion.

Consumer Credit Business

Focusing on emerging consumption patterns and new fields of consumption, the Bank seized the opportunity of consumer credit transformation and upgrade empowered by FinTech, and made new achievements in continuously advancing consumer credit business. The balance of the Bank's personal consumer loans amounted to RMB2.67 trillion, representing an increase of RMB302.930 billion or 12.82% over the prior year-end.

Acting on the principle that "housing is for living in, not for speculation", the Bank strictly implemented the regulation policies on the real estate market, adopted city-specific policies, relied on the advantages of offline outlets to meet rigid housing demand and demand for housing improvement of residents, and maintained steady development of its residential mortgage loan business. The balance of the Bank's residential mortgage loans amounted to RMB2.17 trillion, representing an increase of RMB248.254 billion or 12.92% over the prior year-end.

Following the trend of consumer behavior shifting online and focusing on "digital services, digital marketing, digital operation and digital risk control", the Bank deepened digital transformation of the consumer credit business, transformed the service model, customer acquisition model, operation model and risk control model, and provided convenient and high-quality consumer credit services to a wider range of consumers. It combined the advantage of its offline outlets in lower-tier markets with the convenience of online services, reshaped the online and offline integrated service model centering around the optimization of end-to-end customer journey, and continuously improved the customer experience. By tapping into the potential of existing customers and expanding external channels, the Bank forged the "two-wheel drive" digital marketing model and improved its precise marketing and scenario-based customer acquisition capacity. By continuously improving the centralized operation model of retail credit factory, the Bank achieved steady increase of operational efficiency, effectively saved human resources and further improved operation quality. An efficient and intelligent digital operation system was established featuring intensive management, standard operation and intelligent decision-making, so as to enhance the effective lifecycle management of consumer loans. In addition, the Bank intensified the use of new technologies such as biometric identification and FinTech, and various internal and external risk data and credit rating models to control risks, and made great efforts to promote the application of automatic pre-lending approval and decision-making as well as the post-lending risk warning model. It also established a whole-process digital risk control system featuring "big data + scorecard + new technologies".

Micro Loan Business

The Bank promoted technology-empowered transformation and upgrade of the development model of micro loans, improved the service capacity through the integrated online-offline network, and fully supported the development and production of micro and small business owners, individually-owned businesses, new types of entities in agriculture businesses and traditional self-employed farmers. It accelerated the development of online micro loans, continued to optimize the functions of online products such as Speedy Loan, launched the featured white-list model for Speedy Loan, provided scenario-based online loan services to farming entities, acquiring merchants, etc. and expanded the coverage of customer services for online products. Focusing on scenarios of the upstream and downstream of the industry chain, the Bank developed an express lending platform called PSBC E Chain for operational needs, integrating financial services into all kinds of scenarios such as agricultural industry chains and agro-related business communities, and provided better credit services to personal customers. The Bank deepened cooperation with external platforms such as governments, enterprises, associations, guarantee companies and insurance companies to expand the scope of mortgage and pledge, which effectively addressed the individual customers' demands for loans. It also promoted the digital transformation of the whole process of micro loans based on mobile business terminals, optimized the operation process, boosted offline operation efficiency and improved the customer experience. The balance of micro loans amounted to RMB915.354 billion, representing an increase of RMB169.102 billion or 22.66% compared with the prior year-end.

绿色让生活更美好 Green world, better life.

Column 2 Auto Financing Services Extended to the Markets in Counties and Townships

The Bank proactively implemented the strategic plans for rural revitalization. In county and township areas, the Bank focused on the residents' needs for consumption upgrade, deeply tapped the market potential of auto loans, and served the credit needs of county and township residents. It continued to optimize the service process of auto loans, and provided accessible auto finance products and services to residents in counties and townships. Over the past three years, it has served more than 1 million car purchasers in counties and townships, and the average amount of a single loan was RMB62,500, achieving new development of the auto financing business.

Delivering auto financing services in the countryside in the "Car Purchase Season with PSBC Service"

From the second half of 2021, the Bank carried out a nationwide campaign themed "Car Purchase Season with PSBC Service" to penetrate into the auto financing service market in counties and townships. The Bank cooperated with more than 10 auto manufacturers, selected more than 20 models to meet the market needs in counties and townships, jointly launched the financial preferential policy of zero interest loans for car purchase, and provided financial services and support for county and township residents to purchase satisfactory models. The Bank strengthened its cooperation with new energy auto manufacturers to allow county and township residents to receive more preferential interest discount policy support on the basis of enjoying the low down payment for new energy autos. The Bank has established cooperative relationships with more than 30 auto OEMs to continuously enhance the availability of auto consumption loan services for county and township residents.

During the campaign, the Bank held 1,000 joint marketing activities of "Hundred Cities and Thousand Counties" at its offline outlets in counties and townships, auto dealers, village squares etc., in order to offer auto financial services to the auto purchasers at their doors and build an auto showroom and purchase platform for the convenience and benefit of county and township residents.

Delivering better auto financing services by technology empowerment

Through applying technologies such as biometric identification, smart risk control and big data, the Bank continued to deepen digital transformation of auto financing services, improved the integrated online-offline service model and expanded the breadth and depth of auto financing services.

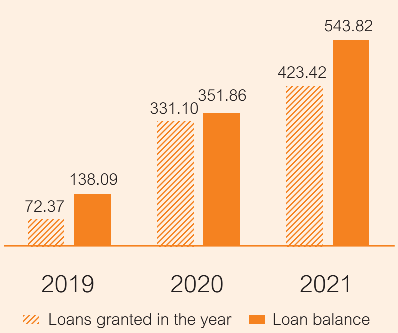
The county and township residents may apply for personal auto loans through online or offline channels including the Bank's mobile banking APP, WeChat banking and offline outlets, and then the Bank can accept the applications instantly. The automatic approval for qualified customers can be completed in an average of 5 minutes, and the loan can be granted within as fast as one hour, delivering more convenient and available loan services to county and township residents and increasing their user experience as the loan processing has been significantly shortened, and the efficiency has been greatly improved.

Since 2019, the personal auto loan business has closely followed the Bank's retail banking development strategy, strengthened business cooperation and achieved rapid development. The balance of auto loans surpassed RMB50 billion, with the 3-year compound annual growth rate (CAGR) exceeding 98%. The amount of new auto loans granted in 2021 exceeded RMB40 billion, with the 3-year CAGR exceeding 140%.

As at the end of the reporting period, the scope of the Bank's auto financing services covered all provinces (autonomous regions and municipalities directly under the Central Government) across the country with services rooted in county and township areas.

Personal Auto Loans

(In RMB100 million)



Choose your favorite car and PSBC provides a convenient auto loan.

Credit Card Business

The Bank deepened the overall institutional reform of the credit card business with cross-selling as the focus. It strengthened the scenario building and refined management, promoted high-quality business development, maintained steady and sound growth of the credit card business, and steadily improved development quality. The number of newly issued credit cards was 8.0222 million, and the number of credit cards in circulation was 41.5587 million, representing an increase of 12.93% over the prior year-end. Consumption via credit cards amounted to RMB1,126.496 billion, representing a year-on-year increase of 14.11%. The income from the credit card business reached a year-on-year increase of 21.22%. The NPL ratio of credit card was 1.66%, representing a decrease of 0.17 percentage point compared with the prior year-end.

We opened the credit card specialized institution, and the number of credit cards in circulation exceeding 40 million, representing an increase of 13% over the prior year-end.

Consumption via credit cards surpassed RMB 1 trillion, representing a year-on-year increase of 14%.

Establishing the Credit Card Center as a Specialized Institution

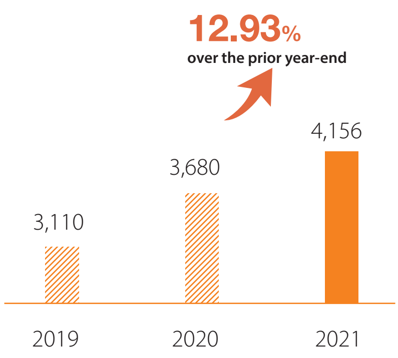
The Bank actively pushed forward the institutional reform of the Credit Card Center, and established the Credit Card Center as a specialized institution in Beijing in May 2021. Since the establishment of the specialized institution, the Bank has fine-tuned its mechanisms for internal management, authorization and decision-making, increased its independent operation and decision-making capabilities, and moved faster to bring up a talent team by actively introducing technological personnel and other professionals. It leveraged the intensive management advantages of the headquarters to support the refined management and sustainable and sound development of business.

Advancing Product Innovation and Improvement of Comprehensive Marketing Ability

With cross-selling among existing customers as the focus, the Bank strengthened product innovation and customer equity upgrade, and improve its marketing capacity. It deepened channel innovation and expansion, and increased customer acquisition on an ongoing basis. The Bank continued to upgrade the cross-selling mechanism, optimized the marketing process, deepened cooperation with China Post Group to boost customer referrals, and improved the marketing capability of outlets. The proportion of customers acquired through cross-selling reached 30.10%. To leverage the advantages of the market-oriented operation system of the marketing team, the Bank strengthened team management and continuously improved the customer acquisition capacity. It quickened the pace of product innovation, and launched 10 new products for young customers, business travels, families etc., including Calabash Brothers Co-branded Card, Family-themed Card, American Express Green Card, Green Low-Carbon Themed Card etc., and issued the Rural Revitalization Themed Card to support the national strategy for rural revitalization.

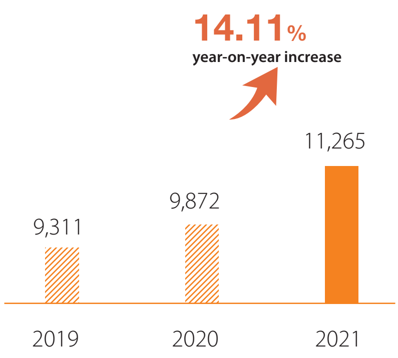
Credit Cards in Circulation

(In 10,000)



Consumption via Credit Cards

(In RMB100 million)



Intensifying Business District Building and Customer Management

The Bank embraced the trend of consumption upgrade and recovery, strengthened the building of business districts and brand marketing. Based on the brand of "Joyous Family Day", the Bank promoted customer acquisition and activation through the one-stop business mode, and promoted the steady growth of consumption. Through the "Joyous Family Day" campaign in business districts, the Bank improved the breadth and depth of business district coverage, and built a comprehensive scenario-based ecosystem to provide customers with diversified services such as clothing, food, housing, transport, travel, shopping and entertainment. It also conducted the mid-autumn festival campaign, launched three-dimensional brand marketing featuring pony Zhen Zhu and hotspot IP topics, and promoted the integration of online and offline marketing channels, delivering cardholders with more convenient and pleasant consumer experience. The Bank accelerated the innovation and development of the installment business, optimized installment products and processes, and supported the rapid development of installment business.

Calabash Brothers Co-branded Card

Rural Revitalization Themed Card

Green Low-Carbon Themed Card

Corporate Banking

Business strategy:

Keeping in mind the country's most fundamental interests, the Bank actively implemented the national strategies in its corporate banking business, persisted to serving the real economy, and facilitated the development of specialized and sophisticated enterprises that produce new and unique products. We strengthened collaboration and coordination and put risk control first in corporate banking to play its important supporting role to the retail banking strategy. Upholding the customer-centric philosophy, the Bank promoted the establishment of a "1 Plus N" new system for corporate financial operation and services, enhanced professional support in an all-round manner, and devoted itself to building a corporate banking development path with PSBC characteristics.

The number of corporate customers exceeded 1 million, with a net increase of **504.5 thousand** on a cumulative basis in the last three years.

Corporate loans increased by **13.96**% over the prior year-end.

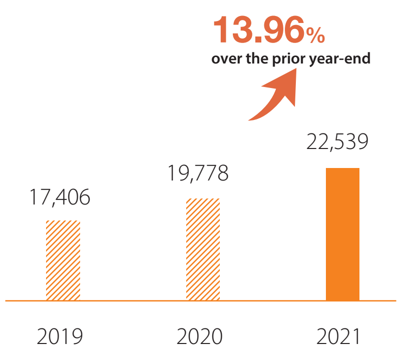
Corporate deposits saw high-quality growth, with demand deposits accounting for **68.82**% of the total.

Operating income of corporate banking increased by **5.74**% year on year.

In terms of corporate banking, the Bank actively served the country's major strategies, leveraged its traditional advantages in serving customers in counties, townships and villages, and focused on the areas of rural revitalization. It vigorously developed green finance, and advanced digital transformation. It worked to create a comprehensive business model around the industry chain clusters, and sped up to shape a three-dimensional development pattern with more potential in business expansion, stronger innovation drive, more prominent synergy effect, and solider basic capability. All these efforts contributed to a high-quality breakthrough in the development of the corporate banking business. As at the end of the reporting period, the Bank had 1.1514 million corporate customers, along with 326.9 thousand newly increased customers over the year, representing an increase of 27.85%. Corporate loans amounted to RMB2,253.936 billion, representing an increase of RMB276.151 billion or 13.96% compared with the prior year-end. Corporate deposits amounted to RMB1,305.436 billion, representing an increase of RMB45.587 billion or 3.62% compared with the prior year-end. The share of demand deposits was 68.82%; the corporate deposit interest rate stood at 1.17%, down 6 BPS year on year; operating income of corporate banking totaled RMB59.105 billion, a year-on-year increase of 5.74%.

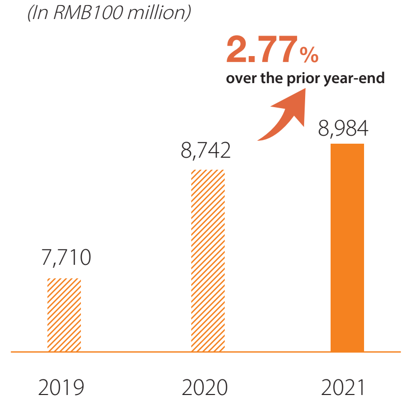
Corporate Loans

(In RMB100 million)



Corporate Demand Deposits

(In RMB100 million)



In terms of corporate banking, the Bank leveraged its advantages in coordinated operation and worked to enable its services to cover small, medium and large customers, providing them with comprehensive financial services available through diverse channels and applicable to multiple scenarios. To build the core competence of the corporate banking business, the Bank continued to strengthen the building of various basic capabilities, advanced customer expansion, product innovation, technology empowerment and channel upgrade with focused efforts, and constantly improved its corporate banking services.

The Bank practiced the customer-centric development concept, and focused on the accumulation of customers and the improvement of service experience. The number of corporate customers exceeded 1 million, with a net increase of 504.5 thousand on a cumulative basis, or a CAGR of 21.12%, in the past three years. The Bank prioritized efforts to expand customers in basic fields, and kept up with the institutional reform of rural collective property rights and policies of cooperative projects to benefit farmers, with the number of agricultural and rural customers increasing by around 29,000, or 39.03%. With a focus on business innovation and transformation in medical care, medical insurance and the pharmaceutical industry, the Bank helped to deepen the reforms in medical care, medical insurance and the pharmaceutical industry through financial services, with the customers in the said three areas increasing by 47.75%. The Bank achieved a breakthrough in key qualifications, and was successfully included into the list of the corporate banking partners of the armed forces. The Bank highlighted long-tail customer group service management, and carried out the "Plus Plan" Initiative to help improve customer value, with corporate value customers and active corporate customers respectively growing by 30.80% and 42.68% and the comprehensive product coverage rate reaching 20.76%. Based on customer demands, the Bank optimized product attributes, improved its product system, enriched product channels and provided lifecycle product portfolio services.

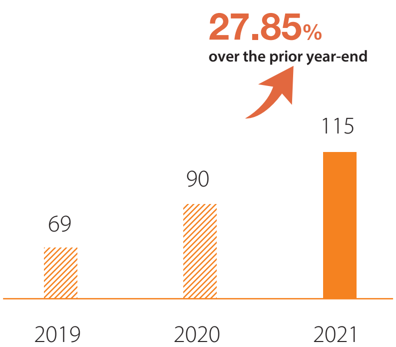
The Bank proactively promoted the financial technology empowerment and developed a new growth curve of corporate banking featuring digital operation. The Bank comprehensively upgraded the online service channels, pressed ahead with the building of scenarios and platforms, and optimized corporate online banking and mobile banking to deliver user-friendly interface, complete functions, agile, efficient and featured user experience, so as to meet new customer needs for corporate financial services. Leveraging the first mover advantages as an authorized operator of e-CNY, the Bank advanced win-win cooperation and joined hands with customers in multiple industries to implement e-CNY scenarios. It exclusively undertook the non-tax revenue and e-bill block chain project in Xiongan New Area, and combined it with the scenario for e-CNY payment, realizing the smooth implementation of non-tax e-CNY payment in Xiongan New Area, Hebei Province. In addition, the Bank intensified internal system building and external technology output, and enhanced the capability of intelligent data integration and analysis to provide effective support for scientific decision-making, efficient operation and refined management.

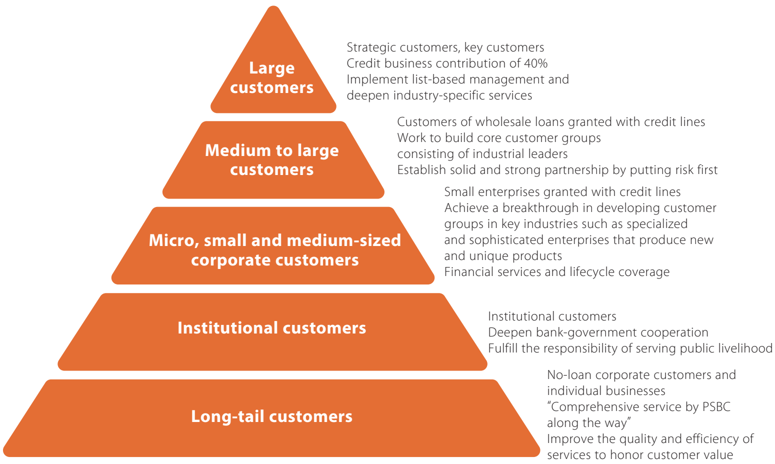
Corporate Loans

The Bank provided customers with diversified and specialized loan financing services. Following the country's major strategies and leveraging its resources, the Bank increased support for strategic regions such as the Yangtze River Delta, Yangtze Economic Belt, Beijing-Tianjin-Hebei region, and Guangdong-Hong Kong-Macao Greater Bay Area. It effectively improved its quality and efficiency in serving the real economy based on market demands, and actively supported the manufacturing, new infrastructure and new urbanization initiatives as well as major projects, agro-related industries, green finance, private enterprises and other fields. During the reporting period, medium and long-term loans to the manufacturing sector grew by 42.72%, loans to agro-related enterprises increased by 27.88%, and the ratio of new loans to private enterprises rose by 4.70 percentage points. In addition, the Bank boosted rural revitalization, improved the credit product system under corporate banking in support of rural revitalization, and formed the Work Program for the Building of Corporate Banking Ecosystem (Rural Revitalization). It implemented the strategy of achieving peak carbon emissions and carbon neutrality, took the lead in joining the Carbon Neutralization Action Alliance, signed the Strategic Cooperation Agreement on Supporting the Development of National Carbon Market, implemented a number of carbon emission rights pledge loans, and opened up new financing channels for enterprises. It kept improving the ability of strategic customer management, exploring high-quality member units, and establishing in-depth cooperation with key customers of strategic importance.

Number of Corporate Customers

(In 10,000)





Classification of Customers

As at the end of the reporting period, loans to strategic customers at the Head Office level was RMB629.234 billion, representing an increase of RMB57.065 billion or 9.97% compared with the prior year-end, with no non-performing loans. Corporate loans hit RMB2,253.936 billion, representing an increase of RMB276.151 billion or 13.96% compared with the prior year-end. Asset quality maintained stable.

Corporate Deposits

The Bank provides safe, efficient, convenient and flexible time and demand deposit services in Renminbi and foreign currencies to corporate customers. Implementing the concept of high-quality development, the Bank worked to improve the ratio of funds for settlements, further advanced the growth of corporate value deposits, built a comprehensive interest rate management model, and further optimized the cost of corporate liabilities. The ratio of corporate demand deposits to total corporate deposits was 68.82%, with the cost of corporate liabilities at 1.17%, a decrease of 6 BPS compared with the same period of last year. By leveraging the advantages in collaboration with China Post Group and the interconnection among business lines, the Bank worked to set up a pool of major projects, strengthened the tiered and classified management of customers based on the project list, and stepped up marketing efforts targeted at major customer groups to improve customer service capability. It also intensified penetration marketing of funds, exercised closed-loop management of customer services and funds across the industry chain, and expanded the customer ecosystem. The Bank continued efforts to expand institutional customers, reinforced the foundation of institutional business, and witnessed steady growth in the number of institutional business qualifications, the number of new accounts and the size of institutional deposits. As at the end of the reporting period, corporate deposits amounted to RMB1,305.436 billion, representing an increase of RMB45.587 billion or 3.62% compared with the prior year-end; the average balance stood at RMB1,300.137 billion, representing an increase of RMB82.020 billion or 6.73% year on year.

Column 3 Improving the Mechanism for Selecting Core Corporate Customer Groups

绿色让生活更美好

Green world, better life.

A number of core corporate customer groups must be established to promote the transformation of corporate business towards comprehensiveness and professionalism. The Bank has upheld active risk management empowerment, accelerated the shift from managing risks in "approval during lending" to controlling risks through "pre-lending guidance", and formed the work mechanisms for core corporate customer selection and target industrial customer guiding, doing a good job in risk-oriented management.

Core corporate customer selection mechanism. The target core corporate customer groups are the medium to large-sized enterprises with a total financing size of RMB1-RMB10 billion, which are mainly distributed in emerging industries, competitive industries and sunrise industries, and classified into groups at national and regional levels. A "bottom-top" approach is adopted in selection. Firstly, core customer groups at the national level are picked out through bottom-to-top review. After being reported by branches, the final results are decided by the front and middle-office departments of the Head Office through joint discussion. Secondly, front and middle-office departments collaborate and establish core customer groups at the regional level. Dominated by provincial branches, efforts are focused on competitive industries and featured industries within respective regions to create province-level core customer groups with regional characteristics. The Head Office picked out the first batch of 974 core target customers at the national level, while five key branches respectively in Beijing, Jiangsu, Zhejiang, Fujian and Shenzhen picked out the first batch of 306 core target customers at the regional level. The Bank initiated selection for the second batch of core target customers of 9 branches at the regional level, to guide precision marketing and efficient development.

Target industrial customer guiding mechanism. The list of target industrial customers is provided from top to bottom based on industrial research and the precise definition of target customer groups. Firstly, the list of target industrial customers is released built on the results of deepened industrial research. Through research regarding specialized and sophisticated enterprises that produce new and unique products, emerging fields and competitive industries, the list of core industrial customers is analyzed and released from top to bottom. Secondly, considering primary-level needs, the list of target industrial customers is proposed through research. That is, based on the needs of primary-level sub-branches, the Bank coordinates branches to carry out research on competitive and featured industries in respective regions, and releases the list of target industrial customers from top to bottom. Centering on key areas like new infrastructure construction, emerging industries and advanced manufacturing, the Head Office has released a list of 305 marketable customers, and picked out the first batch of core customers of "little giant" firms recognized as specialized and sophisticated enterprises that produce new and unique products.

Corporate Wealth Management

The Bank built a specialized and comprehensive corporate wealth management system based on customer needs, and achieved a chain of wealth management services in all respects, thereby enhancing its customer management capabilities. The Bank created a new ecosystem for corporate wealth management, and vigorously developed the three drivers for corporate wealth management business, i.e., agency business and agency sales, financing and introduction of intellectual support, and account settlement. The Bank also fully explored the potential markets for corporate wealth management and corporate insurance, ensured the smooth matching between funds and assets, and built a smart settlement service system. During the reporting period, intermediary income of corporate banking business increased by 46.60% year on year. By expanding product channels, the Bank realized professional corporate WMPs management. It designed product packages aligned with customer needs, diversified products arising from capital market, M&A and restructuring as well as portfolio financing, and provided customers with a variety of wealth management services with the aim of maintaining and increasing the value of customers' wealth. The Bank established a more specialized team, and created a performance-oriented wealth management team with strong professional competency.

Column 4 Developing A "1 Plus N" Comprehensive Operation and Service System to Deliver All-round Quality Services

绿色让生活更美好
Green world, better life.

Grounding efforts in the new development stage, the Bank developed a new "1 plus N" operation and service system for corporate banking centering around four aspects, namely customers, products, collaboration and services, to enhance the comprehensive customer service capability on all fronts.

Meeting customer demands and guided by the flow of funds, the Bank strengthened its penetration marketing management capability, and provided upstream and downstream customers with extended services centering on core customers. By fully empowering development with technology, it explored a new cooperation model of "railway plus finance", improved the comprehensive financial service capability for upstream and downstream customers in the railway industry chain, and built a Sichuan-Tibet Railway ecosystem. The Bank customized and delivered a customized fund supervision system for Sichuan-Tibet Railway construction project, which incorporated all links of the fund chain into the scope of supervision, and ensured the safe and compliant use of construction funds on the basis of satisfying daily settlement. With the "front office + products + technologies" joint service teams of the Head Office and branches, the Bank responded swiftly to customer demands and facilitated the high-quality development of the railway.

With regards to financial services related to people's livelihood, the Bank developed special loan products for the heat supply industry. Relying on the sound cooperation

foundation established by continuously providing customers with professional corporate banking services, the Bank took comprehensive marketing to a deeper level. Focusing on addressing customer needs for heat supply, the Bank gave play to its advantages in channels and customer groups, and vigorously advanced the coordination between wholesale banking and retail banking. In doing so, the Bank realized the expansion of retail customers and product promotion while facilitating the operation of heat suppliers, and further deepened its cooperation with customers.

Transaction Banking

Upholding empowerment through technology, the Bank made intensified efforts in system agility, coordination and optimization, promoted refined management and intelligent systems, and worked to improve the professional competency of staff at a faster pace. The Bank continued to improve the asset structure and the serving capability of its digital platforms, enhanced the comprehensive quality, efficiency and benefits of customer services in a coordinated manner, and further pushed the high-quality development of transaction banking.

The Bank continued to improve the payment and settlement service system based on account management and payment and settlement, continuously optimized and enriched the functions of corporate debit cards, and provided customers with 24/7 corporate settlement services. Centering on scenarios like corporate salary distribution and supervision over the wages of rural migrant workers, the Bank launched "Intelligent Salary Payment" and the product for the supervision over rural migrant worker wage deposits to secure rural migrant workers' needs for their legitimate rights and interests. It developed a novel cloud platform to supervise the funds for railway construction, and applied it to Sichuan-Tibet Railway. It actively empowered micro and small businesses through technology, launched bank-enterprise order payment service, and smoothened the online procurement and payment channels for enterprises. Implementing the concept about inclusive finance, the Bank leveraged the advantages of its integrated and open bill payment platform, enriched the scenarios of personal payment, and expanded the market of corporate payment, with intensified efforts made in areas including public utilities, non-tax items and social insurance, and education and training in third-tier and lower-tier areas. During the reporting period, the number of cash management accounts reached 463,000, an increase of 191,500 compared with the prior year-end; the number of fund settlement deals stood at 127.5382 million, worth of RMB80.18 trillion in total. The open bill payment platform had 19,525 active customers, an increase of 251.80% compared with the prior year-end, and the transaction amount totaled RMB100.996 billion on a cumulative basis, an increase of 787.49% year on year. As at the end of the reporting period, the Bank recorded 1,191 directly connected group customers, a year-on-year increase of 263, and RMB5.99 trillion of transaction amount, a year-on-year increase of 62.03%.

By building scenarios and the ecosystem and using digital technologies, the Bank further tapped into key industries through model innovation and science and technology empowerment, and fostered new growth drivers across the industry chain, thereby enabling multi-scenario, multi-industry, multi-channel and fast-process supply chain financial business. Aligning direct bank-enterprise connection, online corporate banking and online lending platforms with the information systems of core enterprises and third-party platforms, the Bank realized fully online business processing based on the online supply chain platform, and shortened the disbursement time of online factoring to "T+2 hours". The Bank launched the block chain-based core system 1.0 for supply chain, and introduced functional modules such as big data risk control, customer portraits, automatic transaction background verification, electronic contracting and artificial intelligence recognition, supporting rapid connection with third-party systems. During the reporting period, focusing on core enterprises in the industry chains such as transportation and high-end manufacturing enterprises, the Bank provided financing services to more than 3,000 upstream and downstream suppliers and distributors, with the business size increasing by RMB39.893 billion or 87.37% compared with the prior year-end.

The Bank actively promoted the innovation and R&D of online products for trade financing, improved the trade financing business system, and expanded channels for income from intermediary business. It launched services related to commercial bills, letters of credit and letters of guarantee through corporate online banking and mobile banking, optimized the cross-block chain trading platform, enriched the cross-block chain cooperation models for domestic banks, and provided customers with integrated financial services through distinctive channels like electronic letters of guarantee. The Bank upgraded its system to connect with corporate online banking channels and the public resources platforms of local governments, and expanded the access by customers of electronic letters of guarantee. The Bank applied new technologies like OCR certificate identification, and enriched the categories of services available on corporate online banking and mobile banking.

Proactively participating in the Belt and Road Initiative, the Bank supported key projects like infrastructure construction and international cooperation on production capacity in countries along the Belt and Road, and provided high-quality cross-border financial services for the investment, project contracting and trade of Chinese enterprises in countries and regions along the Belt and Road. These efforts contributed to its improved capability in cross-border financial services. The Bank launched the "single window" financing product for China's international trade, connected to the cross-border financial block chain platform of the State Administration of Foreign Exchange, and upgraded the new generation international settlements, credit business platforms and customer fund trading system, thereby serving cross-border trade more intelligently.

Column 5 Open Bill Payment Business Gathers Momentum Through Smart Customer Acquisition in Diverse Scenarios

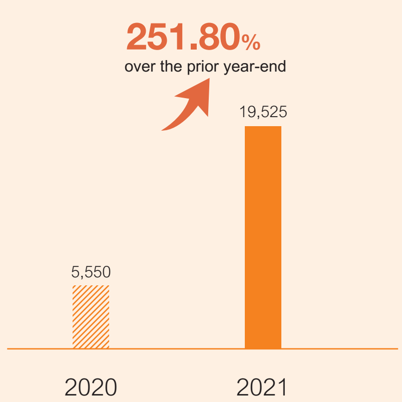
In 2021, building on the good start of the open bill payment business, the Bank promoted the platform into a new stage. Upholding the philosophy of science and technology empowerment, openness and shared benefits, the Bank created industrial scenarios to promote rural revitalization. As at the end of the reporting period, the transaction amount totaled RMB100.996 billion on a cumulative basis, a year-on-year increase of 787.49%, indicating a notable expansion in business size.

Leveraging advantages in collaboration and tapping the potential of cooperation with China Post Group. The Bank combined the online channels of the open bill payment platform with the postal outlets and social cooperative sites of the e-commerce of China Post Group, and launched service models that integrate online and offline services like self-service recharging, payment by mobile devices and exclusive bill code scanning. Meanwhile, the Bank integrated online transmission with self-pickup at outlets and EMS mailing, solving the pain point about invoice collection following online bill payment and achieving the coordination between online and offline processes. As at the end of the reporting period, the open bill payment platform served more than 30 million customers on a cumulative basis.

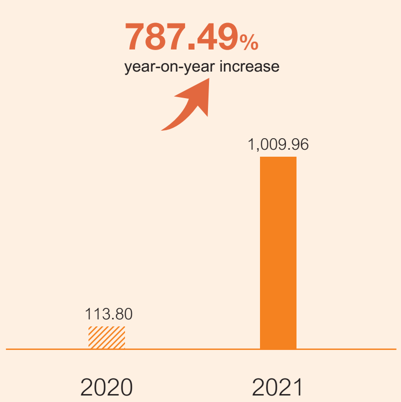
Intensifying technology empowerment and acquiring customers through industry-specific scenarios. Through service terminal sharing, API opening, technological cooperation and other ways, the Bank provided fee collection agencies with standardized and industrialized functional services, which effectively improved their digital management. In the public bill payment sector, the Bank achieved batch and agile introduction of industrial customers, and completed system alignment with 398 fee collection agencies for water, gas and heat supply in the year. In the education sector, in response to the policies about regulation over education and training institutions, the Bank implemented the payment project for education and training service providers in multiple provinces. During the floods, the Bank quickly launched online donation products, and provided exclusive services to over 10 charity institutions in Henan Province.

Promoting rural revitalization and serving people's livelihood in counties and townships. The Bank released the Special Promotion Plan for the Open Bill Payment Business Serving Rural Revitalization, through which the Bank clearly specified its three-year goals and strategy for the promotion of the bill payment business in serving rural revitalization, and kick-started the move to boost rural revitalization through the bill payment business in an all-round way. With the Anhui and Jiangsu branches selected as the first batch of pilot branches, the Bank worked to expand the services in public bill payment, smart campus, smart healthcare and other areas in counties and townships. As at the end of the reporting period, the services covered 73.12% of the public bill payment sector in counties, involving RMB23.786 billion of transaction amount on a cumulative basis; 7,386 education institutions were covered, with RMB10.733 billion tuition fees collected in total.

Active customers on the open bill payment platform
(Number of accounts)



Cumulative amount of transactions of the open bill payment platform
(In RMB100 million)



Column 6 Intensifying Efforts on Digital Supply Chain Finance and Serving "Intelligent Manufacturing in China" in All Scenarios

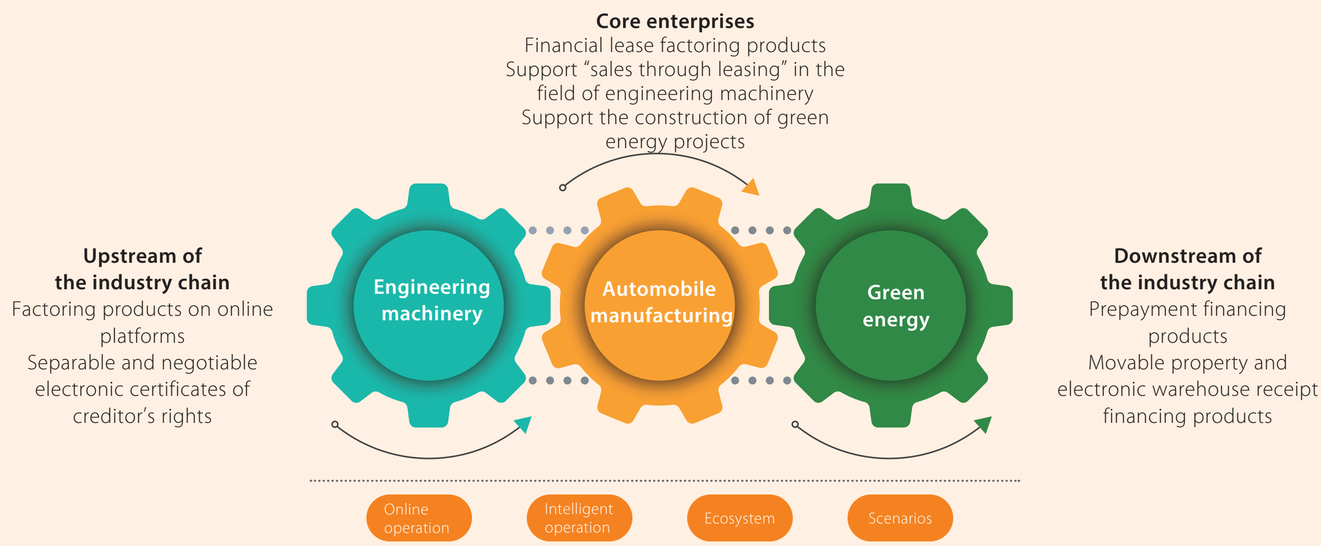
In active response to national policies and by promoting online and intelligent operations and building scenarios and the ecosystem, the Bank intensified efforts to develop digital supply chain finance, with nearly 20 products under three major categories, i.e. receivables, prepayments, and stocks, put in place so far. Centering on key areas of "intelligent manufacturing in China" like automobiles and engineering machinery, the Bank provided quality and efficient supply chain financial services in all scenarios, actually fulfilling its responsibility as a major state-owned bank in China.

Regarding the upstream financing scenarios in the industry chain, the Bank focused efforts on the factoring products available on the online platform. Leveraging separable and negotiable electronic certificates of creditor's rights and centering on the customers in areas of "intelligent manufacturing in China", the Bank provided factoring services to their upstream suppliers at multiple levels, and served over 7,000 SMEs on a cumulative basis. It strengthened empowerment through science and technology, and built the core system for supply chain finance based on the underlying technology of blockchain. The 1.0 version of the system has been successfully put into operation. Through technologies like big data audit, AI analysis and comparison, and OCR, it has improved business processing efficiency and customer experience in all aspects, and enabled the completion of the whole process from application by supplier customers to the disbursement of loans within two hours.

Regarding the downstream financing scenarios in the industry chain, the Bank focused efforts on the "Automobile Loan" products. Centering on the passenger vehicle and commercial vehicle manufacturers in the field of "intelligent manufacturing in China", the Bank provided prepayment financing services to their downstream distributors, and supported complete vehicle manufacturers and distributors in their sales networks expanding sales and accelerating the return of funds. Adhering to craftsmanship, the Bank continuously optimized and upgraded products to meet the trend of transition towards online and intelligent operations. It actively aligned its system directly with those of leading industrial enterprises to exchange data and information online, thus improving the quality and efficiency of services in an all-round way.

Based on the characteristic of "promoting sales through leasing" of the engineering machinery industry, the Bank carried out business with leading industrial enterprises mainly through financial lease factoring products. Meanwhile, targeted at the customers in the field of passenger vehicles, the Bank introduced innovation to the online factoring pool of the car rental business based on the ABS trading structure and the rules for risk control over customers' underlying assets in retail credit. By linking wholesale with retail businesses, the Bank worked to create an auto finance ecosystem in all aspects. In addition, the Bank collaborated with large financial lease companies, and provided financial support to wind power, PV and other green energy projects through financial lease factoring products. In doing so, they effectively helped project owners reduce financial costs and mitigate fund pressure.

Staying true to its original aspiration, the Bank has taken its mission with bravery. Centering on "intelligent manufacturing in China" and other areas related to key national strategies, the Bank has worked to support key industrial clusters extending, supplementing, strengthening and consolidating industry chains in an all-round way through supply chain finance, thus contributing to the creation and operation of a sound supply chain ecosystem.



Investment Banking

By actively seeking for changes, the Bank has achieved rapid development in investment banking. By adopting new concepts, boosting the capability and increasing returns of value creation and strengthening asset creation and transaction turnover, the Bank worked to empower and tap into the value of the business, so as to provide a strong support for its capital-light transformation. The investment banking business recorded RMB1.366 billion of fee and commission income, with a year-on-year increase of 43.94%.

With a strong focus on cornerstone products, the Bank consolidated the fundamentals of the business. The size of bond underwriting continued to grow. In 2021, 1,019 bonds were issued in total, with the size expanding by 19.14% year on year to RMB394.562 billion. The syndicated loan business made steady progress. In 2021, the syndicated loan business achieved a fee and commission income of RMB442 million, with a year-on-year increase of 102.75%, and the number of deals the Bank completed as a lead bank amounted to 161, with a year-on-year increase of 163.93%.

Driven by innovative businesses, the Bank saw new drivers for transformation. Bond underwriting was centered around green finance, rural revitalization, and some other national strategies. The Bank launched several financing plans that were the "first" of its kind, including the first ultra-short-term carbon neutrality bond in the market, the first debt financing plan linked to sustainability in the market, and the first rural revitalization bond of the Bank. Asset securitization achieved a breakthrough. The fee and commission income stood at RMB253 million, with a year-on-year increase of 148.04%. The Bank launched its first non-performing credit asset securitization program. It also vigorously advanced the pilot projects of innovative services related to equity advising, developed debt restructuring, industrial integration and related capital market businesses, and fostered new growth momentum for fee and commission income.

Based on refined management, the Bank worked to bolster the efficiency of development. It optimized the process for project review, and effectively improved the review quality and efficiency. Meanwhile, it strengthened the duration management of projects, established the risk monitoring mechanism, and advanced the building of the mechanism for major event reporting and emergency management. The Bank achieved progress in the development of the business system. By promoting the upgrade of the project management process on the treasury business platform and building a management system for asset securitization, the Bank has continuously enhanced the capability of supporting business through science and technology and elevated the level of digital transformation.

Treasury and Asset Management Business

Business Strategy:

The Bank adhered to an investment research and service-driven approach, strengthened the building of an ecosystem among financial institutions and the refined management of customers. It reinforced the concept of development with less capital consumption and promoted the trading transformation. The Bank also strengthened risk management, laid a solid foundation for regulatory compliance. It enhanced its comprehensive service capacity, and vigorously built the treasury and asset management business into a stabilizer of the Bank's income, a contributor to fee and commission income and a product collaboration center, so as to realize the high-quality development of treasury and asset management business.

The volume of interbank bond settlement totaled RMB52.39 trillion, ranking 4th in the market.

The trading volume of bill repurchase totaled RMB2.62 trillion, ranking 1st in the market.

The volume of settlement for various institutional participants during the year amounted to RMB1.51 trillion, with the Bank being a settlement bank for securities fund.

The mutual funds under custody amounted to RMB622.949 billion, representing an increase of 62.90% over the prior year-end.

The interbank ecosystem covered 1,458 customers.

For the treasury and asset management business, the Bank followed the principle of "conducting asset allocation driven by investment analysis, empowering and upgrading customer services with innovation, and demonstrating comprehensive returns in coordinated development". It continued to beef up comprehensive risk management and information technology empowerment, and deepened the building of an interbank ecosystem to improve the quality of business operation while maintaining stability. Major achievements were made as follows. Firstly, the Bank improved the yield of businesses. During the reporting period, the average yield of interbank asset portfolios was 3.36%, a year-on-year increase of 16 BPS. The yield of new business of RMB-denominated bond investments increased by 15 BPS over the same period of last year. Secondly, the Bank increased income from the trading business. The trading volume of the bill repurchase business amounted to RMB2.62 trillion, representing an increase of 196.49% on a year-on-year basis and ranking 1st across the market. The Bank's bond lending business ranked among the top in the market. Thirdly, the Bank enlarged the comprehensive contribution. It continuously pushed forward the building of an interbank ecosystem and further improved in-depth interbank cooperation with more financial institutions. The interbank ecosystem covered 1,458 customers. The Bank achieved fruitful results in e-CNY interbank partner expansion and capital instrument marketing, and truly converted customers into business partners. Fourthly, the Bank improved customer services. It rolled out online bill products such as "Smart Instant Discounting" and officially launched the futures margin depository business of Zhengzhou Commodity Exchange and the settlement business for the fund of Zhongbao Insurance Asset Registration and Exchange Co., Ltd. to enrich product licenses and optimize customer services. Fifthly, the Bank enhanced technology empowerment. The new generation treasury business system and custody business system were constantly improved to further bolster the infrastructure and operation capacity of the Bank's treasury business.

As at the end of the reporting period, the Bank's financial investments amounted to RMB4,348.620 billion, representing an increase of 11.09% over the prior year-end. Assets under custody were RMB4.47 trillion, among which the mutual funds under custody exceeded RMB600 billion, representing an increase of 62.90% over the prior year-end. The AUM of wealth management amounted to RMB915.255 billion.

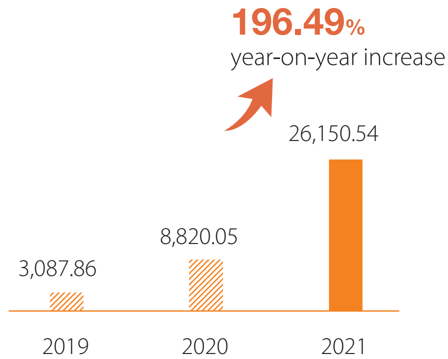
Interbank Business

Interbank Investment and Financing Business

The Bank continued to strengthen market analysis and research and increased allocation to interbank lending and publicly offered ABS products with high yield. During the reporting period, the interbank financing business amounted to RMB552.670 billion, advancing the online interbank depository business to new levels. The interbank investment business amounted to RMB350.349 billion. The Bank actively promoted the coordinated development between investment and trust, realized RMB306.8 billion in the custody business driven by investment and enlarged their contributions to the Bank's overall business development.

Trading Volume of Bill Repurchase

(In RMB100 million)

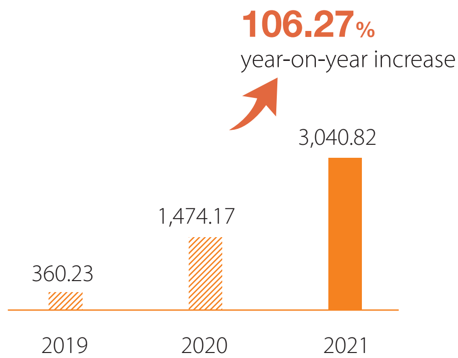


Billing Business

In line with the digitalization trend, the Bank promoted the online discounting product "PSBC E Discounting" nationwide. During the reporting period, the number of contracted customers reached 11,861, of which 7,466 were new customers. At the same time, the Bank actively implemented the rural revitalization strategy, and launched the unique online discounting product "Rural E Discounting". It officially put the intelligent discounting product "Smart Instant Discounting" into operation to provide customers with more high-quality and convenient services.

Resale of Discounted Bills

(In RMB100 million)



The Bank consistently optimized the integrated and coordinated development mechanism of the billing business, put existing assets to better use, scaled up the linkage of rediscount and discount business, and made good use of incremental resources to increase the bill asset turnover. The resale of discounted bills amounted to RMB304.082 billion, representing an increase of 106.27% on a year-on-year basis. The trading volume of the bill repurchase business amounted to RMB2.62 trillion, representing an increase of 196.49% over the same period of the prior year and ranking 1st across the market. Non-interest income doubled over last year.

Treasury Depository Business

The Bank constantly strengthened cooperation with peer institutions and officially launched the futures margin depository business of Zhengzhou Commodity Exchange and the settlement business for the fund of Zhongbao Insurance Asset Registration and Exchange Co., Ltd. to actively meet partner institutions' diversified needs for depository and settlement of funds. The volume of settlement for various institutional participants during the year amounted to RMB1.51 trillion, with the Bank being a settlement bank for securities fund.

绿色让生活更美好
Green world, better life.

Column 7 Launching Digital Discounting Products to Remarkably Improve Customer Experience

Following the pilot launch in 2020, the "PSBC E Discounting" business was promoted on all fronts in 2021. During the reporting period, new customers contracted for the "PSBC E Discounting" business reached 7,466, of which MSMEs accounted for over 90%. The "PSBC E Discounting" business frees discounting services from the constraint of physical outlets and shortens the processing time for disbursement to minutes even seconds, thus greatly improving customer experience and enhancing market competitiveness.

Before the business was launched, customers in Weishan County of Jining, Shandong Province had to spend more than five hours traveling 140 kilometers for discounting services in urban areas. The bill discounting business for the year 2020 registered only RMB33 million. Later, Weishan Sub-branch of Jining opened the "PSBC E Discounting" business in March 2021, and the annual trading volume of the business totaled RMB577 million, representing a year-on-year increase of 1,648%.

Shiyan of Hubei Province has over 5,000 vehicle manufacturing and auto parts manufacturing enterprises, with the automobile industry as an important industry. Prior to the launch of the "PSBC E Discounting" business, Shiyan Branch found it hard to acquire customers due to uncertainty in the efficiency of the discounting business. However, in May 2021, the branch opened the "PSBC E Discounting" business. As a result, the cumulative trading volume of the business amounted to over RMB1.1 billion in 2021, and 80 enterprises engaged in the auto industry chain were contracted with the business.

On December 23, 2021, the Bank officially rolled out the whole-process online intelligent discounting product "Smart Instant Discounting". On the same day, Shanghai Branch granted a loan of RMB5.68 million to a new energy battery manufacturer. Adopting an intelligent online whole-process service model, "Smart Instant Discounting" features flexible processing time, online real-time price quote, easy and convenient operation and intelligent review and approval across the whole process. Once customers submit loan applications, they can receive the fund within as fast as dozens of seconds, showcasing the non-perceptible business process and the prompt disbursement of fund within seconds. "Smart Instant Discounting" greatly solves the pain points of the traditional bill discounting business, that is, lengthy inquiry process, long time for review and approval and slow fund crediting, and therefore provides customers with a more high-quality and convenient service experience.

The full-scale promotion of the "PSBC E Discounting" business and the successful implementation of "Smart Instant Discounting" further enriched the Bank's product system serving Sannong and MSMEs and expanded its intelligent bill product matrix. In the future, the Bank will continue to adhere to its positioning of serving Sannong, urban and rural residents and SMEs, contribute to rural revitalization, develop inclusive finance, and strive to build a service model integrating online and offline services.

Financial Market Business

The Bank closely tracked developments in domestic and overseas markets, actively seized market opportunities, dynamically optimized asset allocation, and continuously strengthened risk management, with its business profitability, trading capacity and core competitiveness steadily improved.

Trading Business

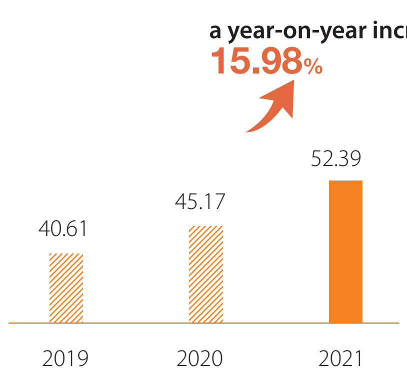
The Bank closely monitored changes in the monetary policy, grasped the fluctuation pattern of market funds, properly operated funds in RMB and foreign currencies, and steadily improved the efficiency of fund use on the basis of ensuring the safety of the Bank's positions and liquidity. During the reporting period, the volume of interbank bond settlement recorded by China Central Depository & Clearing Co., Ltd. amounted to RMB52.39 trillion, ranking 4th in the market. The Bank also won important awards such as "Recognized Organization as Excellent Pioneer", "Bond Market Leader Institution of the Year" and "Market Influence Award of the Year".

The Bank effectively played its role of a leading market maker and advanced the in-depth application of FinTech in the trading business. It constantly improved its competitiveness in terms of digital and intelligent trading, and steadily enhanced its market-making and trading capabilities. It played a positive role in improving market activity and pricing efficiency, and its ranking jumped to the forefront of the market.

The Bank actively responded to the increasingly fierce competition in the market, and vigorously developed the bond lending business. The annual cumulative scale of net bond lending amounted to RMB404.049 billion, ranking top among interbank market players, with its business income up by 52.83% year on year. The Bank also continued to expand the precious metal business with greater endeavor, enriched business categories, and successfully obtained the license of gold price asking transaction, with increasingly improved profitability. Its trading volume of precious metals in the domestic market grew by nearly 18 times over the same period of the prior year.

Volume of Bond Settlement

(In RMB trillion)



Bond Investments

The Bank deepened its efforts to serve major national strategies, stayed true to its original aspiration of supporting agriculture, farmers and rural areas, provided support to the real economy, and ramped up investments in government bonds and local government bonds to contribute to rural revitalization, regional development and economic stability in all dimensions. Upholding the concept of green development, the Bank actively carried out the green bond investment business toward the goal of achieving carbon peak and carbon neutrality, and vigorously supported the green and low-carbon transformation and development of the economy. It has been awarded the title of "Excellent Institution Investor of ChinaBond Green Bond Index" for three consecutive years. The Bank adhered to the principle of "tactics first and rational allocation" and proactively strengthened the investment analysis capacity building. It tracked interest rate trends on a continuous basis, actively seized market opportunities to adjust the position and portfolio duration of bond investments in a flexible manner and boost overall portfolio returns. During the reporting period, the yield of new business of RMB-denominated bond investments increased by 15 BPS over the same period last year. The balance of the Bank's bond investments amounted to RMB3,237.443 billion, with an increase of RMB74.287 billion or 2.35% compared with the prior year-end.

Asset Management Business

For the asset management business, the Bank adhered to the business objectives of stabilizing growth, highlighting transformation, controlling risks, strengthening marketing, and enhancing capabilities, and devoted major efforts to building the product system of "Zhong You Hong". It continued to improve its investment analysis capabilities, continued to apply a unified risk view across of the Bank and optimized systems and mechanisms. With diversified product categories and professional asset allocation, the Bank provided all-round asset value-added services to investors and facilitated the transformation and upgrading of the Bank's retail business as well as the building of the wealth management system.

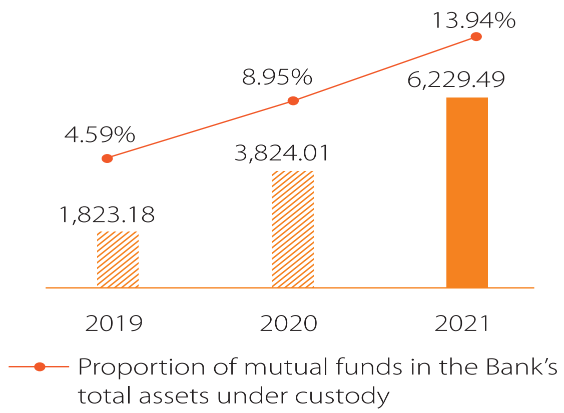
The year 2021 was the final year of the transitional period for new rules on asset management. Under the guidance of regulatory requirements, the Bank actively pushed forward the rectification and transformation of wealth management products. Its wealth management products amounted to RMB915.255 billion, and the net-value products amounted to RMB767.670 billion, representing an increase of RMB289.100 billion or 60.41% as compared with the prior year-end. The share of NAV-based products reached 83.87%.

Custody Business

Capitalizing on market opportunities and trends, the Bank accelerated the innovation in product coverage. New breakthroughs were made in key custody businesses including custody of mutual funds and custody of asset securitization, and the structure of custody business was continuously optimized, effectively driving the rapid growth of business revenue. As at the end of the reporting period, the assets under the Bank's custody reached RMB4.47 trillion. Thanks to the Bank's efforts to vigorously develop the wealth management business and strengthen coordination among business segments, the scale of mutual funds under custody topped RMB600 billion for the first time and reached RMB622.949 billion, hitting a record high and growing by 62.90% over the prior year-end. The Bank ranked 4th among 27 domestic custodian banks and 1st among six major state-owned banks in terms of the growth rate. It added 61 asset-backed securitization products under its custody for the year, which were worth RMB150.445 billion, with an increase of 20.61% over the prior year-end.

Mutual funds under the Bank's custody

(In RMB100 million)



Adopting a customer-centric strategy, the Bank promoted the transformation and upgrading of the operation service of its custody business. The new generation custody business system was successfully launched, reaching the advanced level of the industry. The Bank introduced a number of ETFs, ESG index funds and interbank deposits index funds to further enrich the product system of custody business. It also supported the investment of custody products in new categories such as the Hong Kong Stock Connect, stock return swap, and refinancing, so as to expand the breadth of custody services.

Column 8 Accelerating NAV-based Transformation of Wealth Management Business to Boost High-quality Development

绿色让生活更美好
Green world, better life.

The year 2021 was the final year of the transitional period for new rules on asset management, as well as a critical year for the Bank to build on past work to further advance and stay true to its mission in terms of wealth management business. During the year, with gradually refined regulatory rules, wealth management companies continued to develop and carried out rectification of outstanding assets in an orderly manner. As the transitional period came to an end, China's bank-owned wealth management business has entered a new stage of development.

Upholding the concept of high-quality development, the Bank moved toward the goal of serving the real economy and meeting the public's demand for wealth management, fully leveraged synergies, strictly implemented regulatory requirements, safeguarded the line of defense against risks, and continuously promoted the transformation and steady development of wealth management business. With rectification and transformation as the priority task and raising the share of NAV-based products as the key goal, the Bank pursued progress in both the rectification of its own outstanding assets and the wealth management company's development in a compliant manner, and coordinated the relations between rectification and transformation and overall development. At the end of the year, the Bank's share of NAV-based products reached 83.87%, with a year-on-year increase of 28.56 percentage points.

Regarding outstanding products and assets, on one hand, the Bank followed regulatory requirements and the plan made earlier this year and properly disposed of assets by various means, such as returning to the balance sheet, market-based disposal and developing new products, hence surpassing the target of rectification and completing the task for the transitional period of new asset management rules as scheduled. On the other hand, the Bank realized the NAV-based transformation in line with new rules on asset management of existing products through technical means and transferred qualified products to PSBC Wealth Management. Together with newly-released 212 products, we boosted the quality and efficiency of rectification and transformation and sped up the development of PSBC Wealth Management. The Bank's key wealth management products with a scale of over RMB100 billion successfully completed NAV-based transformation on their own. Since then, those products showed sound performance in overall stability and maintained the momentum of gradual growth in scale.

The Bank actively and prudently advanced the reform of wealth management business and supported the development of PSBC Wealth Management as it is essential to the transformation and upgrading of the Bank's retail banking strategy. The scale of new products under management of PSBC Wealth Management increased from RMB256.109 billion at the beginning of the year to RMB655.306 billion. PSBC Wealth Management constantly improved its professional operation capability from the following four dimensions. Firstly, it established an investment analysis system and deepened the implementation of an integrated decision-making mechanism supported by investment analysis, and strived to build up its core competitiveness. Secondly, it promoted the allocation of major asset categories and actively seized investment opportunities in the equity market on the basis of sound performance of underlying fixed income assets. Thirdly, it improved its product spectrum, further optimized the product structure and launched products with themes to serve major national strategies including benefits for farmers and green finance. Fourthly, PSBC Wealth Management further buttressed the line of risk prevention and control and completed the building of a comprehensive risk management system.

With the rectification and transformation tasks basically completed, the Bank saw continuously optimized product structure, basically adequate system and substantially improved investment management as well as customer service capabilities in its wealth management business, which played a positive role for the reform and healthy development of the industry. In the future, the Bank will continue to adhere to the twin value positioning of wealth management business and constantly improve the quality and efficiency of serving investors and the real economy.

Product Spectrum

Product Function	Product Category	Product Brand	Major Target Customers
Liquidity management	Cash management	Ririsheng, Yueyuesheng, Licaibao, Lingqianbao	Customers who expect convenient transactions, flexible subscription and redemption, and have liquidity needs
Steady increase in asset value	Fixed income only	Hongyun	Customers who expect steady increase in asset value and have low risk tolerance
	Fixed income plus	Hongjin	Customers who expect appropriate increase in return and have moderate risk tolerance
Diversified asset allocation for value increase	Mixed	Hongyuan (quasi-fixed income)	Customers who expect diversified asset allocation and have moderate risk tolerance
		Hongxin (quasi-equity)	Customers who expect a higher share of equity assets with high yields, and have high risk tolerance
	Equity	Hongsheng	Customers who prefer equity asset investments, seek high yields, and have high risk tolerance
	Commodity and derivatives	Hongying	Customers who have a considerable understanding of commodities and derivatives as well as high risk tolerance
Other investment needs	Private placement	Hongye Yuantu	Customers who are recognized as qualified investors
	Index	Hongbo	Customers who expect to meet instrumental or thematic investment needs through tracking market-based indices and customized indices

Inclusive Finance

Business Strategy:

The Bank gives full play to its role as an advocate, pioneer and facilitator of inclusive finance to achieve sustainable development of inclusive financial businesses. Taking risk prevention and sound development as the bottom line, the Bank unswervingly provides financial services to Sannong customers and micro and small enterprises (MSEs), regulates the development of digital inclusive financial services, promotes digital transformation, and improves business system to provide customer with efficient and convenient services.

The balance of inclusive finance loans to MSEs exceeded RMB960 billion, and the balance of agro-related loans exceeded RMB1.6 trillion, both ranking high among major state-owned banks.

Nearly 95% of micro loans were granted online.

The Bank has built around 190,800 creditworthy villages, and rated 3.6364 million households as creditworthy.

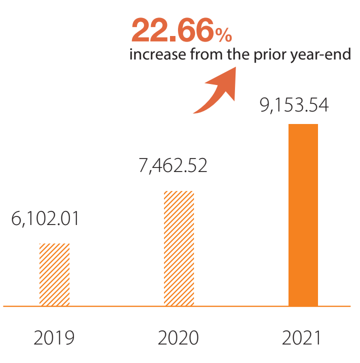
The Bank has adhered to serving Sannong, urban and rural residents as well as SMEs. Upholding the philosophy of "delivering accessible financial services in both urban and rural areas", it further implemented the rural revitalization strategy, with focus on the "Blue Ocean" market of micro finance, and served the MSEs as a vibrant sector of the economy. It strengthened the institutional support for inclusive finance, by adding inclusive finance-related responsibilities to the working rules of the Strategic Planning Committee of the Board of Directors to form a work pattern with the Strategic Planning Committee of the Board of Directors taking the lead, the Rural Revitalization and Inclusive Finance Management Committee making overall planning, the Inclusive Finance Business Department (SME Finance Department) and the Sannong Finance Business Department (Rural Revitalization Finance Department) as the main body and multiple departments cooperating with each other, in a bid to fully support the development of inclusive finance business. The Bank deepened the integration of finance and technologies, constantly strengthened the supply-side reform of financial services for micro, small and medium-sized enterprises, promoted the cost reduction and efficiency improvement of inclusive financial services, and achieved sustainable development of inclusive finance business to ensure a good start for high-quality development of inclusive finance during the 14th Five-Year Plan period. Since 2019, the total amount of inclusive finance loans granted to MSEs[1] has reached nearly RMB2.5 trillion. As at the end of reporting period, the balance of inclusive finance loans to MSEs amounted to RMB960.602 billion, accounting for more than 14% of the Bank's total loans, one of the highest among major state-owned banks. The balance of agro-related loans reached RMB1.61 trillion, up RMB198.445 billion or 13.90% compared with the prior year-end. The Bank achieved annual increase of over RMB100 billion for eight consecutive years, with the balance accounting for about 25% of the total loans of the Bank, ranking high among major state-owned banks in China.

Rural Revitalization

The Bank implemented the rural revitalization strategy across the board, grounded its efforts in the new stage of development, intensified coordination, and strengthened technology empowerment, policy support, product innovation, risk control and team building. Taking the digital transformation of Sannong finance as the main task, the Bank kept optimizing the professional agricultural service system and the integrated online-offline service model to build a digital bank serving rural revitalization. As at the end of the reporting period, the balance of agro-related loans reached RMB1.61 trillion; the number of agro-related loan customers exceeded 4 million; and the weighted average interest rate of newly issued agro-related loans in 2021 was 5.39%. The year-end balance of personal micro loans stood at RMB915.354 billion, an increase of RMB169.102 billion or 22.66% from the prior year-end. The number of micro-loan customers reached around 3,745,300. In addition, the Bank actively responded to the government's call to reduce the cost of agro-related financing. The annual interest rate of newly granted personal micro loans was 5.54%, a decrease of 34 BPS compared with the end of last year, and the non-performing loan ratio was 1.67%, a decrease of 33 BPS compared with the prior year-end. The Bank prioritized support to agro-related loans by lowering the FTP for inclusive agro-related loans.

Personal micro loans

(In RMB100 million)

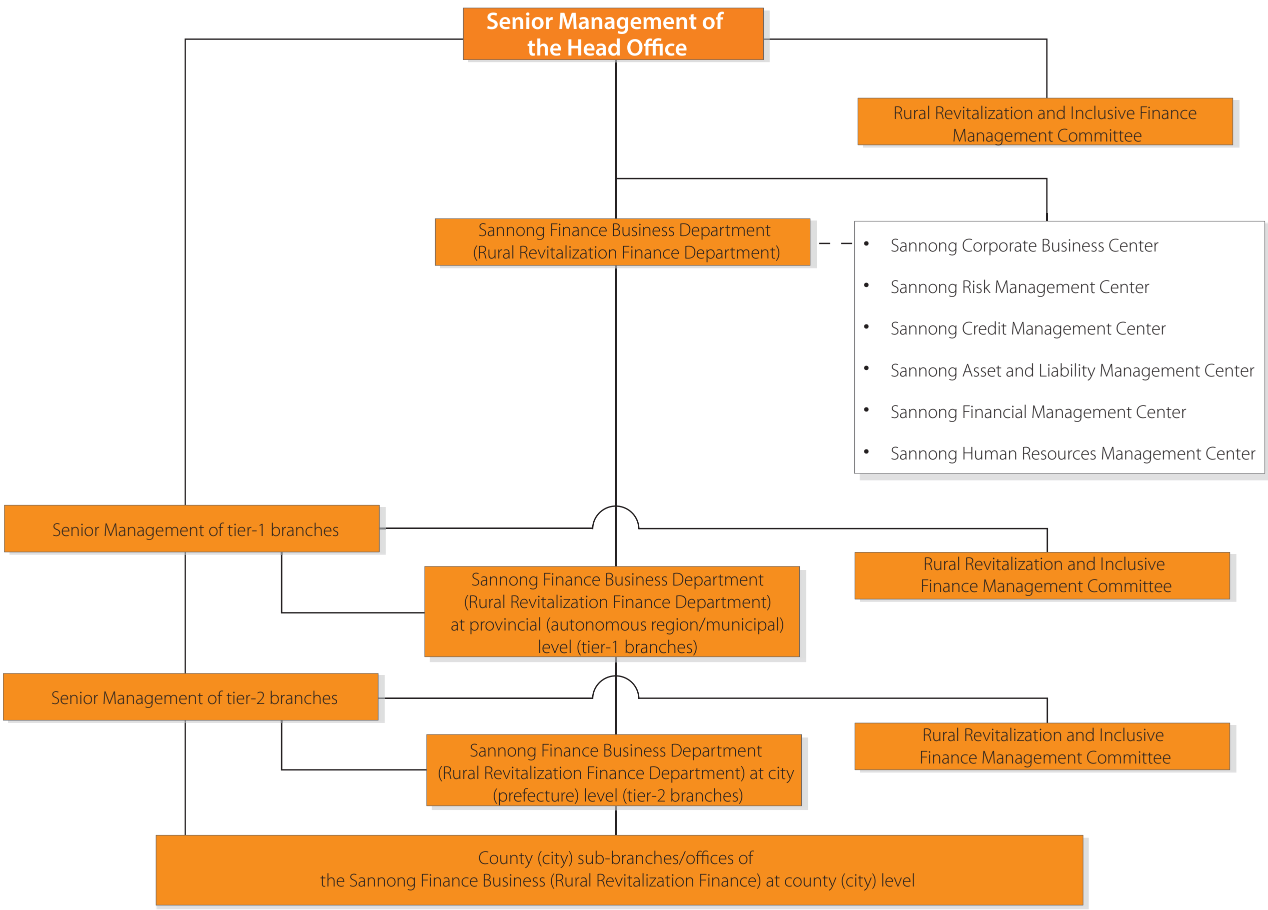


1 Inclusive finance loans to micro and small enterprises refer to micro and small business loans with a single credit line of less than RMB10 million (inclusive) according to the standards of the CBIRC. According to the requirements of the CBIRC, relevant data of bill discounting and rediscount shall be excluded from the regulatory assessment of "two no-less-than" for inclusive finance loans to micro and small enterprises since 2021.

Management Structure

On the basis of the existing organizational structure, the Bank adjusted and optimized the institutional settings for rural revitalization across the Bank. The Sannong Financial Services Management Committees in the Head Office and branches were changed to the Rural Revitalization and Inclusive Finance Management Committee, while the Sannong Finance Business Department (Rural Revitalization Finance Department) were set up in the Head Office and branches based on the former Sannong Finance Business Department. An organizational structure serving Sannong customers, which is composed of the Leading Group for Supporting Rural Revitalization, the Rural Revitalization and Inclusive Finance Management Committee and the Sannong Finance Business Department (Rural Revitalization Finance Department), was formed to strengthen the innovative system and mechanism for serving rural revitalization.

Management Structure of the Sannong Finance Business Department (Rural Revitalization Finance Department)



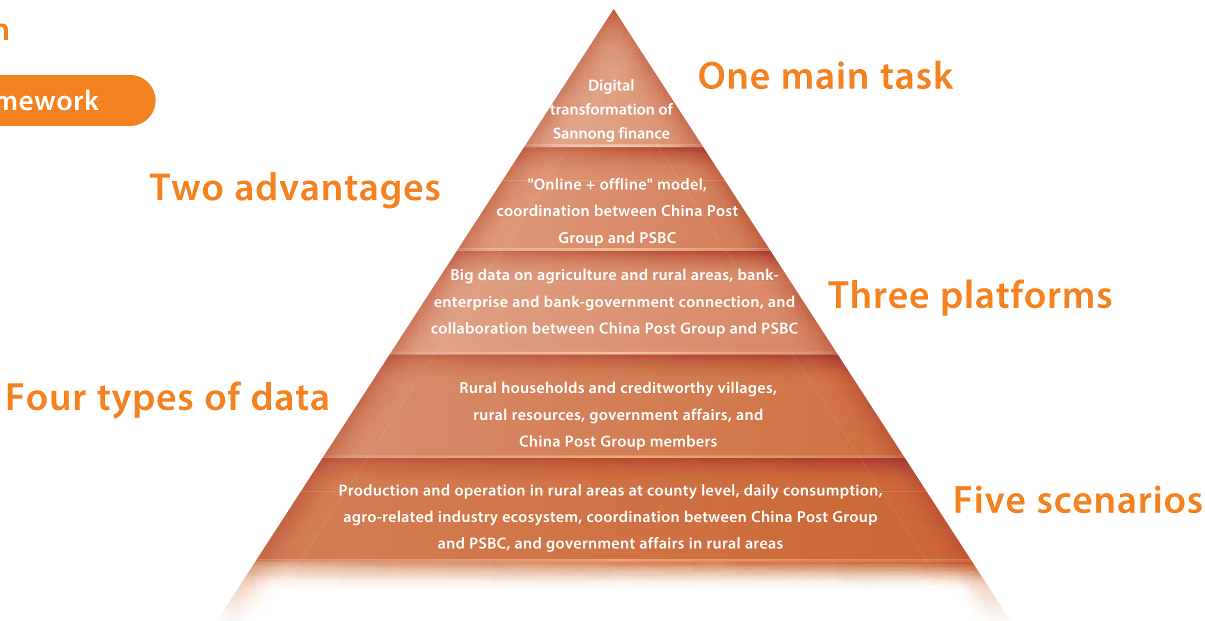
Major Measures and Achievements

Strengthening Planning and Top-Level Design

The Bank formulated the Opinions of Postal Savings Bank of China on Promoting Rural Revitalization in All Respects to Support the Modernization of Agriculture and Rural Areas and the Opinions of Postal Savings Bank of China on Serving Rural Revitalization During the 14th Five-Year Plan Period, clarified the “12345” work framework, and put forward ten core programs for serving rural revitalization. It also built an all-round digital Sannong finance development framework covering channels, products, platforms, operation and risk control to create a universal brand of Sannong Financial Services, and established a digital bank serving rural revitalization. At the same time, the Bank organized a comprehensive survey of its efforts serving rural revitalization, compiled a collection of typical cases of serving Sannong and county economy, and promoted advanced practices across the Bank. Moreover, it strengthened the research on key industries of rural revitalization, established a collaborated research mechanism between the Head Office and branches, built research teams of rural revitalization industries within the Bank, compiled a bank-wide collection of research reports on serving key industries for rural revitalization, and further strengthened the support for rural revitalization by research. The Bank carried out seminars on rural revitalization, set up platforms for internal and external exchanges and learning, and enhanced its capability of serving rural revitalization through multiple measures.

Top-Level Design

"12345" Work Framework



Ten Core Programs

- Development of big data platform for agriculture and rural areas
- Scenario building at county level
- Enhancement of online products
- “PSBC E Chain” platform
- Government data collection and connection
- Ecological map of corporate business for rural revitalization
- Cooperation with China Post Group that benefits farmers
- Development of a Sannong ecosystem through the coordination between the Bank and its subsidiary
- Digital risk control of Sannong finance
- Brand building for Sannong finance

Digital Development Framework for Sannong Finance

Aligning Efforts to Consolidate the Achievements in Poverty Alleviation with Efforts to Promote Rural Revitalization

The Bank strictly implemented the requirements of shaking off no responsibilities, policies, assistance or regulations even when poor counties had been removed from the poverty lists. In the transition from poverty alleviation to rural revitalization, the Bank maintained the overall stability of support policies such as internal funds transfer pricing, credit access and confirmation of responsibility. It gave priority to meeting the needs for credit growth of key counties for national rural revitalization, opened green channels for credit review and approval, and focused on establishing new institutions in key counties for national rural revitalization.

The Bank increased financial support for poverty alleviation areas. It formulated micro credit policies for those who have been lifted out of poverty, and vigorously supported registered poor population and the marginalized households that are prone to poverty, helping them increase income through development and production. The Bank bolstered the development of county-level pillar industries and distinctive local businesses in poverty-stricken areas, formulated work plans for supporting key counties for national rural revitalization with financial services, increased the support to key counties for national rural revitalization, and strengthened the self-development capabilities of regions and population which were no longer in poverty. It also formulated a development plan for supporting the rejuvenation of old revolutionary base areas with corporate finance, and fully supported these areas in consolidating and expanding achievements in poverty alleviation. The balance of loans granted to poverty alleviation areas (832 counties lifted out of poverty) amounted to RMB358.057 billion, up RMB51.758 billion compared with the prior year-end, with an annual growth rate of 14.46%. The balance of loans granted to key counties for national rural revitalization totaled RMB41.429 billion, up RMB5.026 billion compared with the prior year-end, with an annual growth rate of 13.81%, which was higher than the average growth rate of the Bank's total loans.

Examples of poverty alleviation

In the battle against poverty, a number of model organizations and individuals who were at the very front line of the course devoted their efforts, forged ahead in an innovative spirit, and achieved outstanding results by creating a number of typical models and programs based on local conditions. Together, they illuminated the development path in poor areas and the road towards prosperity for poor population, and promoted the Bank to make new contributions and assume new responsibilities in promoting social and economic development and serving people's livelihoods.

Accelerating Technology-Empowered Rural Revitalization

The Bank continued to enhance technology empowerment, took solid steps to promote the ten core programs for serving rural revitalization, actively participated in the demonstration program of empowering rural revitalization through FinTech initiated by seven authorities including the PBOC, and furthered the internal and external collaboration mechanism. It created an integrated online-offline service model, built a digital bank serving rural revitalization, and promoted rural revitalization in all respects through high-quality Sannong financial services.

Firstly, the Bank developed a rural credit system so that the idea of "credit equals wealth" can benefit the broader rural areas. The Bank strengthened the integration of internal and external data, promoted the establishment of a rural credit system with "creditworthy villages" at its core through "Party building plus creditworthy villages" model and "industries plus creditworthy villages" model, and carried out the assessment of creditworthy villages and households extensively. The Bank also innovated online loan products for creditworthy households, for which creditworthy households can apply via the mobile banking app, achieving a wide coverage of micro credit and generating accurate portrait of a wider range of rural households while providing them with credit and comprehensive services, thus effectively improving the efficiency of financial services in rural areas. As at the end of the reporting period, 190.8 thousand creditworthy villages were built and 3.6364 million creditworthy households were rated.

Column 9 Huarong Sub-Branch Serves Rural Revitalization by Collaborating with Local Government

Bearing in mind the mission of serving Sannong, the Huarong Sub-branch in Yueyang, Hunan Province leveraged the bank-government cooperation and its own resources, focused on Party building and collaboration, and established a rural revitalization work model with the county taking the lead, townships assuming main responsibilities, villages carrying out the main work, the people as the main body and the Bank providing support. It strived to achieve the goal of building demonstration cases within one year, covering the whole county within two years and establishing a brand within three years, so as to promote rural revitalization with financial services.

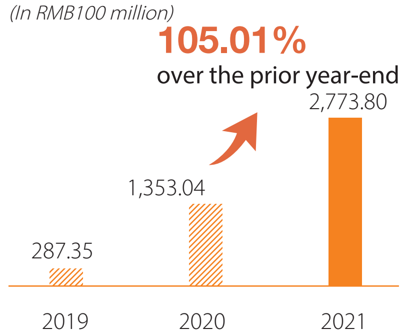
Under the rural revitalization framework of local government and with its support, Huarong Sub-branch actively served rural revitalization from four respects. Firstly, it combined "points" (creditworthy villages and "PSBC Farmer Benefit" financial service outlets), "lines" (agricultural product processing enterprises) and "planes" (industries in Economic Circle of Dongting Lake), and innovated financial services to meet customers' needs. Secondly, it established a grid-based basic service network covering creditworthy villages, financial service outlets and digital scenarios on the mobile app, and created a service mode integrating online and offline services. Thirdly, it established business relationship with local leading enterprises to cover the entire industrial chain, tapped customers' potential by intensified coordination between wholesale and retail businesses, so as to invigorate all business lines by facilitating the thrive of industries. Fourthly, it collaborated with China Post Group to create the advantage of the flows of goods, business, capital and information, provided a package of service solutions for emerging agricultural entities, and removed all impediments to smooth agricultural production, sales, logistics and financing.

As at the end of reporting period, together with local village Party branch, Huarong Sub-branch completed visits to 35 "Party-building and creditworthy villages with financial integrity" and built 25 creditworthy villages. It granted RMB34.78 million loans to 206 creditworthy households and granted 29 loans worth RMB14.49 million to local new types of agricultural business entities. It also visited 20 leading enterprises at province and city levels and granted credit worth RMB32.32 million to 3 of them (involving vegetables, aquatic products, and cotton and linen processing). The balance of agro-related loans was RMB951 million, a net increase of RMB210 million compared with last year.

Secondly, the Bank took Sannong financial services with speed and human touch to farmlands by applying the integrated "online + offline" model. It strengthened technology empowerment and actively promoted the online transformation of micro loans. It vigorously developed online financial businesses such as Speedy Loan and E Convenient Loan and worked on the last-mile problem of financial services through better use of data to save customers' efforts. As at the end of the reporting period, the number of micro loans disbursed online as a share of the Bank's total micro loans in 2021 was nearly 95%, and the balance of Speedy Loan reached RMB277.380 billion, representing a net increase of RMB142.076 billion compared with the prior year-end. At the same time, the Bank made full use of its offline resources, sped up QR code marketing, vigorously applied mobile business terminals in county areas, and promoted the full-process digital operation mode of micro loans based on mobile business terminals. In doing so, customers can apply for loans, sign contracts and draw down loans directly on site, enjoying all-round and multi-level financial services with both speed and human touch.

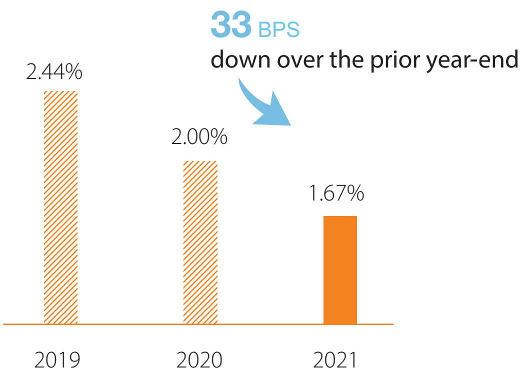
Speedy Loan

(In RMB100 million)



Thirdly, the Bank improved the smart risk control so that robust Sannong financial services can continue to benefit rural areas. The Bank applied technologies such as real-time positioning and photo watermarking and promoted automatic, intelligent and paperless post-lending management based on mobile business terminals and mobile banking. It continuously promoted intelligent outbound call functions such as repayment reminder and overdue collection to enrich intelligent post-lending application scenarios. Moreover, it kept improving the intelligent risk warning model and carried out screening of risk data to strengthen the capabilities of technical protection of Sannong financial businesses. As at the end of reporting period, the non-performing ratio of micro loans was 1.67%, down 33 BPS compared with the end of last year.

Non-performing ratio of micro loans



Vigorously Providing Financial Services for Key Areas of Rural Revitalization

Firstly, the Bank supported the stable production and sufficient supply of grains and other important agricultural products. It strengthened credit policy support, optimized the credit policy guidelines for rural revitalization, and classified industries such as seed and grain planting as key industries that are encouraged to enter. It earnestly provided financial services for spring ploughing and its preparation, and made every effort to ensure the credit requirements for production of grain and other agricultural sideline products as well as spring ploughing and its preparation. It continued to improve financial services for the full industrial chain of hog industry, paid close attention to the dynamics of hog market, and met the financing needs of local hog industry. As at the end of reporting period, the balance of hog farming loans was RMB15.662 billion, representing an increase of RMB2.213 billion compared with the prior year-end.

Secondly, the Bank supported the development of a modern agricultural operation system. It focused on new types of agribusiness, people of innovation and entrepreneurship, rural collective economic organizations and other major forces of rural revitalization, followed the development idea of "product and policy differentiation at each branch", and continued to promote "ten models" for supporting rural revitalization. It also actively expanded the scope of collateral and pledges, continued to improve mortgage loans against rural contracted land management rights, explored other collateral and pledge loans such as loans pledged by agricultural machinery, agricultural trademark and movable property, and promoted the online product "loans for agricultural machinery purchase". It strengthened financial services for industrial chains, built a service platform of "PSBC E Chain" to embed financial services in various scenarios of agricultural industrial chains, actively helping small rural households adopt practices of modern agriculture. Leveraging the integrated flows of business, logistics, funds and information of China Post Group, the Bank helped solve difficulties of sales, logistics and financing in rural areas. It cemented cooperation with the national agricultural credit guarantee system and actively participated in the campaign of "credit through train for new types of agricultural business entities" led by the Ministry of Agriculture and Rural Affairs. As at the end of reporting period, the campaign was implemented in 20 provincial branches across the country, granting loans worth RMB2.270 billion on an accumulative basis.

Column 10 Focusing on the Purchase of Summer Grain to Safeguard Food Security

Food security is an important foundation for national security. As the largest wheat producer in China, Henan Province plays a crucial role in maintaining national food security.

In line with provincial conditions, Henan Branch devoted great efforts to the industry of summer grain purchase through innovative modes and upgraded services. Firstly, it innovated business modes. In addition to traditional micro loans, Henan Branch, together with the provincial agricultural credit guarantee company, created new products such as the "three-in-one product", "grain purchase loan" and "loan for restructured state-owned grain stations", hence solving difficulties in providing collateral or getting guarantee, thereby meeting the financing needs of grain purchasers at different levels. Secondly, Henan Branch optimized financial services. It paid frequent visits to customers, provided loan services at their doorstep, and combined "one-to-one" financing services with industrial promotion activities to ensure timely financing services for summer grain purchase. Thirdly, it explored new channels of online services. In order to expand coverage of services, Henan Branch, apart from carrying out loan services at doorsteps, utilized cloud studios, "micro loan QR code" and other online channels to enable loan application by grain purchasers on their mobile phones without leaving their homes.

From April to June in 2021, Henan Branch disbursed micro loans of RMB5.787 billion to the summer grain purchase industry, 5.67 times the amount released in 2016. The convenient and efficient financial services provided by Henan Branch were widely applauded by farmers, grain brokers, grain stations, grain purchase enterprises, and recognized by government departments, by which PSBC made its contributions to summer grain purchase in Henan Province and the guarantee of food security.

Thirdly, the Bank supported the rural development initiative. It rolled out innovative products such as loans for the construction of happy and beautiful new villages, loans for rental housing on collective construction land, loans for water utilities, loans for energy conservation and environmental protection, waste processing loans and photovoltaics loans, so as to support the development of rural infrastructure. It boosted the development of loans for public services such as hospital loans and school loans as well as loans for other resources relating to people's livelihood, and supported shoring up weaknesses in rural public services. It supported the establishment of a circulation system for agricultural products, implemented the loan project for the construction of agricultural product wholesale markets, and assisted in the building of cold chain storage facilities to promote the upgrading of the agricultural industry. Moreover, The Bank actively invested in financial bonds of Agricultural Development Bank, local government bonds and credit bonds.

Fourthly, the Bank continued to deliver and ensure access to basic financial services in rural areas. It gave priority to setting up more outlets in counties and townships with none or limited access to financial services, and continued to install self-service equipment in outlets widely distributed in communities of urban and rural areas, so as to ensure basic financial service for county areas. The Bank further expanded mobile banking in these areas and optimized the functions, developing the app into an integrated service platform of financial services and work and life-related services. It started the infrastructure construction for mobile payment at counties, boosting the wide application of mobile payment in important neighborhood service scenarios such as supermarkets, convenience stores, catering, education and health care in counties. It used open bill payment platforms to effectively promote simplified rural public services, and advanced the deep integration of rural revitalization strategy and digital RMB application scenarios in e-CNY pilot areas. The Bank also promoted the New Rural Endowment Insurance (NREI) and the New Rural Cooperative Medical Service (NRCMS). During the reporting period, the Bank acted as the collection agency for 2.7247 million NREI transactions with a volume of RMB1.233 billion, as the payment agency for 159.6734 million NREI transactions with a volume of RMB28.366 billion, as well as the payment agency for 0.3739 million NRCMS reimbursement and subsidies with a volume of RMB297 million.

Microfinance

MSEs are not only the engine behind the sustainable and healthy development of China's economy, but also a strong driver to promote the transformation and upgrading of China's economic structure and a crucial support for stable employment, playing a significant role in social and economic development. On the basis of inheriting "inclusive" and "prudent" service genes, the Bank continued to increase credit support for MSEs with digital transformation as the driving force and risk prevention and safe development as the bottom line. It also deepened the digital transformation of microfinance by establishing a "5D" system featuring digital marketing system, digital product system, digital risk control system, digital operation model and digital service model, making every effort to solve the financing problems of MSEs and facilitate the high-quality development of both the microfinance business and the Bank itself through reinforcement. The balance of inclusive finance loans to MSEs was RMB960.602 billion. The number of accounts with outstanding loans reached 1,710,700, representing a rise of 102,400 compared with the prior year-end. In response to the government's call to reduce the overall financing cost of MSEs, the average interest rate of new loans granted in 2021 was 5.19%, representing a year-on-year decrease of 32 BPS, offering more credit to MSEs with wider coverage and lower costs.

Establishing a Digital Marketing System

The Bank established "online plus offline" channels for batch customer acquisition. It consolidated its network advantage of offline outlets, with sub-branches featuring special financial service for MSEs under development in all 36 tier-1 branches. It deepened the cooperation on open platforms and continued to strengthen the cooperation with government departments and industry associations, etc. It also signed strategic cooperation agreements with the National Equities Exchange and Quotations Corporation Limited and Beijing Stock Exchange to fully support the growth of innovative small and medium enterprises including

The balance of online micro loans surpassed RMB700 billion, with an increase of 56%.

The Bank launched "PSBC SMEs Partner Application" for mobile banking to provide MSEs with one-stop "finance plus scenario" services.

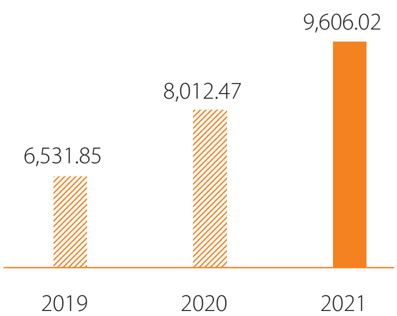
specialized and sophisticated enterprises that produce new and unique products, serving the development of multi-tier capital market as well as supporting the implementation of national innovation-driven development strategies. Moreover, it launched "PSBC SMEs Partner Application" for mobile banking targeting MSEs, in a bid to provide them with one-stop "finance plus scenario" services anytime at any places.

Enriching the Digital Product System

The Bank continued to push forward the development of "Easy Small and Micro Loan" and "Speedy Micro Loan" service scenarios. Centering around various operation and management scenarios within the life cycle of MSEs, it accessed government affairs data including taxation, invoice, government procurement and customs, as well as data including project bids, logistics and industrial chain transactions, achieving direct bank-taxation connection in 36 tier-1 branches. In doing so, it was able to meet the diversified financing needs of MSEs, enhancing the availability and convenience of financing for them. It launched an innovative industrial chain model of Easy Small and Micro loan, providing convenient and efficient financing services to the upstream and downstream customers of core enterprises. The outstanding online MSE loans of the Bank amounted to RMB713.099 billion, with an increase of RMB256.029 billion or 56.02% compared with the prior year-end.

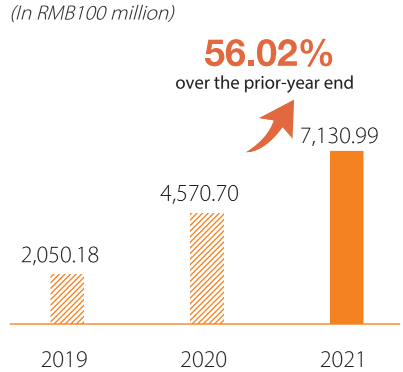
Balance of inclusive finance loans to MSEs

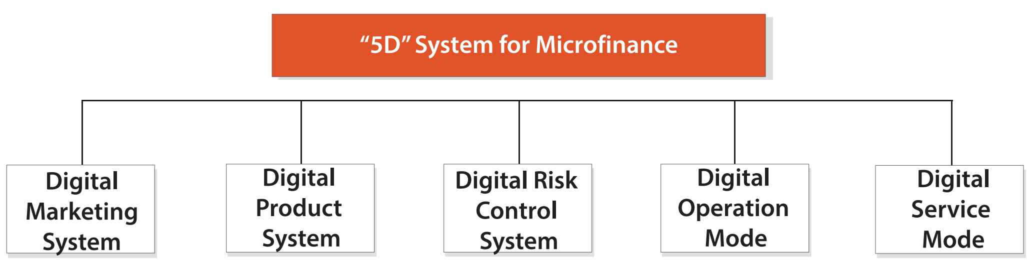
(In RMB100 million)



Balance of online MSE Loans

(In RMB100 million)





Upgrading the Intelligent Risk Control System

The Bank introduced multi-dimensional data such as credit profile, taxation, invoice and engineering. Relying on big data and FinTech, it realized standardized data management and application. It constructed pre-lending models including accurate customer portraits and precise marketing to accurately identify customer risks. It built a quantitative risk assessment model to support automated decision-making of approval and realized the quantitative measurement of the risks of MSE loans. It promoted the event-triggered post-lending examination on all fronts to enable early identification of risky customers and exit, and continuously increased the accuracy and effectiveness of risk prevention and control. The non-performing ratio of inclusive finance loans to MSEs fell by 0.35 percentage point from the end of the prior year, and the asset quality improved steadily.

Establishing Operation System with Lightness

The Bank launched the system of "corporate credit business platform" to optimize the credit business process and support the rapid iteration and innovation of credit products. It realized paperless processing of business documents which support input and automatic display of external data. It implemented the digital credit factory mode for MSEs, and through end-to-end, streamlined and standardized operation, it established an efficient operation system featuring intensive management, standardized procedures and intelligent risk control.

Expanding the Digital Service Mode

Based on traditional outlets, the Bank further expanded the reach of microfinance services, reinforced the complementarity between online and offline services, with online access as medium and interface and offline delivery as core and uniqueness, providing more convenient financial services for MSEs. Using online channels such as mobile business terminals and the mobile banking APP, the Bank was able to provide MSEs with full-process, online and self-service loan drawdown, so that customers can apply for and draw down loans without visiting banking outlets and enjoy the contactless window service.

绿色让生活更美好

Green world, better life.

Column 11 Strengthening Financial Support for Specialized and Sophisticated Enterprises that Produce New and Unique Products

The small and medium-sized specialized and sophisticated enterprises that produce new and unique products ("SSNU SMEs") focus on fostering expertise, strengthen industries with supporting measures and win market shares through innovation. At present, there are more than 4,700 state-level SSNU "little giant" enterprises, more than 40,000 provincial-level SSNU SMEs, and over 110,000 enterprises on the list of cultivation, showing promising market prospects. The Bank continued to increase financial support for SSNU SMEs and anticipated customers' financing needs. In view of the characteristics of SSNU SMEs with specialization, asset light model and strong growth potential, the Bank strengthened the special policy support for them, developed a special rating model, and optimized credit technology, so as to provide strong financial support for their development. It promoted broader and deeper coverage of services by connecting to external platforms and strengthening internal coordination. It signed strategic cooperation agreements with National Equities Exchange and Quotations Corporation Limited and Beijing Stock Exchange to provide customers with a package of integrated financial services including foreign exchange settlement and sale, bills, domestic and foreign currency financing and board shift for listed companies, major asset restructuring, and mergers and acquisitions, etc. At present, the Bank serves over 1,000 state-level SSNU "little giant" enterprises covering high-end equipment manufacturing, new materials, new generation information technology, new energy, biomedical industry and others.

A bioengineering company is a state-level SSNU enterprise which produces and sells Class I medical materials and dressings. In 2020, as a key enterprise in the fight against COVID-19, it devoted itself to fighting against the epidemic, but faced tight liquidity due to increased demands for raw materials. The Bank took the initiative to deliver service at its doorstep and provided a credit loan worth RMB20 million within 3 days. As the cooperation went deeper, the Bank tailor-made a comprehensive credit program of RMB200 million for the company based on its business needs and development, and provided financial service support for its listing.

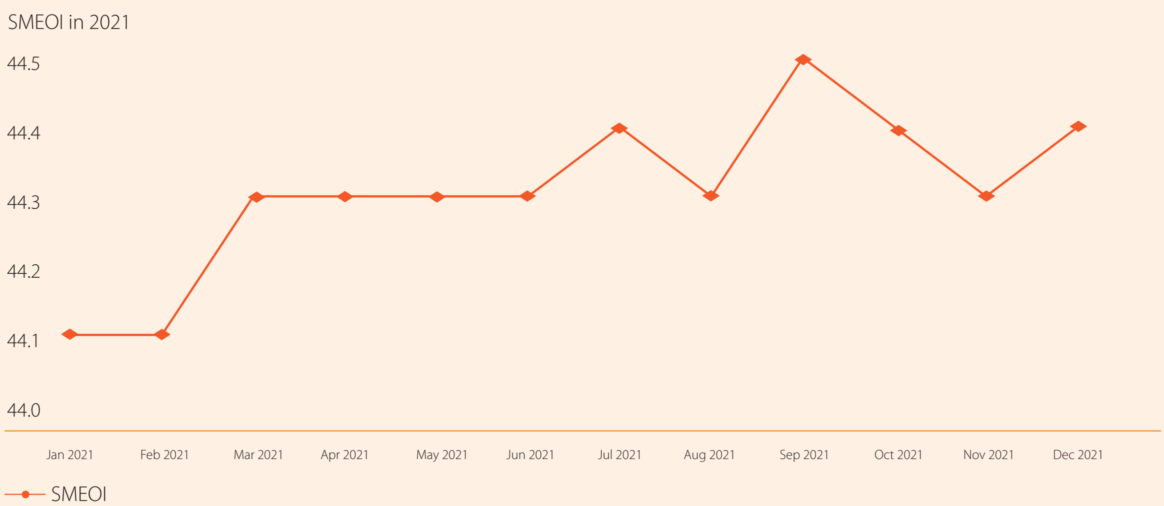
绿色让生活更美好
Green world, better life.

Column 12 Jointly Hosting the Third MSE Development Forum with Renmin University of China and Economic Daily

On September 12, 2021, the Bank, together with Renmin University of China and Economic Daily, hosted the Third MSE Development Forum, with RUC National Institute of Small and Medium Enterprises[1] as the organizer. With the theme of "Promoting the Innovative Development of Micro, Small and Medium-sized Enterprises", the Forum invited experts from ministries and commissions, banks, think tanks, etc. to exchange views on how to consolidate and build on the recovery achievements of micro, small and medium-sized enterprises (MSMEs) and boost their innovation, as well as put forward suggestions for their high-quality development. The Forum issued the Report on the Innovative Development of MSMEs, suggesting that a number of measures should be taken to create a sound environment for the innovation-driven development of MSMEs, including supporting the implementation of the assessment policies of specialized and sophisticated enterprises that produce new and unique products, high-tech enterprises, developing financial market, providing more support through fiscal and tax policies, improving the human resources market system, enhancing technology empowerment, etc.

The Bank continued to deepen the research of MSME finance, supporting the healthy development of MSMEs. Since the first release of the Small and Micro-sized Enterprise Operating Index in 2015, the Index has released 81 issues in a row, gaining increasing social influence. Building upon the success in hosting three sessions of MSE Development Forum, the Bank has become a pioneer in the research of MSME development. The Bank will continue to speak for MSMEs, contribute to discovering the development rules of MSMEs, and propose suggestions for their development.

Small and Micro-sized Enterprise Operating Index (SMEOP), short for "Economic Daily – PSBC Small and Micro-sized Enterprise Operating Index", is an index jointly released by the Bank and Economic Daily to reflect the operation and development of MSEs and self-employed individuals on a monthly basis. The index includes a general index, six regional indices, seven industrial indices and eight sub-indices.



1 In May 2021, the Bank, together with the Ministry of Industry and Information Technology and Renmin University of China, jointly promoted the establishment of RUC National Institute of Small and Medium Enterprises to build a high-end think tank for SME research.

Green Finance

Business strategy:

Staying true to the principle that lucid waters and lush mountains are invaluable assets, we implemented the major decisions and plans of the CPC Central Committee and the State Council on achieving peak carbon emissions and carbon neutrality, vigorously developed sustainable finance, green finance and climate financing, and strived to build itself into a first-class green, inclusive bank, climate-friendly bank and eco-friendly bank.

The Bank fully implemented Xi Jinping's thought on ecological conservation, acted in strict accordance with state policies and regulatory requirements, and supported the United Nations 2030 Sustainable Development Goals (SDGs) and the Paris Climate Agreement. The Bank vigorously developed sustainable finance, green finance and climate financing from the perspectives of policies and rules, resources allocation, product innovation, risk management, green operation and capacity building to support biodiversity conservation and contribute to achieving the goal of peak carbon emissions and carbon neutrality. As at the end of the reporting period, the balance of green loans amounted to RMB372.294 billion, with an increase of 32.52% over the prior year-end. The balance of green bond investments amounted to RMB23.114 billion, and the scale of green bond underwriting reached RMB6.850 billion. The Bank was awarded Grade "A" in MSCI's ESG Ratings Assessment in 2021 which led the domestic banking industry, and was awarded the "Global Green Finance Award – Innovation Award" in International Financial Forum (IFF) which was the second time for the award.

Strengthening top-level design. The Bank released The 14th Five-Year Plan Outline of Postal Savings Bank of China to propose the full implementation of major decisions and plans of the CPC Central Committee and the State Council on achieving peak carbon emissions and carbon neutrality, and to vigorously develop sustainable finance, green finance and climate financing. It established a green finance leading group for carbon peak and neutrality to make overall planning and promote the peak carbon emissions and carbon neutrality program in a systematic way. A total of 10 green financial institutions including carbon neutrality sub-branches, green sub-branches and green finance departments were established to explore the innovative development of green finance.

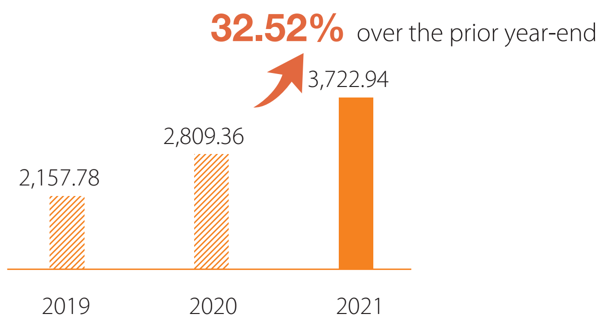
The balance of green loans amounted to RMB372.294 billion, with an increase of 32.52% compared with the prior year-end.

The Bank was awarded Grade "A" in MSCI's ESG Ratings Assessment in 2021, with the leading level of the domestic banking industry.

With the help of the "Jinjing" (Gold Eye) credit risk monitoring system, we facilitated 457 corporate customers in completing carbon accounting.

Green loans

(In RMB100 million)



Strengthening policy formulation. The Bank optimized guidelines on credit policies, introduced and gave more emphasis on provisions to strengthen biodiversity protection and climate change, and allocated more financial resources to boost biodiversity and nature-based solutions. It issued a separate Guideline on Credit Policy of Green Finance and Climate Financing, which classified industries such as hydropower, wind power, photovoltaic power, waste-to-energy, energy conservation and environmental protection, new energy vehicles, railways and rail transit as industries encouraged to finance. It supported the green and low-carbon transformation of traditional industries and ensured their reasonable financing needs. It resolutely adopted the one-vote veto system in terms of environmental assessment. It outlined the key points of green banking, mapped out the comprehensive financial service plan to achieve peak carbon emissions and carbon neutrality, and defined the objectives, key tasks and supporting measures for green bank building.

Optimizing resource allocation. The Bank constantly implemented a differentiated policy for measuring economic capital of green finance, improved the economic capital management and evaluation system, and granted a special credit line. It cut more percentage points off the internal funds transfer pricing (FTP), opened a "green channel" for review and approval, and increased support for parallel operation to facilitate the development of green finance. It also applied for carbon emission reduction support tools to provide funds of preferential interest rates to projects with significant carbon emission reduction effects in key areas.

Innovating financial products. The Bank successfully issued the first sustainability-linked loan and the loan pledged by the right over incomes from carbon sink, invested in the country's first green personal auto loan-backed securities, underwrote China's first sustainability-linked debt financing plan and the first ultra-short-term carbon neutrality bond, and promoted financial products such as Liangshan Loan (loans following the philosophy that lucid waters and lush mountains are invaluable assets) and Ecological Loan.

Strengthening risk management. The Bank strengthened the overall application of "Jinjing" (Gold Eye) credit risk monitoring system in managing environmental and climate risks, and promoted the restoration of environmental credit for customers. It explored and conducted carbon accounting for corporate customers to calculate their greenhouse gas emissions. As at the end of the reporting period, a total of 457 corporate customers completed carbon accounting. The Bank undertook ESG and climate risk investigation to strictly control the growth and share of credits for energy-intensive and high-emission fields. It also set strict entry requirements for new customers, rejected unqualified projects with high energy consumption and high emissions.

Conducting stress tests. During the reporting period, the Bank participated in the climate risk stress tests organized by the PBOC to assess the potential impact of the transformation towards peak carbon emissions and carbon neutrality on the Bank's credit assets. The test results showed that under the stress scenario, the credit risk of the Bank's customers in thermal power, steel and cement industries would increase, but the impact on the Bank's capital adequacy level was controllable in general. Zhejiang Branch carried out environmental stress tests based on asset carbon footprint, and adopted a "bottom-up" corporate finance transmission model and capital pricing model to conduct environmental stress testing for cement, electricity and petrochemical industries, so as to measure the environmental risk of high pollution and high emission industries from multiple dimensions.

Promoting green operation. The Bank included green office into its assessment practice and carried out assessment on a regular basis. It implemented the energy-saving retrofit plan for lighting device, leveraged teleconferencing, paperless office automation system, etc. to reduce office energy consumption and paper use, conducted green procurement and encouraged green travel and low-carbon living.

Strengthen capacity building. The Bank officially adopted the Principles for Responsible Banking (PRB), joined the United Nations Environment Program Finance Initiative (UNEP FI), and became a supporter of the Task Force on Climate-related Financial Disclosures (TCFD). It signed the Joint Initiative of Financial Institutions to Support the Construction of Shanghai International Carbon Finance Center, the Strategic Cooperation Agreement to Support the Development of the National Carbon Market, and the Joint Declaration of Banking Institutions to Support Biodiversity Conservation. It actively carried out the research on topics such as the "research on the path of low-carbon transformation by commercial banks under the carbon neutrality goal", "research on banks' credit asset allocation and risk prevention under the carbon neutrality goal", and published the monograph "Research on Climate Financing of Commercial Banks", in order to improve professional capability.

Column 13 Orderly Promoting the Carbon Accounting Pilot Program to Contribute to "Peak Carbon Emissions and Carbon Neutrality"

绿色让生活更美好
Green world, better life.

The Bank actively and orderly promoted the non-mandatory disclosure of environmental information and the carbon accounting of corporate customers. Cooperating with the Institute of Public & Environmental Affairs (IPE), the Bank applied the greenhouse gas emission accounting platform (InsBlue) to provide enterprises with real-time online greenhouse gas emission accounting. In accordance with the "three principles" of active exploration, voluntary participation and step-by-step implementation, the Bank developed the idea of "three-step" carbon accounting pilot program. The first step is to designate Huzhou Sub-branch in Zhejiang as the first pilot branch to make active exploration and accumulate experience. The second step is to select Zhejiang, Guangdong, Shandong and Chongqing branches as the second batch of pilot branches to expand the program in a steady and orderly manner. The third step is to expand the program to 36 tier-1 branches across the country.

The Bank took solid steps to ensure the smooth implementation of the carbon accounting pilot program. Firstly, it formulated the scientific work plan for corporate carbon accounting, and set differentiated corporate carbon accounting targets for its branches according to the "three principles", in consideration of the actual situation of each region. Secondly, it established an incentive and restraint mechanism, and incorporated carbon accounting promotion indicators into the credit management evaluation system. Thirdly, it issued relevant supporting policies. Preferential loan interest rates were offered to enterprises that cooperate with the Bank in carbon accounting. It opened a "green channel" for review and approval in terms of customer access, credit re-inspection and other processes. By the end of the reporting period, a total of 457 corporate customers completed carbon accounting.

Column 14 Upholding ESG Concept and Continuously Promoting Green Finance and Sustainable Development

As greater attention has been paid to the development of environment, society and governance (ESG), it has become an important issue faced by domestic institutions, especially financial institutions, regarding how to build an objective and quantitative evaluation system that meets the needs of international investors and reflects China's development characteristics, so as to better guide ESG investment and boost green development. The Bank cooperated with Deutsche Börse Group ("Deutsche Börse") and other financial institutions to jointly launch the STOXX PSBC China A ESG Index ("STOXX PSBC ESG Index") in March 2022 in Deutsche Börse. This is the first A-share ESG index with international standards and localized features jointly released by Chinese and German financial institutions in the global market, which will help establish a Chinese ESG brand in the international market.

The STOXX PSBC ESG Index is an important measure by the Bank to actively implement the strategic planning of green bank and inclusive finance. The index has three main characteristics:

Firstly, the Index applies the internationally accepted concept of sustainable development to index compilation and selects the index sample stocks with high ESG ratings and great eco-environmental benefits in order to build a high-quality investment target that is friendly to the environment and climate, and promote the participation in response to climate change.

Secondly, the Index incorporates social responsibility factors and indicators with Chinese characteristics, such as rural construction and green transformation, in order to better adapt to China's development status.

Thirdly, the constituent stocks are adjusted on a regular basis through quantitative models and risk control models, in a bid to optimize the ESG score of the index and reduce its volatility. The Index provides domestic and foreign investors with a unique perspective and an investment tool to understand the ESG performance and long-term investment value of A-share enterprises, thereby guiding all parties to pay more attention to the ESG management and practice of enterprises, and jointly promote the high-quality development of China's ESG market.

STOXX® PSBC China A ESG

The STOXX PSBC China A ESG Index selects from the largest 300 securities in the STOXX China A 900 Index. The index targets a portfolio with superior ESG profile compared to the broad market, while maintaining a similar risk characteristics. The index uses data from the International Institute of Green Finance (IIGF) to apply exclusionary screens. Companies that are assessed by IIGF to be non-compliant with the UN Global Compact Principles, or involved in controversial businesses are not eligible for selection. The final selection and weights are then determined using Axioma's portfolio optimization software to maximize the overall IIGF ESG score of the index, subject to predicted risk, tradability and diversification constraints.

Majority-Owned Subsidiaries

The Bank has three majority-owned subsidiaries, namely YOU$^+$ BANK, PSBC Wealth Management and PSBC Consumer Finance. The Bank implements consolidated management on majority-owned subsidiaries and, based on ensuring their independent corporate governance, provides guidance to them in terms of determining their own market positioning and business strategies according to their respective industry characteristics and the Bank's overall strategy. During the reporting period, the Bank continuously strengthened its collaboration with subsidiaries, fully leveraged the license advantages of majority-owned subsidiaries, and pressed ahead with its comprehensive transformation through business collaboration, channel collaboration and marketing collaboration with its subsidiaries.

YOU$^+$ BANK

YOU$^+$ BANK was established on January 7, 2022, with a registered capital of RMB5 billion, in which the Bank holds a 100% stake. Its business scope is: absorbing deposits from the public, individuals and MSEs mainly; providing short, medium and long-term loans mainly to individuals and MSEs; domestic and foreign settlement through electronic channels; electronic bill acceptance and discount; issuing financial bonds; buying and selling government bonds and financial bonds; interbank lending; buying and selling foreign exchange by itself or as an agent; bank card business; agency collection and payment of funds and bancassurance; other businesses approved by the banking regulatory authority of the State Council.

The approval for the opening of YOU$^+$ BANK marks another solid step forward by the Bank in exploring the business coordination between itself and subsidiaries and deepening the reform of systems and mechanisms. YOU$^+$ BANK acts in strict accordance with national strategies, and has actively implemented the Head Office's strategic plan for digital transformation. Guided by the 14th Five-Year Plan Outline of the Head Office and taking "serving Sannong customers, facilitating micro and small businesses, and delivering benefits to the general public" as its mission, YOU$^+$ BANK aims at building a novel platform to support rural revitalization via financial services and achieve a better life with technology. Focusing on this goal, YOU$^+$ BANK takes synergy, connection and innovation as the development strategy, focuses on building the industry's leading FinTech and intelligent risk control capability, and actively promotes the collaborative development of scenario-based ecosystem and the integration of online and offline channels. Solid progress has been made in the product development of four business platforms, including scenario-based finance, inclusive credit, public wealth management and digital village, and preparation work has been done for the official opening.

The first is the scenario-based financial platform, which incorporates the agricultural industrial chain, services for government affairs and other scenarios to provide comprehensive, personalized, and tailor-made one-stop integrated financial services. A number of financial service solutions for micro and small businesses, supply chains and other scenarios have gradually taken shape.

The second is the inclusive credit platform. Under the premise of ensuring customer data privacy, it promotes sharing and utilization of multi-party data, provides inclusive credit products with advanced risk control capabilities, and will launch agricultural materials loans, Wannong loans and other featured products.

The third is the public wealth management platform, which introduces a variety of products from various asset management institutions to provide one-stop, digital and customized wealth management services. It aims to lower the threshold for public wealth management and optimize the customer experience, and will launch featured products such as wealth management supermarket and YOU$^+$ wallet.

The fourth is the digital village platform, which supports various agricultural and rural production and life scenarios and provides comprehensive digital financial services for agriculture, rural areas and farmers.

Efforts have been made to build a team of high-calibre talents with entrepreneurship and innovation spirit, and an agile, efficient and experienced professional team has taken shape. As at the end of the reporting period, there were 151 employees at YOU+ BANK with more than 90% from social recruitment, of which nearly two-thirds were technical and data professionals, and 70% were from internet or technology companies. The average age was 32 years old, and more than 50% holding master degrees and above. A market-oriented assessment and incentive mechanism has been initially established.

An IT infrastructure with the high starting point is the solid foundation for development. The core business system and credit business, unified payment platforms, etc., which are necessary for business opening, have been built to support the distributed deployment of applications and databases, which can carry an average daily transaction volume of tens of millions. A big data intelligent risk control system is under development and the core capacities building such as the decision-making engine of the big data risk control system has been completed.

As a pilot program for the digital transformation and development of PSBC, YOU+ BANK will adhere to prudent operation and steady development, continuously improve basic capabilities such as governance in compliance of laws and regulations, market mechanism, agile team, advanced technology, intelligent risk control and collaborative support, and build a unique, technology-driven, smart bank featuring customer-centric culture, streamlined management, cost-efficient operation, light capital and assets and pursuing high-quality development.

PSBC Wealth Management

PSBC Wealth Management Co., Ltd. was established on December 18, 2019, with a registered capital of RMB8 billion, in which the Bank holds a 100% stake. Its business scope is: public issuance of wealth management products to unspecified general investors, investment and management of properties entrusted by investors; non-public issuance of wealth management products to eligible investors, investment and management of assets entrusted by investors; financial advising and consulting services in relation to wealth management; and other businesses as approved by CBIRC. As at the end of the reporting period, total assets of PSBC Wealth Management Co., Ltd. stood at RMB11.107 billion, and net assets amounted to RMB10.464 billion. During the reporting period, PSBC Wealth Management realized operating income of RMB1.861 billion and net profit of RMB1.225 billion.

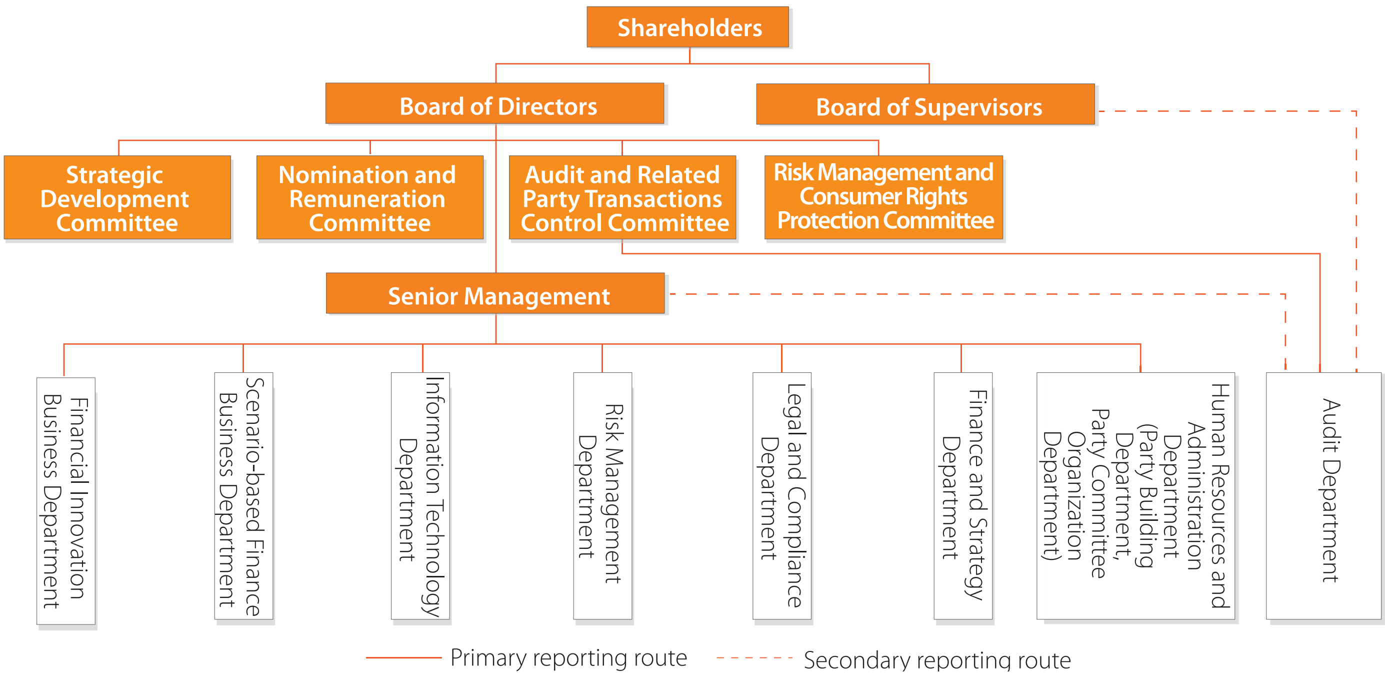
Since its establishment, PSBC Wealth Management has established an operation mechanism featuring "core leadership by the Party committee, strategic decision-making by the Board of Directors, implementation by senior management and law-based supervision by the Board of Supervisors". It adopted an implementation and decision-making mechanism pillared by the Investment Decision-making Committee, Product Management Committee, Risk Management Committee, Information Technology Management Committee and Centralized Procurement Management Committee. With clear responsibilities between the front, middle and back offices, the "three lines of defense" check and balance each other to ensure proper internal control.

The year 2021 is the final year of the transitional period for new rules on asset management, as well as a critical year for the transformation and development of wealth management business. In strict accordance with new rules on asset management, new rules on wealth management and the management measures for wealth management subsidiary, PSBC Wealth Management adhered to the business policy of "stabilize growth, promote transformation, control risk, strengthen marketing and enhance capability", improved the comprehensive competitiveness in all aspects and promoted the high-quality development of the company.

It remained mindful of the country's most fundamental interests to serve the real economy and inclusive finance. PSBC Wealth Management supported new energies, automobile, biomedical industries, etc. that are essential to social stability and people's well-being, and put in an additional investment of RMB44.401 billion and a cumulative investment of RMB141.246 billion in such sectors. It launched three batches of "Yangtze River Delta regional development" private wealth management products to support the national regional development strategies. It promoted inclusive finance and rural revitalization and launched a series of products to benefit farmers. It also arranged investments in financial services for seniors and held shares in Guomin Pension & Insurance Company Limited. The total income generated for customers was about RMB60 billion, and the weighted average yield of non-cash products since its establishment was 4.38%.

2021 is a key year for YOU⁺ BANK to "lay the foundation and ensure the opening of business". The work on corporate governance, talent introduction, technology support and risk control has been accelerated, laying a solid foundation for the all-round development of business.

The corporate governance system has been greatly improved under the leadership of the Party. The board of directors, the board of supervisors and senior management are in place, and an internal management system featuring full coverage, interconnection, collaboration and clear responsibilities is established.



Education background

Over 50% with Master's degree and above

Age structure

Over 75% are under 35 (inclusive); the average age is 32

Technical personnel

Nearly two thirds are technical and data personnel

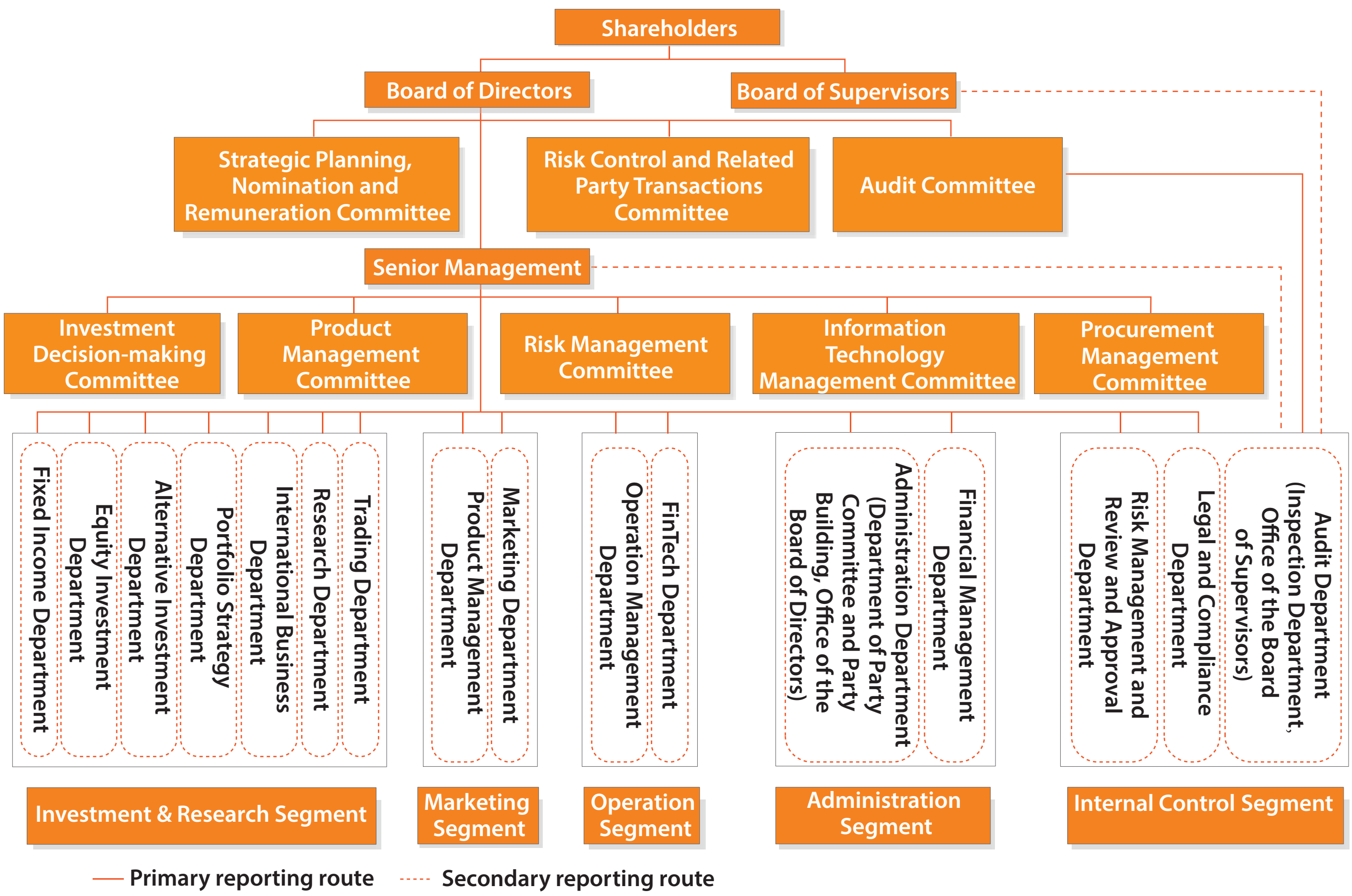
Social recruitment

Over 90% are from social recruitment

Four business platforms

Submit your resume to join YOU⁺ BANK

It focused on rectification and transformation to explore the path of innovation and development. A breakthrough was achieved in rectification and transformation. In 2021, asset disposal was accelerated through market-based disposal, transfer to new products and return to balance sheet, and old products were transformed to products in line with new rules on asset management by creative means. The scale of net-value products increased by 60.41%, and the rectification of asset management business was completed for the transition period. **It deepened the integrated decision-making mechanism of investment analysis**, optimized the operation mechanism of the investment committee, and significantly enhanced its capability of allocating assets in major categories such as stocks, bonds, commodities and exchange rates. The accumulated new investments in fixed income assets for the year was RMB745.802 billion. New investments in equity investment amounted to RMB23.7 billion through private placement, industry-themed funds and private equity investment. **The product layout of "wealth + inclusive finance + unique features" has been put in place**, with 212 new products released throughout the year, including 30 innovative themed products. It launched key products including Periodical WMS Product and Minimum holding period WMS Product, and the product scale soon exceeded RMB100 billion. The scale of medium and long-term wealth management products of one year and above increased by 205% compared with the prior year-end. It developed index, equity and strategic themed products to enrich the featured products. **The customer management was further refined** to meet the needs of different customer groups. Exclusive products of all sorts were issued for VIP and private banking customers, Sannong customers, payroll customers, social security and housing funds customers, servicemen and their families, etc. The number of individual wealth management customers increased by 21.85% compared with the prior year-end. In terms of corporate wealth management, it provided customers with personalized and exclusive service solutions, and achieved positive results in marketing of key accounts. The scale of corporate wealth management increased by 148.13% compared with the prior year-end.



Building a line of defense against risks to ensure the healthy development of the business. PSBC Wealth Management further strengthened defense line of risk control, established a comprehensive risk management system, and provided one risk overview according to the Bank's overall risk appetite and risk strategy to form a risk management process with efficiency. It also strengthened risk monitoring and disposal and actively reduced risk assets, achieving practical results in risk management. It took solid steps in advancing internal control and compliance, and optimized the authorization and business processes. By giving full play to the audit department as the third line of defense, it identified the weak links and potential risks in operation and management through multiple rounds of internal and external audits, so as to promote the robust and steady development of the company.

PSBC Wealth Management will continue to uphold the customer-centric philosophy and improve its capabilities to create value for customers. It will bolster the transformation and upgrade of PSBC's retail business and the development of a wealth management system, and strive to build a first-class bank-funded asset management company that pursues prudent, specialized, open and innovative operation with excellent value creation.

Inclusive Wealth Management for Sustainable Growth

Review of PSBC Wealth Management's development

Serving the people

Creating wealth and value

Upholding the inclusive finance philosophy

In June 2021, PSBC Wealth Management launched the wealth management product themed "benefiting the farmers" with an investment threshold of RMB1, minimum PR1 risk and prudent investment strategy. A total of 9 tranches were issued in 2021. It was rewarded as the "2021 Excellent Model Institution for Rural Revitalization with Outstanding Competitiveness."

Providing diversified wealth management services

Since its establishment, it has launched 263 net-value products in a bid to build a department store and large warehouse where "there is something right for you", and provide thousands of customers with a package of diversified products and services.

Creating sustainable value

Since its establishment, it has created about RMB60 billion returns for customers, helping preserve and increase their assets' value by practical actions.

Serving the real economy

Bolstering industrial upgrade

Fulfilling its mission as a state-owned enterprise

In 2021, in response to the national key development strategies, it launched the PSBC Small and Micro-sized Enterprise Operating Index (SMEOI), the first theme product that supports the development of MSEs, the first theme product that supports the development of the Yangtze River Delta and the first theme product to promote the concept of green development.

Participating in green finance innovation

It cooperated with Deutsche Börse AG to jointly launch the STOXX PSBC China A ESG Index at home and abroad, and increased investment in ESG and other related products.

Facilitating infrastructure construction

As one of the bank-owned wealth management institutions intensely involved in the first batch of infrastructure REITs, it helped accelerate the construction of China's new infrastructure.

Make innovations on the basis of tradition

Promoting common prosperity

Promoting transformation and development

On August 27, 2021, it successfully completed the transformation of its key products into net-value products and became the owner of the leading scale of mixed net-value products in the industry, speeding up the specialized and standardized development of the bank-owned wealth management business.

Supporting old age initiatives to improve people's well-being

On September 2, 2021, the proposed establishment of Guomin Pension & Insurance Company Limited was approved by the CBIRC. As one of the co-sponsors, it invested RMB650 million to promote the development of the third pillar of endowment insurance.

Striving for excellence and delivering greater value

As the winner of the "Golden Bull Award" for wealth management in China's banking industry for two consecutive years, it continuously strengthened product competitiveness to boost consumer trust.

PSBC Wealth Management WeChat Official Account

There you are, finally! This is Xiao You, your dedicated financial assistant and guide for optimal investment products. Follow me on the way to wealth growth and let's enjoy investment and wealth management together.

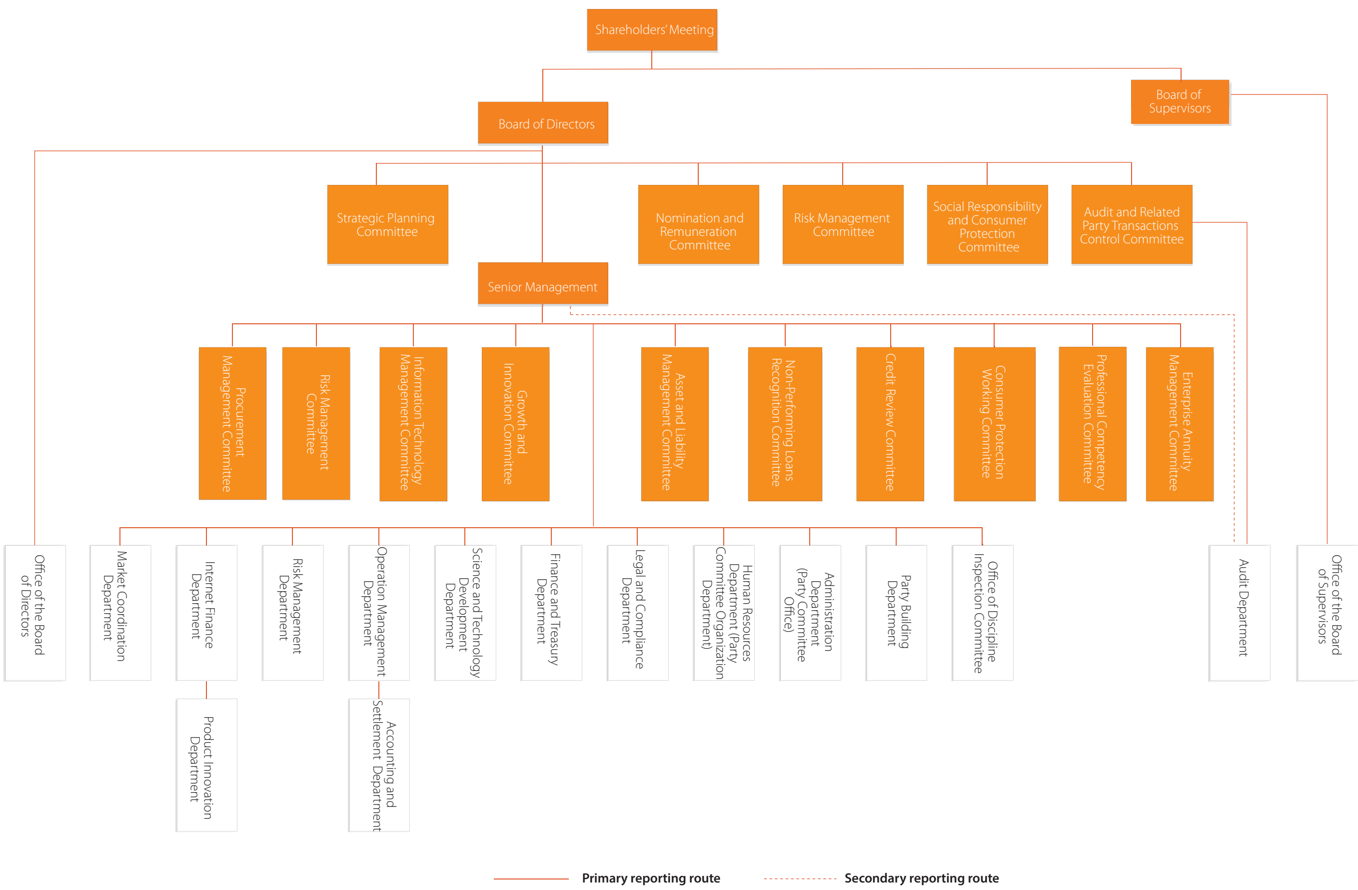
PSBC Consumer Finance

PSBC Consumer Finance Co., Ltd. was established on November 19, 2015, with a registered capital of RMB3 billion, in which the Bank holds a 70.50% stake. Its business scope is: granting personal consumer loans; accepting deposits from shareholder's domestic subsidiaries and domestic shareholders; borrowing from domestic financial institutions; issuing financial bonds upon approval; domestic interbank funding; advisory and agency services related to consumer finance; agency sales of insurance products related to consumer finance; investment in fixed income securities. As at the end of the reporting period, PSBC Consumer Finance Co., Ltd. had total assets of RMB44.422 billion and net assets of RMB4.945 billion. During the reporting period, it realized operating income of RMB5.686 billion and recorded a net profit of RMB1.229 billion.

PSBC Consumer Finance actively practiced the service idea of inclusive finance in the field of consumer finance, and was committed to building a comprehensive consumer finance service platform for urban and rural consumers and businesses. With the goal of serving the national initiative of consumption transformation and upgrading and meeting the people's aspiration for a better life, it is dedicated to becoming a first-class national consumer finance company.

The company applied a sound corporate governance system and its shareholders covered state, foreign and private capital. It established a market-based operation system and integrated the leadership of the Party into every link of its governance system. It formed an effective check and balance mechanism and an incentive and constraint mechanism by clearly defining the responsibilities of the Board of Directors, the Board of Supervisors and the senior management, establishing a functioning modern corporate system and management system.

Organizational Chart of PSBC Consumer Finance



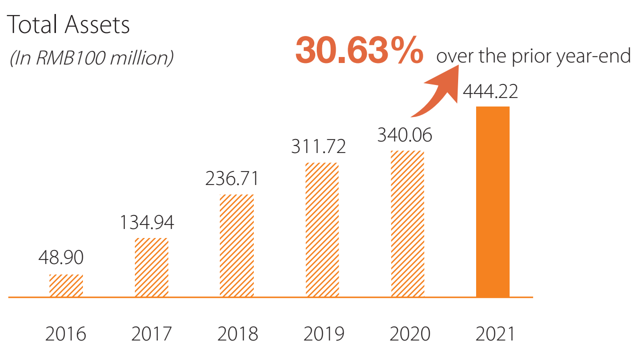
Note: PSBC Consumer Finance has 16 marketing centers in Hebei, Shanxi, Liaoning, Jilin, Jiangsu, Zhejiang, Anhui, Jiangxi, Shandong, Henan, Hubei, Hunan, Guangdong, Chongqing, Sichuan and Shaanxi Provinces (municipalities).

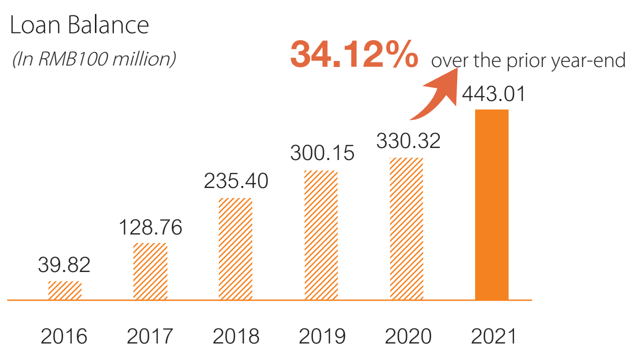
After six years of development, PSBC Consumer Finance has established a multi-dimensional marketing and customer acquisition system covering online and offline operations with self-operated channels as the core and synergetic development channels and third-party cooperation channels as the supplement. In doing so, the company expanded the service scope for customers through the internet. Meanwhile, it established provincial-level marketing centers and offline operation outlets in 16 provinces and cities, providing consumer finance services to lower-tier markets. At present, the company's businesses have covered the whole nation, with offline outlets delivering inclusive finance deeper to second- and third-tier cities and county areas, constantly enhancing the penetration and spread of inclusive finance.

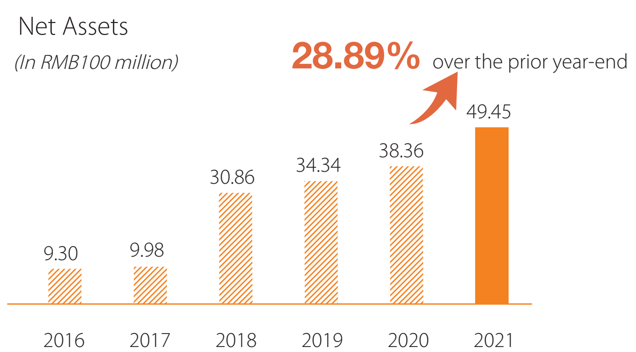
Leveraging the advantages of technological innovation, PSBC Consumer Finance established a comprehensive risk management system covering pre-lending, lending and post-lending and featuring independent risk control, automatic approval and intelligent customer services. It continuously collected risk control data and learned from risk control experience when serving low-tier customers, automatically upgraded risk control models based on market changes, and strengthened risk prediction, thereby constantly improving risk management capabilities. During the reporting period, as its risk control and management level kept increasing, the company enjoyed a significant growth in its asset scale, with the balance of loans up 34% compared with the prior year-end. Its asset quality remained good, with NPL ratio keeping decreasing.

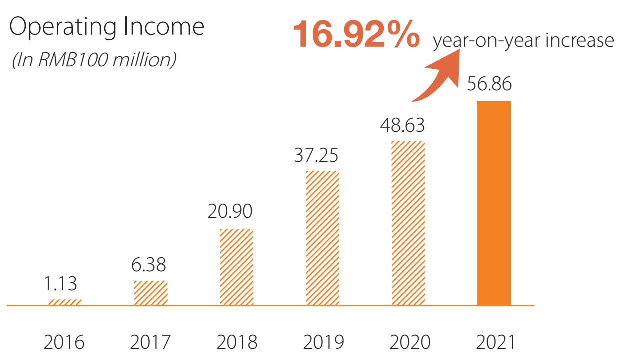
Capitalizing on the advantages of shareholder resources, PSBC Consumer Finance gave full play to its business features of providing convenient and flexible financial services, adhered to technology-driven approaches, and established a sci-tech personnel team that is young, highly educated and professional. The company was committed to the independent and controllable development path in information technology, with its overall capability standing at a relative high level in the industry, and more than 90% of its information systems were developed by itself. It promoted the integration of business and technology and agile development model to effectively empower business sectors and operation management before, during and after lending.

PSBC Consumer Finance earnestly implemented the synergetic development strategy, formed a strategic cooperation relationship with its controlling shareholder PSBC to make joint efforts in online and offline marketing, providing the customers of PSBC and China Post Group with more diversified products and services. To be specific, it extended innovative consumer finance to broader regions and a wider population through the network of PSBC and China Post Group.









PSBC Wallet

Capability Building

Financial Technology

The Bank accelerated its digital strategy, deepened technology empowerment, and formulated the IT planning for the 14th Five-Year Plan period to set the course for building a first-tier technology support system, realizing technology-driven development on all fronts and constructing a digital bank. During the reporting period, IT investment amounted to RMB10.030 billion, representing a year-on-year increase of 11.11% and accounting for 3.15% of its operating income.

IT Building

IT Team Building

The Bank stepped up the IT team building. The IT headcount of the Head Office increased to 3,400, and that number exceeded 5,300 across the Bank, which would exceed 10,000 with outsourced personnel included. The Bank continued to carry out regular recruitment and introduced more developers and testers to reinforce the IT capability. By developing employee training programs and training course systems, organizing a series of IT special training and carrying out the qualification certification for IT-related jobs, the Bank aimed to improve employees' professional skills. The Bank created a three-level talent echelon of "youth, backbone and leader", improved special incentive plans, and mapped out a three-stage route of "foundation consolidation – efficiency improvement – team integration" for IT human resources, to improve the professional management of IT human resources.

IT investment amounted to RMB10.030 billion, representing a year-on-year increase of 11.11% and accounting for 3.15% of its operating income.

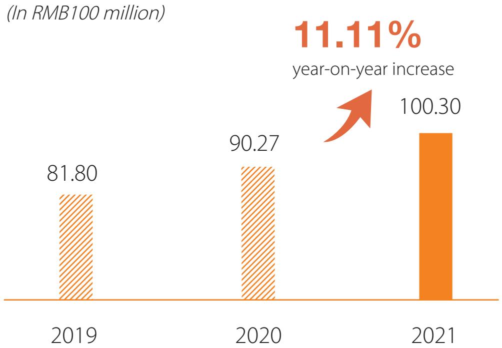
The IT headcount of the Head Office increased to 3,400, and that number exceeded 5,300 across the Bank.

The proportions of independent R&D, independent platform application and agile R&D in total development projects were increased by more than 10 percentage points respectively.

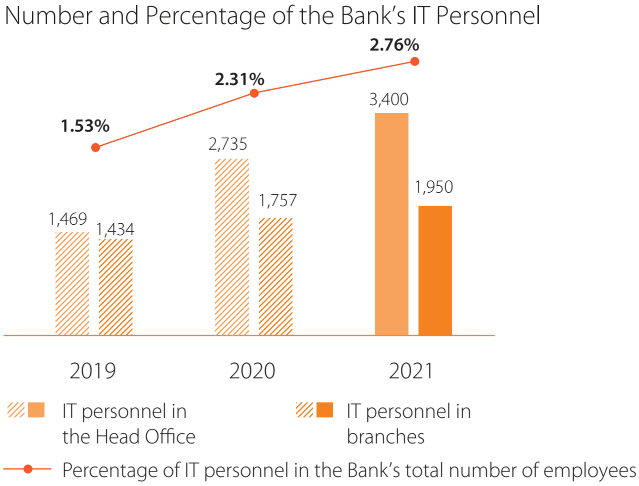
The cloud platform added PaaS management capabilities, with the average daily number of transactions reaching 506 million, accounted for 90% of the Bank's total daily transactions.

IT investment

(In RMB100 million)



Number and Percentage of the Bank's IT Personnel

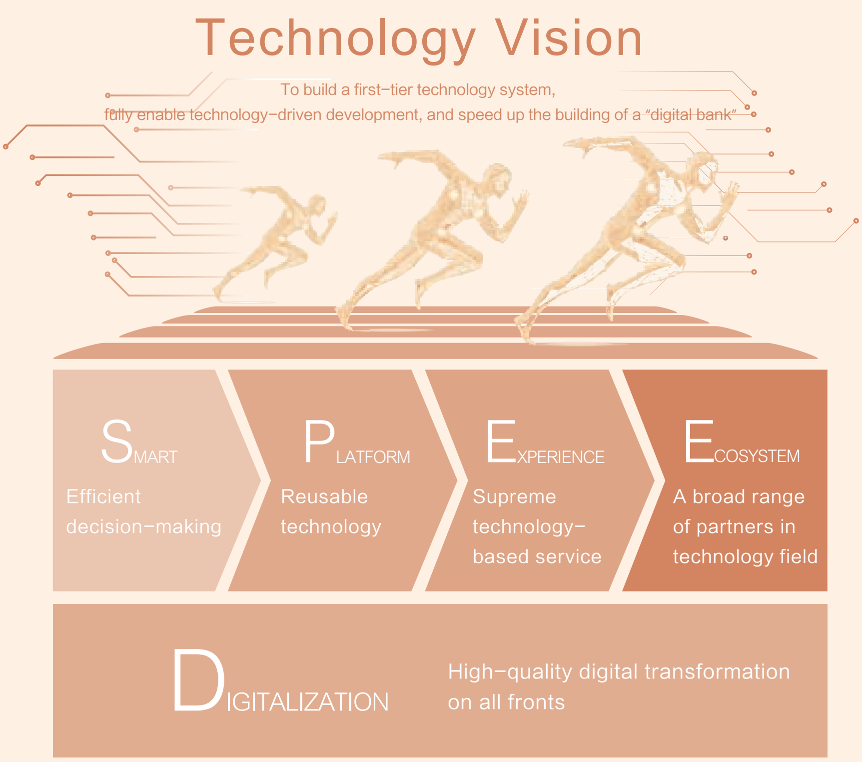


Column 15 Adopting a Planning-Driven Principle to Accelerate Technology Empowerment

In order to cope with the new situation and challenges, the Bank kicked off the formulation of the IT planning for the 14th Five-Year Plan period in March 2021. It reshaped its business architecture, application architecture, technology architecture, data architecture, FinTech and IT governance from an enterprise-level perspective, and proposed the "SPEED" IT strategy. S stands for Smart, which means, based on PSBC Brain, the Bank will build capacities of targeted and intelligent business expansion, risk prevention and control, as well as operation and management, so as to enable smart decision-making. P stands for Platform, which means the Bank will create shared and reusable platforms and achieve application of agile technology through platform development. The first E stands for Experience, which means the Bank will provide a supreme, integrated user experience by expanding online and offline services with multiple touch points. The second E stands for Ecosystem, which means the Bank will build a co-existing and win-win financial ecosystem based on the opening-up and interconnection with partners within such system. D stands for Digitalization, which means the Bank will advance digital transformation to drive shifts in the production and operation modes across the Bank.

In the first year of the period covered by the 14th Five-Year Plan, the Bank took actions to enhance its core IT competitiveness and implemented 389 IT projects, including three core systems (new generation core systems for personal banking business, corporate banking business and credit card business), four new generation platforms (new generation treasury business platform, new generation credit business platform, new generation intermediary business platform and new generation mobile banking), five basic platforms (PSBC Brain, blockchain platform, cloud platform, big data platform, service opening platform) and ten major projects (personal banking, internet finance, credit card, corporate banking, treasury and custody, operation management, risk management, big data, technology innovation and comprehensive support), fostering a powerful new engine for the building of a first-tier large retail bank.

During the 14th Five-Year Plan period, the Bank will prioritize IT capability building in scenario innovation, product R&D, risk prevention and control, data analysis, technology support, organizational governance, etc., to continuously cement and enhance technology empowerment and lay solid groundwork for digital transformation and high-quality development.



IT Development

The Bank made every effort to expedite the construction of IT projects, promoted digital transformation in greater depth, and strived to improve the quality and efficiency of IT projects. During the reporting period, 272 IT projects were put into operation, effectively enhancing the use of intelligent technology in financial services, cutting service costs and improving customer experience.

The distributed technology platform, operation and maintenance platform, and international remittance function of the new generation core system for personal banking business were successfully put into production. Since the launch of the international remittance function of the new generation core system for personal banking business in November, the system availability stood at 100% and the system success rate reached 99.99%. The new generation credit business platform realized fast assembly of corporate credit products. Since its launch in April, around 124,600 loans worth RMB942.449 billion were offered, opening the Bank's credit business management ecosystem between corporate and retail sectors and forming a closed loop for customer services. The open bill payment platform, with the bill payment business as a bridge, gave full play to the advantages of its channels and customers and recorded an annual transaction amount of RMB100.928 billion, growing by 7.87 times year on year, with both transaction growth rate and increment leading the industry. After the launch of the online corporate banking 2.0, during the reporting period, the Bank had 312,900 net new customers, representing an increase of 54.04%, and effective online corporate banking customers accounted for 84.76% of the total corporate customers. The CRM platform served 2.17 million corporate customers, maintained more than 400 items of customer information, and displayed over 300 customer tags, which improved the efficiency of customer management by a large margin and helped employees at the primary level improve customer marketing and refine operation and management.

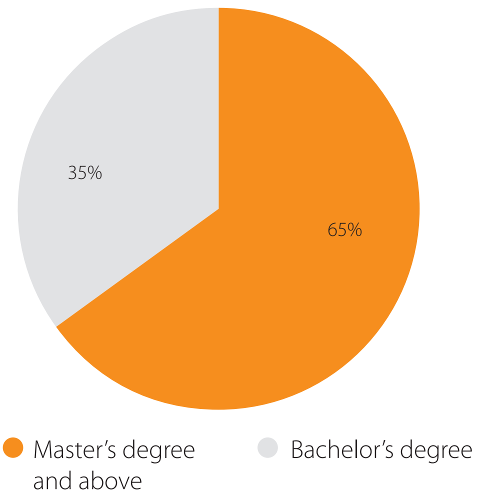
Enhanced Independence and Controllability

The Bank picked up speed to enhance independence and controllability. The proportions of independent R&D, independent platform application and agile R&D in total development projects were increased by more than 10 percentage points respectively. 77 systems such as the new generation core system for personal banking business realized independent R&D, 96 systems such as the unified counter platform carried out agile R&D, 222 projects such as the new generation intermediary business used in-house R&D platforms for development, and 77 systems were connected to the DevOps (integrated development, operation and maintenance) platform, increasing the capabilities in independence and controllability as well as end-to-end product delivery significantly.

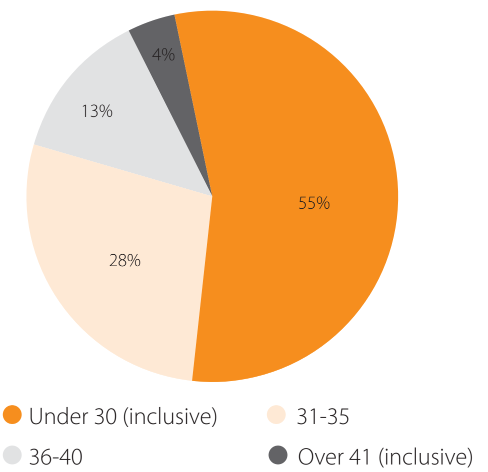
The Bank actively planned for an enterprise-level testing middle office with over 1,000 people in the testing team, to support a full life cycle testing management in an all-round way. It realized independent R&D and full coverage of key projects in functional test, ensured that all technical tests in need are conducted, and its computing power of the testing environment increased by around 80%.

The Bank, with the worst-case scenario in mind, accelerated the automated operation and maintenance capacity building. Its four basic operation and maintenance platforms, including unified monitoring, application monitoring, integrated operation and maintenance and security management, have been completed and put into operation, facilitating its automated operation and maintenance capabilities and ensuring the business continuity at a high level. During the reporting period, the Bank's IT systems maintained safe and smooth operation.

IT Personnel in the Head Office[1] by Education



IT Personnel in the Head Office[1] by Age



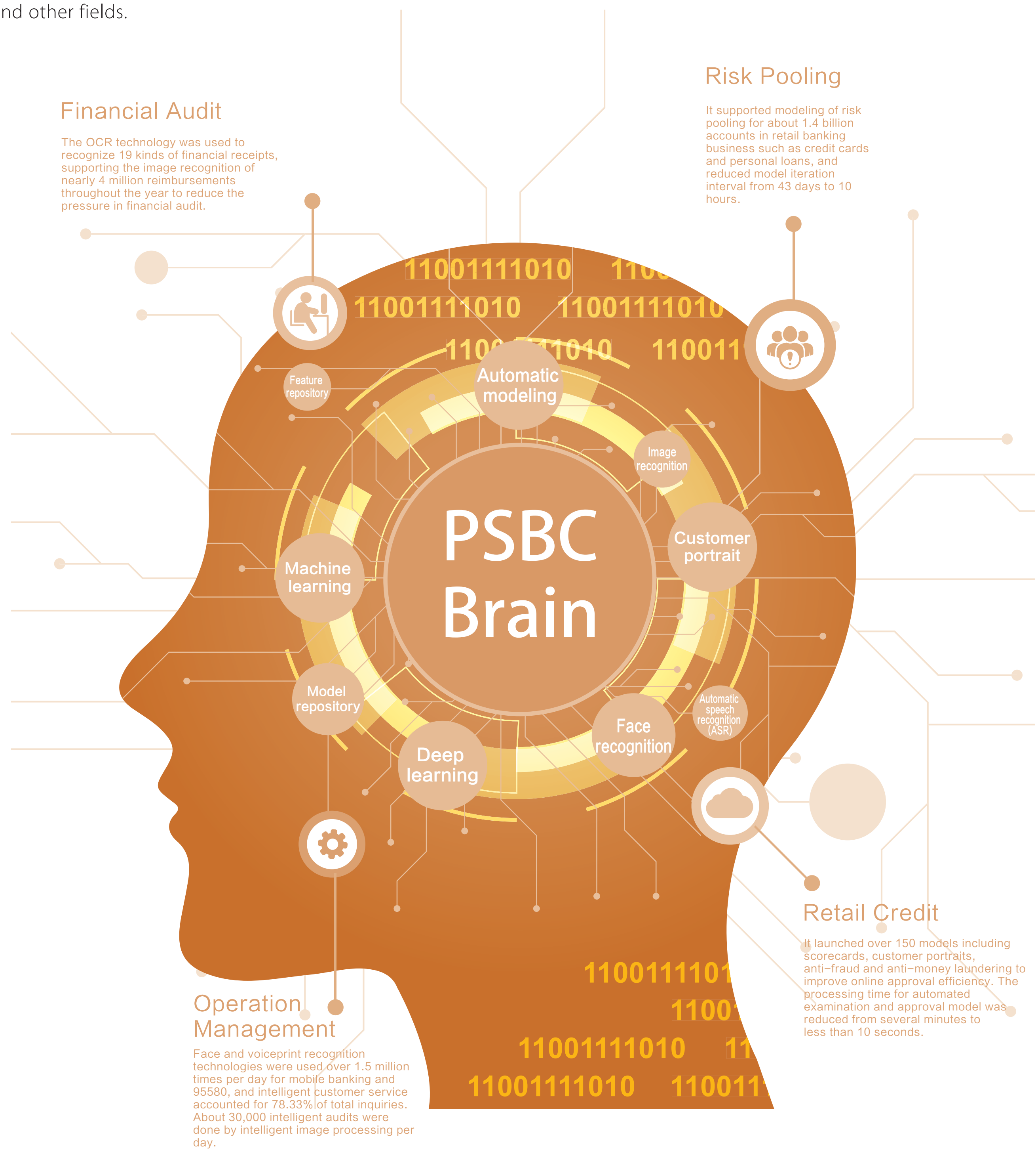
1 The data includes employees of the Information Technology Management Department, Financial Technology Innovation Department, Information Management Department, Software Research and Development Center and Data Center of the Head Office.

Application of New Technologies

Adhering to the FinTech innovation principle of "driving business development by innovation and achieving technology leadership", the Bank actively promoted the construction of new technology infrastructure, and intensified the integration of innovative technology and financial business, to continuously empower the digital transformation and upgrading of the Bank.

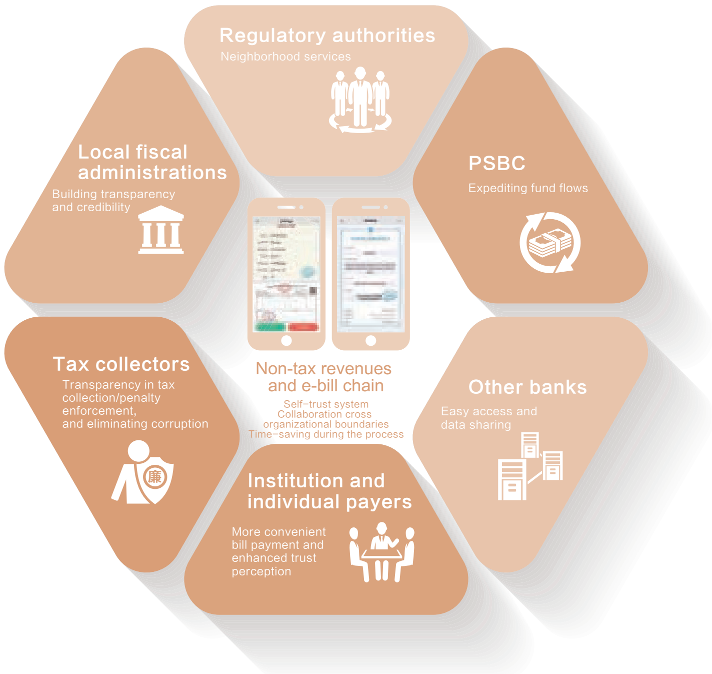
Artificial Intelligence (AI)

Relying on PSBC Brain, the Bank built six capabilities in intelligent image processing, intelligent language and speech technologies, biometric recognition, Artificial Intelligence & Internet of Things (AIoT), knowledge graph, and intelligent decision-making, to provide intelligent support for risk management, operation, marketing, internal control, asset management and other fields.



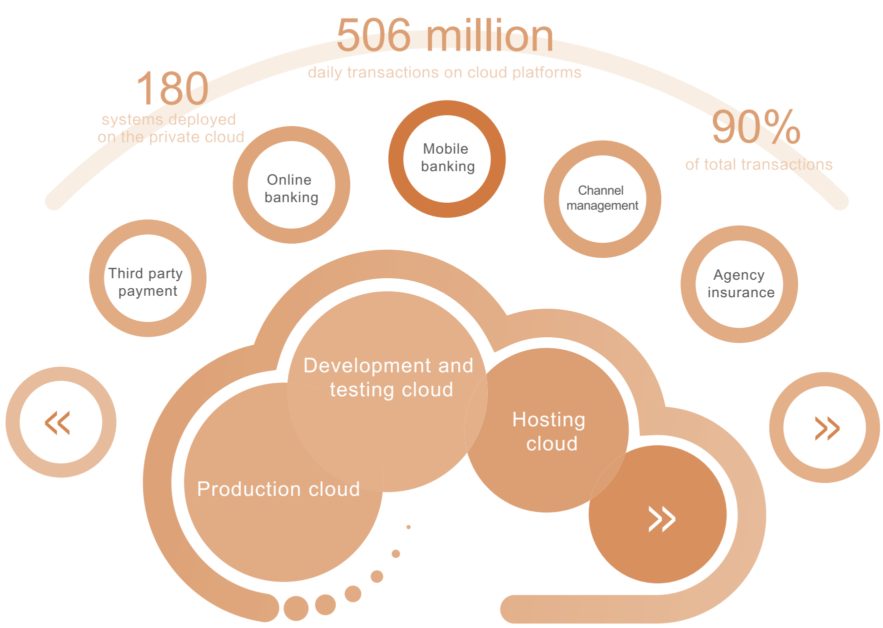
Blockchain

The Bank continued to optimize the blockchain platform, completed the development of new functions such as consensus migration and multi-center disaster backup, and enhanced the compatibility and convenience of the platform. With technical support from blockchain platform network construction and network management, the Bank has put in place a number of business scenarios such as non-tax e-bills and construction funds management in Xiongan New Area, cross-border financial blockchain and U-chain supply chain. During the reporting period, a total of 3,025,900 e-bills with a face value of RMB22.848 billion were uploaded to the blockchain of non-tax e-bills in Xiongan New Area on an accumulative basis, and the Bank's market share exceeded 90%.



Cloud Computing

Cloud container management was added to the cloud platform and a unified cloud management platform was successfully put into production, realizing standard whole-process management of resources in a unified way in a multi-cloud environment. The average daily transaction volume on the cloud platform reached 506 million, accounting for 90% of total transactions of the Bank.



Big Data

The Bank vigorously implemented a five-year plan for big data development, with focus on proactive empowerment, to accelerate the improvement of data service capabilities. It completed the building of 27 application scenarios including customer discovering, product recommendation, and rural financial service portrait, covering customer analysis, risk monitoring, rural revitalization and other fields. The big data platform realized central collection of data from 138 business systems, and built a PaaS (Platform as a Service) platform to manage the big data cluster resources and applications in a unified manner. It reinforced the development of four middle-office service systems, i.e. visualization service, data service, model service, and real-time decision-making service, and continued to improve six data marts, gradually revealing the value of data assets.

Branches Portrait

It is a Mobile-based App which provides information of a 360-degree, in-depth view of the Bank's outlets from five scenarios- "efficiency, personnel, quality, business results and outlet information" - and comprises 50 indicators, effectively improving the timeliness and accuracy of management activities at the outlets. The APP is visited more than 5,000 person-times per day on average.

Automated Review and Approval

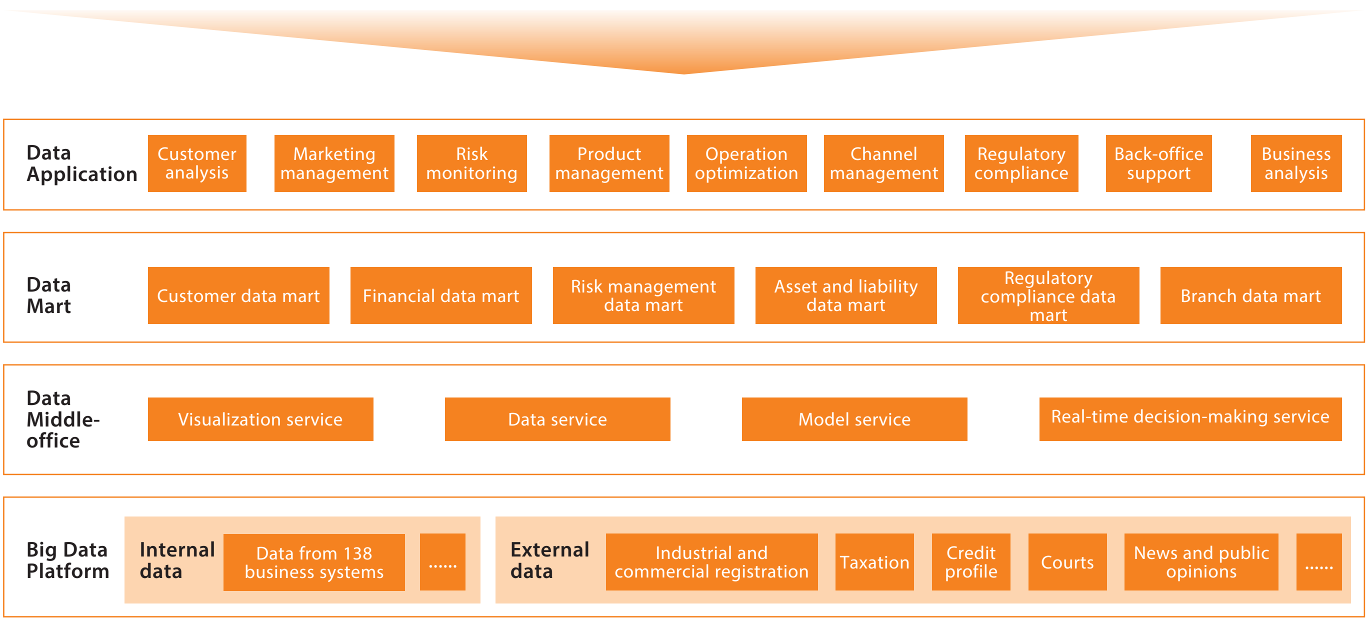
The big data analysis model has been integrated into the credit approval process of online lending system, which discovered more than 10 million potential customers of Speedy Micro Loans on system, and generated preapproved credit lines based on customers' creditworthiness. Efficiency of credit review and approval has been improved.

Knowledge Graph

As an application for corporate customers, knowledge graph has divided our bank's customer into over 230,000 different communities through 26 typical enterprises relationship, such as ownership, guarantee and supply chain, providing data support for risk control, marketing and other efforts.

Empower Rural Revitalization

The Bank built a portrait of agricultural and rural customers, captured data of 2,569 effective indicators for 449.6 thousand administrative villages, so as to boost the rural vitalization by data empowerment.



Innovation Collaboration

The Bank propelled the innovation collaboration between the Head Office and branches to enhance the innovation capability of the latter. It explored ways to empower distribution channels by open service platforms and provided branches with support and guidance on "AI + Big Data", Robotic Process Automation (RPA), blockchain and other technologies. It also gave full play to the leading role of innovation laboratories at branches and moved faster in intelligent transformation of outlets. It kept track of technological innovation demands of key city branches in the fields of inclusive finance and rural revitalization, focused on the integration of new technologies and region-specific scenarios, and carried out research and application of business development empowered by technological innovation.

Distribution Channels

The Bank provides customers with high-quality products and convenient services through physical outlets covering urban and rural areas, e-banking channels and remote service channels.

The number of mobile banking customers reached 326 million and monthly active users (MAUs) of mobile banking exceeded 47 million.

The PSBC Credit Card App 3.0 was launched with over 7 million registered users and more than 2.5 million MAUs.

The number and amount of online corporate banking transactions increased by 158.37% and 154.80% respectively year on year.

Physical Distribution Channels

As a traditional strength of the Bank, outlets are important leverage for us in promoting inclusive finance and serving the real economy as well as the crucial front line for customer acquisition.

The Bank continued to enhance the marketing and service capability of its outlets. Firstly, based on its nearly 40,000 outlets, it launched the "Program for Better Life" and built a "Wealth Management Weekly Lecture" investor education base to enlighten and accompany customers and help them share the gains of China's rapid economic development. Secondly, the Bank created an integrated operation unit by integrating branch functions, coordinating marketing resources and scientific performance evaluation to provide customers with a package of financial services and invigorated outlets.

The Bank continued to improve the customer experience at its outlets. Firstly, it stepped up the renovation of its outlets. Nearly 17,000 outlets of the Bank replaced their exterior signage and fully kicked off the interior signage renovation to provide a fresh, comfortable environment. Secondly, it strengthened the support of self-service equipment. It conducted elder-friendly adaptation such as direct calling and large-font interfaces, expanded branch-specific neighborhood service such as tax and social security payment and launched e-CNY business such as software wallet top-up and withdrawal. Thirdly, it optimized outlet operation mode. By increasing the number of mobile business terminals, it continuously expanded the service coverage of outlets, and enabled flexible lobby management and field marketing, making financial services closer to customers.

The Bank continued to promote the intensive business operation of front and back offices, to provide safer, more efficient and more professional financial services for customers. Firstly, focusing on expanding the scope of intensive business and improving the capability of intensive operation, the Bank built a two-tiered system of operation centers at the Head Office and branches. In 2021, the Bank built the Hefei Operation Center and Chengdu Operation Center at Head Office level, which, together with the operation centers of tier-1 branches, formed a two-tiered intensive operation system with clear positioning and management. Secondly, the Bank accelerated the separation of front and back-office operation, independently developed the operation center system according to the design concept of "standardized access, intelligent processing, parallel operation, shared services, and integrated management and control". As at the end of the reporting period, the Bank completed the access to the system for corporate account settlement, personal authorization and other businesses. Thirdly, the Bank further reconstructed its front-office operation process in accordance with the principle of "front-office business handled at the back office, back-office business centralization, intensive business handled professionally, shared professional processing, and cloud-based sharing of services", so as to achieve the goal of intensive operation with strong operational capability, high intelligence level and excellent customer experience.

As at the end of the reporting period, the Bank had a total of 39,603 outlets, including 7,828 self-operated outlets and 31,775 agency outlets. The existing self-service equipment numbered 145,751, among which, the number of intelligent teller machines (ITMs) were 49,755, accounting for 89.49% of non-cash business equipment. There were 57,778 sets of internet-connected mobile business terminals.

绿色让生活更美好
Green world, better life.

Column 16 Providing Concrete and Meticulous Services to the Elderly to Improve Their Sense of Gain in Finance

The Bank assumed its responsibilities as a major state-owned bank, and upheld the concepts of innovatively combining traditional services with intelligent services and integrating their development. It made special arrangements to enhance the quality of elderly customer services, and made concrete and meticulous efforts in elderly-oriented services by strengthening traditional financial services, innovating elderly-specific financial products, enhancing education, communication, and training and other measures.

Firstly, the Bank consolidated the foundation of traditional financial services to fully accommodate the financial demands and using habits of the elderly. In terms of optimizing outlet locations, by relying on its deeply penetrating network, the Bank continued to deliver high-quality, inclusive financial services to the majority of urban and rural customers, including the elderly. As at the end of the reporting period, the Bank had built over 280 demonstration outlets with special elderly services nationwide. In terms of lobby services, in line with the principles of "full attention, priority handling, and active assistance", the Bank set priority windows and courtesy seats with unified standards, intensified efforts to build barrier-free passage at outlets, and built "care stations" according to local conditions. It also increased a series of elder-friendly service and facilities such as priority queuing for the elderly. In terms of extended services, the Bank enhanced the flexibility and "human touch" of financial services through service at the doorstep, remote service and other means on the basis of compliance.

Secondly, the Bank saw effective intelligent application in service adaptation to the elderly and barrier-free transformation. It launched a dedicated hotline for the elderly in the telephone banking. Since January 2021, elderly users aged 60 or above can skip voice navigation and menu selection to enjoy dedicated manual services directly when calling 95580. Exclusive operators with strong business skills and rich experience were selected to answer the calls. This dedicated line for the elderly has served over 1,070,000 person-times since its launch. By taking into account their using habits, the mobile banking also enabled a quick switch to the large-font interface when the log-in of users aged 60 or above was automatically recognized. In the meantime, it continuously optimized the layout of large-font interface, launched online customer service, remote customer manager and livestream customer service, and introduced voice search, voice money transfer and other elder-friendly functions; it launched the "Enjoy Your Senior Years" section to facilitate elderly customers in shopping for suitable products, viewing corresponding benefits and taking part in cultural activities of interest by one-stop shop. What's more, the Bank furthered the application of biometrics in self-service equipment, launched a pilot program to replace signature with fingerprint, and continuously increased the number of passbook equipment to meet transaction habits of elderly customers. As at the end of the reporting period, the Bank had 17.3 thousand sets of self-service equipment supporting cash transactions via passbook. New services such as inter-bank fund collection, card linkage for quick payment, and collection and signing with phone number were offered at counters to help the elderly. The Bank also explored and introduced transaction by facial recognition in replacement of physical media, so as to provide professional support to the elderly in conveniently handling financial business, enjoying modern financial services and integrating into the information age.

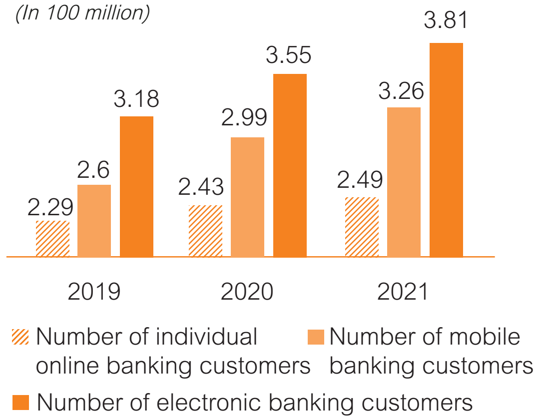
Thirdly, the Bank carried out the all-round publicity, education and training to promote the virtue of respecting the elderly. Through activities like "Month of Prevention of Illegal Fund Raising" and "6.29 Nationwide Anti-Fraud Campaign", the Bank increased its communication for the elderly, introduced risk cases, financial rights protection and other knowledge to the elderly in a simple and easy manner. It communicated the concept of serving elderly customers and cultivated the corporate culture of "respecting and honoring the elderly" throughout the Bank. The second "Jin Hui (Golden Senior Year) Cup" photography contest of PSBC was held by the Bank, offering contest service free of charge to customers aged 50 and above nationwide from September to December 2021. The Bank also provided non-financial services with a human touch to elderly customers, so as to advocate good social practice of ensuring security, education, recreation and worthiness for the elderly.

Electronic Banking Channels

The Bank continued to enhance the service management and support for electronic banking channels such as mobile banking, online banking, telephone banking, WeChat banking, etc. With the launch of PSBC App 7.0, the number of mobile banking customers topped 326 million, with more than 47 million monthly active users (MAUs) of mobile banking. PSBC Credit Card App 3.0 went live, with a total number of 7,632,300 users, representing an increase of 109.61% compared with the prior year-end, and the cumulative number of cards bound was 9,032,300, up 84.25% over the prior year-end. The online corporate banking transaction volume amounted to RMB9.76 trillion, representing a year-on-year increase of 154.80%.

Number of electronic banking customers

(In 100 million)



Mobile Banking

The Bank stepped up its product iteration and innovation, enhanced personalized services and scenario building, enriched product categories, and continued to focus on services with postal characteristics by incorporating China Philately, newspaper subscription, postal cultural innovation and other scenario services into its mobile banking. It also added new scenario functions such as exclusive section for wealth management, personalized themes, car personal owner tips, travel, top-up special offers, etc. in its mobile banking to improve customer services, and launched mobile banking app 7.0 featuring intelligence, personalization, openness and security. By establishing a cross-departmental and Headquarters-branch collaborative experience mechanism, the Bank continued enhancing the management of customer experience and improved experience optimization for mobile banking. As a result, the scale of e-banking customers and transactions grew rapidly, and customer activity increased significantly.

As at the end of the reporting period, the number of electronic banking customers reached 381 million, among which, that of personal online banking was 249 million, and that of mobile banking reached 326 million. During the reporting period, transactions through personal electronic banking amounted to RMB31.47 trillion, representing a year-on-year increase of 13.41%, and that through mobile banking reached RMB13.04 trillion, representing a year-on-year increase of 16.85%. 96.05% of its transactions were completed via personal electronic banking, an improvement of 0.36 percentage point compared with the prior year-end. The MAUs of mobile banking exceeded 47 million.

Credit Card App

The Bank launched the PSBC Credit Card App 3.0. Focusing on scenario-based financial consumption demands, the Bank created a featured business-district brand "Joyous Family Day" with more than 80,000 merchants onboard, through which customers could check merchants with special offers as well as purchase and use coupons. It continuously enriched scenarios such as film viewing and entertainment, car owner services and bill payment to enhance the neighborhood

The PSBC Credit Card App 3.0 went live.

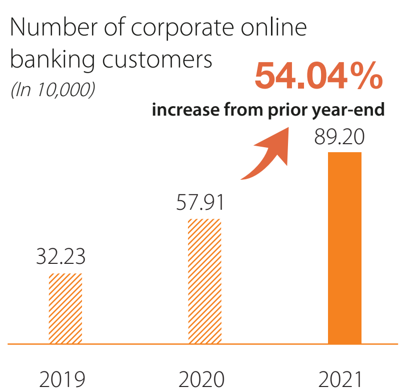
services. In addition, it improved the interactive experience, optimized the processes and screen display for login, card binding, and activation to provide customers with smooth and convenient online services. It also accelerated the use of intelligent technologies, added AI chatbot, voice search, buzz word recommendation, related recommendation and other user-friendly services to improve intelligent application. Besides, it increased support for rural revitalization by setting a special section for rural revitalization in the rewards mall, and effectively supported the development of areas lifted out of poverty. It joined hands with the PSBC Love Charity Foundation to carry out a credit card points donation campaign, and achieved the goal of collecting 500 million hearts to raise RMB500,000 for students in the PSBC Love Class of Self-Commitment, demonstrating the PSBC customers' awareness of charity and the Bank's social responsibility.

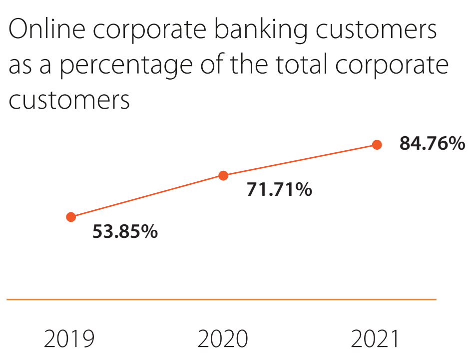
As at the end of the reporting period, the total number of PSBC Credit Card App users was 7,632,300, growing by 109.61% compared with the prior year-end, and the cumulative number of cards bound was 9,032,300, representing an increase of 84.25% compared with the prior year-end. The number of MAUs was 2,504,300, with an increase of 65.25% compared with the prior year-end.

Online Banking

The Bank continued to improve its capability of personal online banking services by adding new functions such as personal credit report query, optimizing functions such as transfer and bill payment, automatic recognition of login and prompting elderly customers to enlarge display fonts, and continuously enriched product functions to render services with more human touch to customers.

Being customer-oriented, the Bank kept iterating and upgrading its online corporate banking to build a new generation digital corporate banking service platform, so as to meet the diverse demands of corporate customers in scenarios of account management, fund settlement, investment and wealth management, loan and financing. Customers' online transactions became increasingly active. As at the end of the reporting period, the Bank had 892,000 online corporate banking customers, representing an increase of 54.04% over the prior year-end. Effective online corporate banking customers accounted for 84.76% of the total corporate customers, representing an increase of 13.05% compared with the prior year-end. The number of transactions for the year was 1.999 billion, up 158.37% year on year; and the transaction amount reached RMB9.76 trillion, representing a year-on-year increase of 154.80%.





Scenario and Ecosystem Building

Adhering to the customer-centered approach, the Bank continued to promote the scenario building, and continuously deepened the new concept of online and offline operation to create an all-round service system for customers.

Intensifying efforts in building mobile banking scenarios. The Bank accelerated the development of mobile banking scenarios and introduced China Philately, newspaper subscription, postal cultural innovation and other postal scenarios, as well as livelihood scenarios such as car owner's daily life, travel, and recharge discounts, so as to provide customers with comprehensive scenario-based one-stop services and meet their increasingly needs for diversified services in different scenarios.

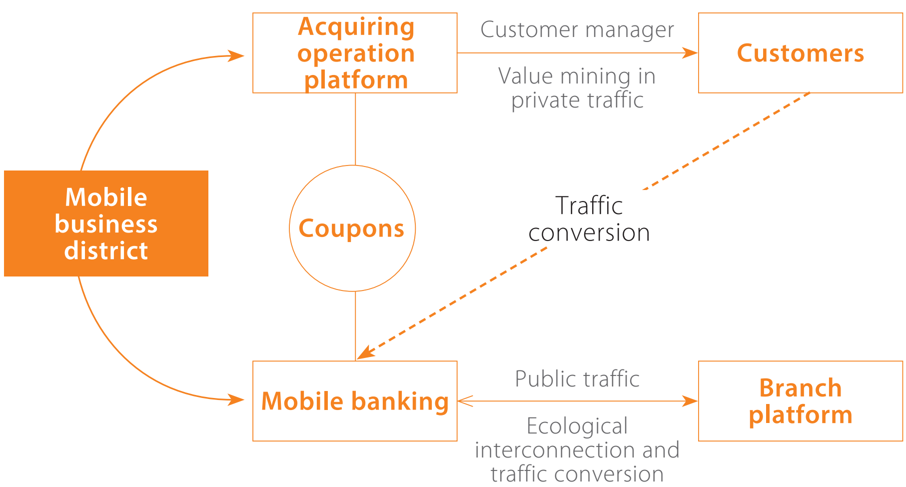
Developing "mobile business districts" with mobile banking. The Bank developed a "mobile business district" scenario to provide services for merchants. The Bank tapped the potentials of its offline outlets and local business districts, migrated the offline acquiring merchants to its mobile banking platform, and leveraged its huge customer base to attract traffic of funds and information to the merchants, thereby building a link between business end and customer end and achieving refined merchant management and customer service. The "mobile business district" program integrated 4 platforms at the Head office level and 6 business-district platforms at the branch level, integrating membership benefits for business districts at both the Head Office and branches. A product matrix was created with "coupons" at its core, so that customers could enjoy financial services offered by outlets nearby and the benefits of business districts no matter where they are. The Bank migrated more than 600,000 offline acquiring merchants to the mobile business-district platform, attracting nearly 100 million customers for merchants.

Accelerating the construction of effective scenario for acquiring business. Relying on the "outlet plus business district" model and its extensive channel resources in urban and rural areas, the Bank embraced the needs of industries and micro and small merchants for digital upgrading and built a three-in-one merchant service platform featuring "digital operation + scenario-based operation + integrated finance", so as to help merchants improve their business and create value, develop an effective scenario-based ecology system, and promote transformation of marketing models at community level. The Bank had around 1,910,500 acquiring merchants, with a transaction amount of more than RMB430 billion. The deposits and other AUM assets of merchants amounted to nearly RMB100 billion, and a total of RMB82 billion production and business loans were granted.

Strengthening to establish an "outlet + business district" ecosystem. Adhering to the principle of "dedicated to cultivating surrounding businesses", the Bank took the outlets as the center and PSBC Pay as the payment and settlement tool to build a customer acquisition and activation system, and created a financial service ecosystem integrating outlets, employees, merchants, customers, products and scenarios. With the life cycle management of merchants as the core, the Bank adopted the innovative tool system of "business district map + mobile business district + acquiring statements" to help improve the service efficiency at the community level. Relying on the online operation platform of "mobile business district", it developed high-quality scenarios such as farmers' markets, catering business streets, specialty markets and shopping malls, accompanied by diversified marketing activities, so as to strengthen the link between merchants and customers. The Bank built 4,120 outlet-based business districts, covering more than 50% of directly-operated outlets and serving nearly 100 million customers. Moreover, it developed business districts featuring Party-history-themed tourism at the Site of Zunyi Conference, Sanya Phoenix Airport, Langzhong Ancient City in Sichuan and Snack Street in Zhengning Road in Gansu.

Advancing development of industry scenarios. To achieve the goal of "4 + X + 100", the Bank increased investment in the four key industry scenarios of catering, retail, health, and education, provided professional and integrated industry solutions for merchants in an all-round way, and developed a smart digital solution covering medical insurance, transport, education, catering, hotel and cultural tourism. A number of benchmark projects were rolled out, including mixed payment of medical insurance, smart refueling and smart cultural tourism. It also launched smart canteen, smart campus and other scenario-based services on its mobile banking, advanced the "acquiring plus SaaS" service mode, and was able to support mainstream payment APIs in the market.

Optimizing the mobile payment environment in county areas. With serving the economic development in county and rural areas as its purpose and ultimate goal, the Bank promoted the expansion of mobile payment in counties and rural areas. The number of county-level merchants in cooperation with PSBC reached 1,114,300, accounting for 57% of the Bank's total number of merchants, with a transaction amount exceeding RMB150 billion. A total of 115 mobile payment demonstration counties had been developed. With building the financial ecosystem in county areas as the focus, the Bank consolidated the achievements in developing mobile payment scenarios of neighborhood services such as medical and health services, supermarkets, catering, etc., and expanded the coverage of mobile payment to cultural tourism, hotels, education, transport, express, logistics and other scenarios of neighborhood services. In Henan, the Bank built 500 "PSBC Pay demonstration counties and towns", covering 34% of counties and township areas. Other classic scenarios include the integrated health care system in Chongqing and the smart tourist sites in Anhui.



Mobile business district

Remote Service Channels

Remote Banking Center

The Bank actively improved its remote service system and followed the path of high-quality development. It sped up the intelligent development and elder-friendly adaptation of remote banking by building a full-voice portal in telephone banking and launching dedicated elderly service hotline and video customer service with face-to-face communication, sign language and large-font options. Through the launch of such new products and functions, the Bank expanded service modes, refined customer segmentation, improved service quality and effectiveness, and strengthened the comprehensive service capability of its remote channels. The manual response rate in Remote Banking Center of the Bank reached 96.26%, and the percentage of intelligent customer service increased to 94.42%.

Credit Card Customer Service Hotline

The Bank accelerated the building of a smart, digital and one-stop customer service system for its credit card business, facilitated the omni-channel collaboration, and continuously expanded service scenarios. It also extended applications of AI and digital technology to enable the system to identify customers in an automatic and accurate manner. The Bank paid close attention to service quality management, further enhanced the experience of customers on key products, services and channels, and built a business process that is more tailored to customer demands and a more competitive business model, thus providing customers with a new journey experience throughout the entire life cycle. The manual response rate of the credit card business was 97.97% with customer satisfaction reaching 99.73%. Intelligent robots served customers of around 1,559,300 person-times.

绿色让生活更美好
Green world, better life.

Column 17 Actively Participating in the Pilot Launch of E-CNY

E-CNY is an important infrastructure for the development of China's digital economy. Under the guidance of the PBOC, the Bank faithfully fulfilled its commitment to the nation. Leveraging its unique resource advantages, the Bank steadily ramped up research and pilot use of e-CNY and achieved high-quality development.

Firstly, through integration of business and technology and agile development, the Bank completed the development tasks of the PBOC with high standard and high quality. In the research and development of the new version App for the Winter Olympic Games with the new experience architecture organized by the Digital Currency Research Institute of the PBOC, the Bank was in the forefront of the authorized operators in terms of overall progress, participated in and organized multiple rounds of production verification, and successfully completed the task of system building.

Secondly, the Bank continuously improved the e-CNY product matrix. More than 230 functional components of e-CNY products have been launched in total, covering personal wallet, corporate wallet, merchant collection and operation management, so as to continuously improve the e-CNY payment capability.

Thirdly, the Bank developed characteristic scenarios and took the lead in innovation in some fields. Leveraging PSBC-featured services, the Bank rapidly expanded the application scenarios. It explored the value of green finance, and carried out activities such as e-CNY green travel with its partners. In response to the call for rural revitalization, the Bank built inclusive finance e-CNY demonstration towns in pilot areas such as Hainan, Xi'an, Dalian and Qingdao. The Bank continued to explore new scenarios. In Shanghai, it applied the e-CNY hardware wallets to the payment scenario in hospitals for the first time; in Beijing, it launched the function of hardware wallet plus Health Kit; in Dalian, it implemented the first e-CNY B2B corporate payment project for the shipping industry. The Bank attended the 4th Digital China Summit, China International Fair for Trade in Digital and Software Services 2021, China International Fair for Trade in Services and other large exhibitions, actively participated in red packet activities in pilot areas, and fully demonstrated the Bank's capability of offering e-CNY application under different scenarios.

Fourthly, the Bank strengthened external cooperation and established an e-CNY ecosystem. To strengthen cooperation with strategic customers, the Bank has developed tailor-made and personalized e-CNY service schemes for enterprises with more flexible fund management and more efficient payment transactions, which were implemented in various e-CNY payment scenarios including PetroChina gas stations, Xiongan non-tax fee payment, Sinograin grain purchase, NEEP energy trading platform, etc. In terms of e-CNY cooperation with peer banks, the Bank focused on partnership with national joint-stock banks, city commercial banks, rural commercial banks and private banks, and extended e-CNY services to Ping An Bank through "direct connection", which was the first of its kind in the industry. Up to now, the Bank has signed e-CNY service cooperation agreements with more than 60 banks. In addition, the Bank worked with high-quality payment institutions and service providers to deepen the innovation of application scenarios and strived to build an e-CNY ecosystem.

Fifthly, the Bank put in place an efficient, intensive, safe and sound e-CNY business operation system. The Bank established a complete and clear on- and off-balance sheet accounting system, a unified reserve management system across the Bank and a 24/7 risk emergency response mechanism. It built a dedicated e-CNY hotline service team and improved its business operation capacity, so as to ensure the continuity of e-CNY business operation.

Hainan: Leveraging the coordination with China Post Group, the Bank launched the "Promoting e-CNY in Villages and Towns" activity, and provided tourists with the one-stop service scenario of "applying for e-CNY red packet – picking and processing at tourist parks – e-commerce and postal delivery".

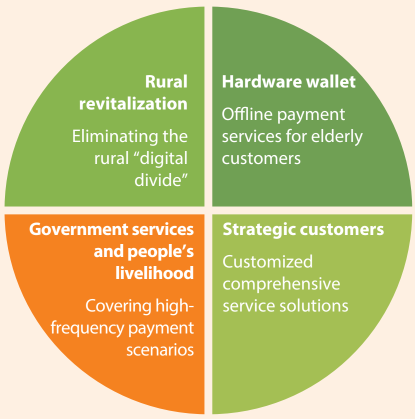
Xi'an: Based on the local kiwifruit industry, the Bank created scenarios covering the whole industrial chain including agricultural materials, picking and purchasing, sales and logistics, and an eco-system featuring "e-CNY town with lush mountains and lucid waters" has taken shape.

Dalian: The Bank built e-CNY demonstration villages, and promoted the development of e-CNY collection and payment scenarios of agriculture such as farmers, cooperatives and agro-industrial parks.

Qingdao: To promote e-CNY application in Malianzhuang Town, known as China melon town, the Bank developed an e-CNY scenario for melon transactions by leveraging its service advantages in lower-tier markets.

Non-tax fee payment: Under the guidance and support of Hebei Provincial Department of Finance and Shijiazhuang Central Sub-branch of the PBOC, the Bank completed the first e-CNY payment of "non-tax e-bill plus blockchain" business in China. The completion of this transaction marks the extension of the function of the "non-tax e-bill plus blockchain" system and the smooth implementation of non-tax e-CNY payment in Xiongan New Area, Hebei Province.

Bill payment: The Bank customized an "online plus offline" integrated e-CNY payment solution for PetroChina, enabling QR code payment at the offline convenience stores of PetroChina gas stations. The mobile app Kunpeng Quick Payment supports the use of e-CNY to recharge the PetroChina gas card, a new payment method for gas terminals.



Elderly-oriented services: The Bank released the e-CNY hardware wallet with Health Kit functions, and realized the "one card for two purposes" of e-CNY payment and Health Kit registration. By putting the physical card on the Health Kit equipment, customers can complete Health Kit status query and registration. The physical card, though small, has played a positive role in helping the elderly cross the "digital divide", which has been widely covered by mainstream media.

Offline payment with hardware wallet: The Bank provided the one-stop experience of ordering, consumption and payment with e-CNY hardware wallet at the canteen of Tongren Hospital, an affiliated hospital to Shanghai Jiao Tong University School of Medicine. This was the debut of e-CNY hardware wallet, which enables safe, convenient and fast payment for people who have difficulty using smart terminals.

Sinograin grain purchase: The Bank delivered the e-CNY payment service to Sinograin to solve its pain point of agriculture-related payment. The e-CNY was used in the offline grain purchase scenario to realize real-time receipt of grain purchase funds, which greatly saved the time of manual verification, effectively solved the problem of account verification and enriched the payment and settlement methods.

NEEP e-commerce platform: The Bank has developed an e-CNY payment service solution for China Energy to solve the pain points in the NEEP e-commerce system, such as funds tied up in pre-deposits and past due payment by enterprises. Using e-CNY smart contract and other technologies, the Bank effectively improved the payment and settlement efficiency of the NEEP e-commerce platform, and realized no pre-deposits for procurement, no outstanding payment for operation, multi-party cooperation and separate clearing of funds.

绿色让生活更美好
Green world, better life.

Column 18 Boosting Coordinated Development to Create Sustainable Synergy Value

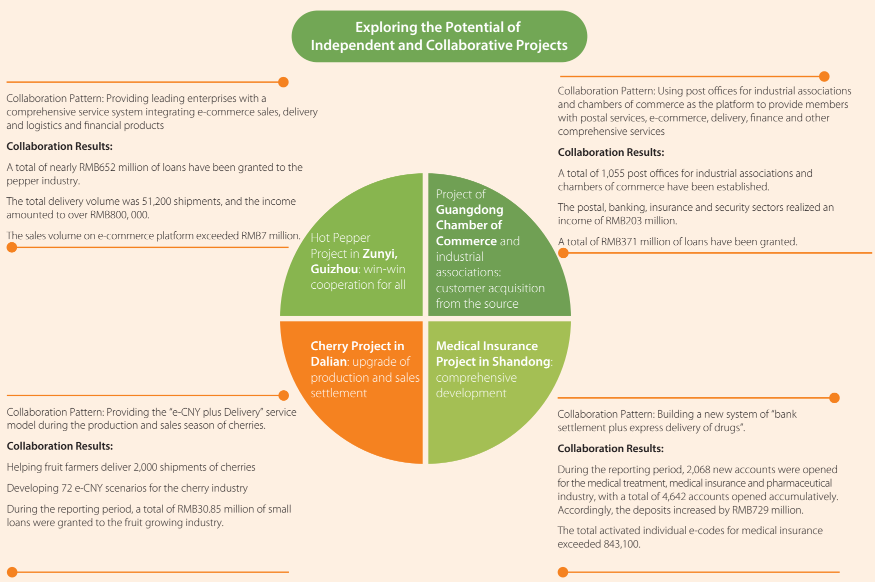
Adhering to the coordinated development strategy, the Bank fully tapped into the potential of the "directly-operated outlets plus agency outlets" model, established a market-oriented, customer-centric and project-based mechanism with an institutional framework, and integrated internal and external resources to promote the coordinated development with China Post Group.

In terms of building a collaborative mechanism, the Bank established a 4-tier collaborative structure of the Head Office, provincial branches, municipal branches and county sub-branches. Institutions at all levels shall set up leading groups for collaborative development to organize, coordinate and promote the work related to collaborative development. The Bank developed a six-dimensional collaborative mechanism of "collaborative meetings, performance appraisal, incentive distribution, follow-up overseeing, joint research, personnel and technical support", and took multiple measures to follow up and oversee the projects, providing necessary support for collaborative development.

In terms of key collaborative projects, sustained efforts have been made in projects to benefit farmers, automobile industry chain, military-civil integration, pharmaceutical market, e-commerce market and other key collaborative projects, with good results achieved in collaborative development. Through projects to benefit farmers, the Bank enriched credit products and increased financing support for new agricultural operating entities and other customers. Through the automotive industry chain project, the Bank launched a variety of "Head Office-to-headquarters" discount products together with Great Wall Motors. Through the military-civil integration project, the Bank achieved a historic breakthrough in terms of qualifications for military fund collection and payment cooperation. Through the pharmaceutical market project, the Bank promoted intelligent business operation in medical treatment, medical insurance and pharmaceutical industry. Through the e-commerce market project, 36 tier-1 branches provided small business loans and micro loans to e-commerce customers jointly developed with China Post Group.

In terms of synergy between different segments, new breakthroughs were made in synergy between four major segments, i.e., coordinated development of credit card business, open bill payment platform, corporate client referrals and e-CNY application. In terms of coordinated development of credit card business, three collaborative customer acquisition models were developed, i.e., tapping the potential of existing customers at outlets, joint field marketing and "directly-operated outlets plus agency outlets". Through the open bill payment platform, the Bank promoted payment services to serve the rural revitalization strategy, and deepened utility bill payment and financial services related to people's livelihood in county areas. As at the end of the reporting period, there were 11,925 rural revitalization projects on the open bill payment platform. In terms of corporate client referrals, the Bank launched the special campaign of "Explore the Blue Ocean with China Post Group" for corporate business. The e-CNY project covers all the postal delivery scenarios, with a total of 966 delivery sites supporting e-CNY payment.

At the same time, the Bank encouraged the branches to develop innovative collaboration models to reflect regional characteristics, and promoted sharing of excellent project experience among branches across the country, and formed a synergistic effect between upper and lower-level institutions. The branches leveraged their advantages of local resources and strengthened inter-segment collaboration, setting a model for independence and collaboration.



Human Resources and Institution Management

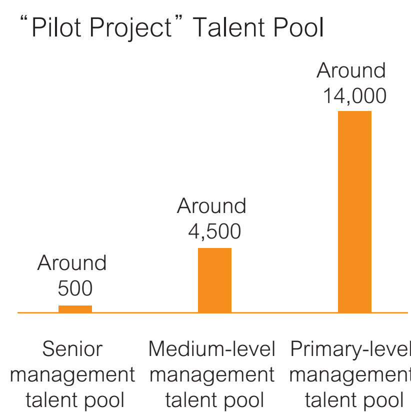
Human Resources Management

In terms of talent recruitment, the Bank adhered to the principle of the CPC's leadership over talent management as well as the philosophy of "respecting employees' value, developing their potential, and bringing them closer to their dreams", and cultivated a well-structured team of high-caliber talents. Placing an emphasis on the building of the IT team, the intelligent risk control team, YOU+ BANK, etc., the Bank continued to recruit and select urgently needed high-end talents to fully stimulate employees' creativity through top-level leadership. It also launched the "U+" campus recruitment program to attract more outstanding graduates to join the Bank and inject fresh blood into the Bank. The Bank launched new forms of campus recruitment campaign, introduced a series of live stream campaigns themed "Youth – Technology – Strategy – Happy Life", and designed a campus recruitment mascot named "You Xiao Chu", showcasing the Bank's positive and energetic corporate culture and enhancing the Bank's employer brand image. In 2021, with its outstanding performance in employer culture, organizational management as well as growth and development, the Bank stood out from the fierce competition of more than 80,000 companies and was ranked among the top 30 best employers of the year in the "Best Employer Award 2021" co-sponsored by zhaopin.com and the Institute of Social Science Survey of Peking University.

PSBC ranked among the top 30 employers of the year in the "Best Employer Award 2021"

In terms of talent cultivation, the Bank attached great importance to the team building of cadres and employees. Focusing on building mechanisms and platforms, the Bank continuously optimized the "race horse selection" mechanism to encourage employees to compare, learn from, and outperform one another. Through the continuous implementation of the Pilot Project, the talent pool construction mechanism has become routine and multiple rounds of talent pooling were successfully completed. The structure of the management team across the Bank had been continuously optimized in terms of age, knowledge, profession and ability, and the overall functionality was further enhanced. Strengthening the management of talent selection and appointment, the Bank set up a double promotion channel of "management + professional" for employees, removing the barriers to the flow among various types of posts. Based on performance and contributions, it promoted high-caliber employees with professional competence and excellent performance appraisal results to a higher level, so as to provide strong talent guarantee and extensive intellectual support for the building of a first-tier large retail bank. It launched the "U Career Change Program" at the Head Office in 2021 to create a platform for inter-departmental mobility of employees at the Head Office, encouraged employees to choose the appropriate positions based on their strengths and career plans. Through such two-way selection, it matched the right people to the right positions, stimulated motivations among employees, and improved their comprehensive capabilities based on multi-departmental experience.

In terms of talent training, the Bank continued developing and cultivating talents at greater depth, and stepped up talent team building efforts in all aspects. Closely following the trends of business management and development, it improved a talent training and development system with



centralized training and remote training as major approaches and Party School training and qualification certification as supplementary ones. The Bank also consolidated the foundation of training by enhancing the team building of internal lecturers, developing training resources, and continuously upgrading and optimizing its online training platforms. With the goal of improving the professional competency of employees and based on the position categories, the Bank clarified the standards of qualifications for all positions and systematically built the post qualification certification system for employees from five key aspects, namely, the formulation of qualification standards, the development of learning resources, the organization of training and learning, the job qualification certification and continuing education. In addition, the Bank held the "General Manager Lecture of Head Office Departments" to encourage learning and exchange among departments of the Head Office and between the Head Office and branches on an ongoing basis, and invited industry experts from time to time to keep employees abreast of cutting-edge issues and broaden their horizons. During the reporting period, over 43,000 online and offline training sessions were organized with more than 2.71 million person-times trained. Moreover, the Bank made particular efforts to develop outstanding young cadres, built a competency model for PSBC young cadres, organized young cadres across the Bank to participate in the assessment, and did stocktaking of young cadres. It also launched the "Steed" talent training project, and built a talent reserve pool of young cadres, to provide adequate cadres reserve and talent guarantee for the Bank's reform and development in the new era.

In terms of remuneration and benefits management, the Bank optimized the payroll allocation system driven by performance and value creation, increased incentives for key business, improved the indicators for performance-based salary allocation, and increased resource utilization efficiency. The Bank implemented the three-year action plan for SOE reform, improved the remuneration allocation mechanism with emphasis on shifting towards employees at the primary level and front-line positions, and promoted the tenure-based remuneration management for executives to gradually establish a competitive remuneration system for key talents. It also kept optimizing its benefits system, improving welfare benefits, and enhancing the employees' sense of belonging.

2022 Campus Recruitment of PSBC – "Shine with PSBC"

WeChat official account for PSBC recruitment

Campus recruitment mascot: You Xiao Chu

绿色让生活更美好
Green world, better life.

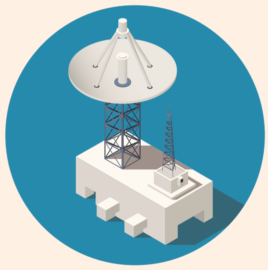
Column 19 Market-oriented Talent Management Mechanism

Leveraging opportunities arising from the implementation of the Three-Year Action Plan for the Reform of State-owned Enterprises, the Bank sped up the reform of the tenure system and contract-based management. In line with the principle of "pilot before full roll-out", the Bank completed the pilot projects with high quality in the first half of 2021, providing valuable experience for the implementation of basic policies, work mechanisms and operation processes across the Bank. Currently, the Bank has kicked off the roll-out on all fronts, and took solid steps in its advancement in a orderly manner according to the plan. The Bank established a regular market-oriented talent selection and recruitment mechanism. It also selected and recruited highly specialized talents from the market following the principle of talent selection based on internal cultivation and external recruitment. The Bank continuously carried out regular recruitment of urgently needed high-end talents and professional talents, and successfully introduced a number of senior management personnel, as well as high-end professionals in key fields such as information technology and intelligent risk control. The Bank established a market-based remuneration allocation mechanism to benchmark against the market practice in terms of both remuneration and performance for key positions and key talents in urgent need, so as to effectively attract, retain and motivate talents.

Column 20 “Sail Project” Brand Training Program

The Head Office focused on implementing the “Sail Project” brand training program to strengthen the management team building and develop a team of high-calibre professional cadres. Focusing on the training of senior operation and management talents, the “Voyage Project” training was carried out to cultivate a group of organizational leaders with firm political convictions, strategic thinking, awareness of innovation and management art, who can play a commanding role in leading tier-1 institutions and business lines in market competition and business transformation. Focusing on the cultivation of core management talents in tier-2 branches and business lines, the “Navigation Project” training was carried out to cultivate a group of management talents with high management skills, strong execution, who are good at leading teams and nurturing talents, and can play an important role in leading tier-2 institutions or professional teams in the strategic transformation. Focusing on the cultivation of management talents at the primary level, the “Sailing Project” training was carried out to cultivate a team of management talents at the primary level with excellent business skills and strong market competitiveness, who can lead primary-level institutions to explore new ways in development and fight tough battles.

The **“Voyage Project”** focuses on strategic thinking, organization process and talent team building in the context of digital transformation. It aims to reinforce the political insights, leadership and expertise of senior management in a systematic way by assigning tasks, producing outputs and broadening the horizon.



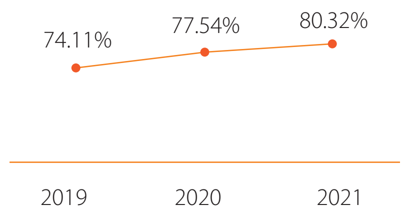
The **“Navigation Project”** focuses on strategy decoding and team building capabilities, and builds a three-stage learning map. It aims to systematically improve the operation and management capabilities of middle-level managers via “management case study and summary” workshops, “act-based learning” seminar sharing and output, etc.

The **“Sailing Project”** focuses on strategy implementation and business analysis capabilities. The Head Office also launched the “Five-Sphere Demonstration Course for Sub-branch Managers” to systematically improve the market competitiveness of managers at the primary level. The Bank will continue to promote the “Sail Project” training to play a pioneering, fundamental and strategic role of cadre education and training.

Employees

As at the end of the reporting period, the Bank had a total of 193,946 employees, among which, 178,252 were contracted employees (including 1,377 in majority-owned subsidiaries), and 15,694 were dispatched employees. The number of retired employees of the Bank was 21,407. In terms of the number of talents, the Bank kept the number of employees in a reasonable size, and shifted the idea of talent allocation from an increase in quantity to the improvement of per capita efficiency. In terms of the talent quality, the Bank steadily improved the number of employees with high qualifications. Since 2019, the proportion of employees with a bachelor's degree or above in the Bank has continued to increase, with a rise of 6.21 percentage points over the past three years. In terms of the talent structure, the position distribution was more reasonable, and more human resources flew to core businesses and front-office marketing positions in an orderly manner.

Percentage of employees with a bachelor's degree or above



Let's build a beautiful home together

The PSBC youth program aims to create a youth culture IP of the Bank, and share the growth stories, struggle spirit and highlight moments of our young employees in a diversified way. Leveraging the influencing power of the people around us, we can create an atmosphere where everyone is striving to be an outstanding young person, and promote the continuous progress and growth of young employees across the Bank.

Scan the code to learn more about the PSBC youth

The Bank's Employees[1] by Function

Item	Number of employees	Percentage (%)
Management at all levels	6,015	3.37
Retail banking	63,033	35.36
Corporate banking	15,751	8.84
Treasury and asset management	1,027	0.58
Risk management and internal control	17,331	9.72
Operation and clearing	23,950	13.44
Others[2]	51,145	28.69
Total	178,252	100.00

Note (1): The Bank's employees refer to contracted employees of the Bank (including those at its majority-owned subsidiaries).

Note (2): Others include administration, information technology, and other supporting positions.

The Bank's Employees by Age

Item	Number of employees	Percentage (%)
Under 30 (inclusive)	34,620	19.42
31-40	88,064	49.41
41-50	41,058	23.03
Over 51 (inclusive)	14,510	8.14
Total	178,252	100.00

The Bank's Employees by Education

Item	Number of employees	Percentage (%)
Master's degree and above	15,279	8.57
Bachelor's degree	127,903	71.75
Associate degree	30,621	17.18
Others	4,449	2.50
Total	178,252	100.00

Institution Management

The Head Office of the Bank is located in Beijing, being the hub for decision-making and management of the Bank. The Bank has established tier-1 branches in the capital cities of provinces, autonomous regions, municipalities, and cities with independent planning status. As the operation management center within the corresponding regions, tier-1 branches are responsible for managing all sub-branches in their respective areas and directly report to the Head Office. Tier-2 branches are generally set up in the prefecture-level cities in provinces and autonomous regions. In addition to their operation management functions, tier-2 branches are also responsible for managing lower-level branches and sub-branches, and report to the tier-1 branches in their respective regions. Tier-1 sub-branches primarily undertake the functions of business operation and outlet management, and report to their supervisory tier-2 branches. Tier-2 sub-branches primarily undertake the function of business operation.

The Bank continued to optimize its organizational structure to effectively support the implementation of the Bank's strategies and allocated more resources to key businesses and fields. Besides, the Bank actively implemented the national development strategy, set up the Digital Currency Department as a tier-1 department in the Head Office, and strengthened the organizational support for the development of the e-CNY business. In active response to the national requirements of vigorously strengthening rural revitalization and inclusive finance, the Bank restructured the Inclusive Finance Business Department (SME Finance Department) and the Sannong Finance Business Department (Rural Revitalization Finance Department) to provide more support for inclusive finance and rural revitalization. It improved the institutional setting of the "Three Regions and Three Prefectures" and strengthened the financial support for them. It also continued to optimize the organizational structure and adjusted the institutional settings at all levels over time to effectively improve operational efficiency and enhance strategic support.

As at the end of the reporting period, the Bank had 8,140 institutions, including the Head Office, 36 tier-1 branches, 324 tier-2 branches, 2,083 tier-1 sub-branches, 5,693 tier-2 sub-branches and others, and three majority-owned subsidiaries. Among them, YOU+ BANK, a direct bank subsidiary, received the approval for opening of business in December 2021.

The Bank's Branches, Sub-Branches and Employees by Geographical Region and Asset Size

In millions of RMB, except for percentages or otherwise stated

Region	Asset size	Percentage[1] (%)	Number of institutions	Percentage (%)	Number of employees	Percentage (%)
Head Office	7,231,952	36.42	1	0.01	5,914	3.32
Yangtze River Delta	1,935,220	9.75	934	11.47	19,575	10.98
Pearl River Delta	1,261,322	6.35	736	9.04	18,964	10.64
Bohai Rim	2,063,215	10.39	1,124	13.81	26,643	14.95
Central China	3,803,982	19.16	2,384	29.29	45,504	25.53
Western China	2,651,428	13.35	2,123	26.08	41,178	23.10
North-eastern China	909,048	4.58	838	10.30	20,474	11.48
Total	12,587,873[2]	100.00	8,140	100.00	178,252	100.00

Note (1): The proportion of total assets in each region is calculated based on the aggregated data before offsetting.

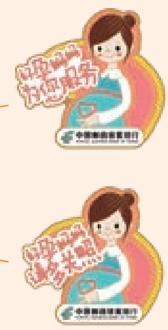
Note (2): Total asset is the amount after internal offset, and the offset amount is RMB7,268,294 million.

Note (3): Other than the number of institutions disclosed above, the Bank has one Credit Card Center as a specialized institution.

Column 21 Caring for Pregnant Employees

The Bank pressed ahead with the program of PSBC Care for Female Employees to provide more protection and care for pregnant employees and further enhance female employees' sense of happiness and gain. Since 2020, it has advanced the project of Mother's Room by standardizing the room construction and configuration, in a bid to build a comfortable, private, hygienic, and safe place for rest for female employees during their pregnancy and lactation, acting as a worry-free solution for new mums.

In 2021, the Bank kicked off a campaign of "Caring for Pregnant Employees" and introduced maternity badges and uniforms across the Bank to effectively respond to and solve the problem of one-size-fits-all uniforms for pregnant employees, and provide clear signs to those female employees at the front line and those before showing a baby bump, extending its care and consideration for pregnant employees.



Patterns of PSBC maternity badge

绿色让生活更美好
Green world, better life.

Column 22 Building "Staff Home" to Facilitate the Development of the Bank as a Big Family

The Bank utilized H5 technology to showcase the features of its Staff Home in different regions via cloud-based visits. PSBC people could experience the distinctive "home" culture of the Bank in an immersive way, feel the warmth and care brought by the Staff Home. It shows how the Bank put into actions its corporate culture of "employees being the Bank's most important asset". Furthermore, the Bank conducted a soliciting and selection campaign for employee care projects, summed up the excellent project experience and practices in branches and compiled the 2021 PSBC Employee Care Project Casebook. Those cases were based on the needs of employees and business development, centered around the theme of employee care, and generated marked positive benefits, which were widely recognized by employees.

Over the past seven years, focusing on the most pressing, practical, and fundamental problems faced by front-line employees such as dining and rest, the Bank's Staff Home extended its service and added another eight services including collection of complaints, skills improvement, democratic management, mutual aid, relief and assistance, psychological care, maternal and child care, and cultural and sports activities. It has become the second home of PSBC people and gradually becomes a byword for the Bank's employee care system.

Online "cloud visit" activity by Staff Home

An introduction video about PSBC's Staff Home

The video summarized the achievements and concepts of home building over the past seven years and showed how PSBCers work hard together and live happily as a family.

Scan the QR code to read the 2021 PSBC Employee Care Project Casebook

The Casebook demonstrates the Bank's employee caring projects with high satisfaction, effectiveness, representation, and innovation, and explores ways to replicate effective experience and practice of caring for and serving employees.

Risk Management

Risk Management Organizational Structure

The Board of Directors assumes the ultimate responsibilities for comprehensive risk management. It is responsible for establishing the risk culture, formulating and approving risk management strategies, setting and approving the appetite and ensuring the establishment of risk limits, reviewing and approving major risk management policies and procedures, monitoring comprehensive risk management implemented by the senior management, reviewing comprehensive risk management reports, examining and approving disclosure of comprehensive risks and various significant risks, appointing Chief Risk Officer, and performing other duties related to risk management.

The Board of Supervisors assumes the supervisory responsibilities for comprehensive risk management, and is responsible for supervising the Board of Directors and the senior management in fulfilling their duties of risk management and urging for rectifications.

The senior management assumes the responsibilities for the implementation of comprehensive risk management and the execution of the Board's decisions. It is responsible for setting up the operation and management structure in line with the requirements of comprehensive risk management, clarifying division of responsibilities among departments responsible for comprehensive risk management, business departments and other departments in risk management, establishing an operational mechanism with effective coordination and balanced power across departments, and formulating a clear execution and accountability mechanism to ensure adequate communication and effective implementation of risk management strategies, risk appetite and risk limits. It sets up risk limits according to risk appetite determined by the Board of Directors, including but not limited to dimensions such as industry, region, customer and product. It also formulates risk management policies and procedures, makes regular assessments, with adjustments when necessary, and assesses the management of comprehensive risks and various important risks with reports to the Board of Directors. It establishes a sound management information system and a data quality control mechanism, oversees violations of risk appetite, risk limits, risk management policies and procedures, and deals with them under authorization of the Board of Directors. It also assumes other responsibilities of risk management.

The asset quality maintained sound with an NPL ratio of 0.82%, a drop of 0.06 percentage point compared with the prior year-end.

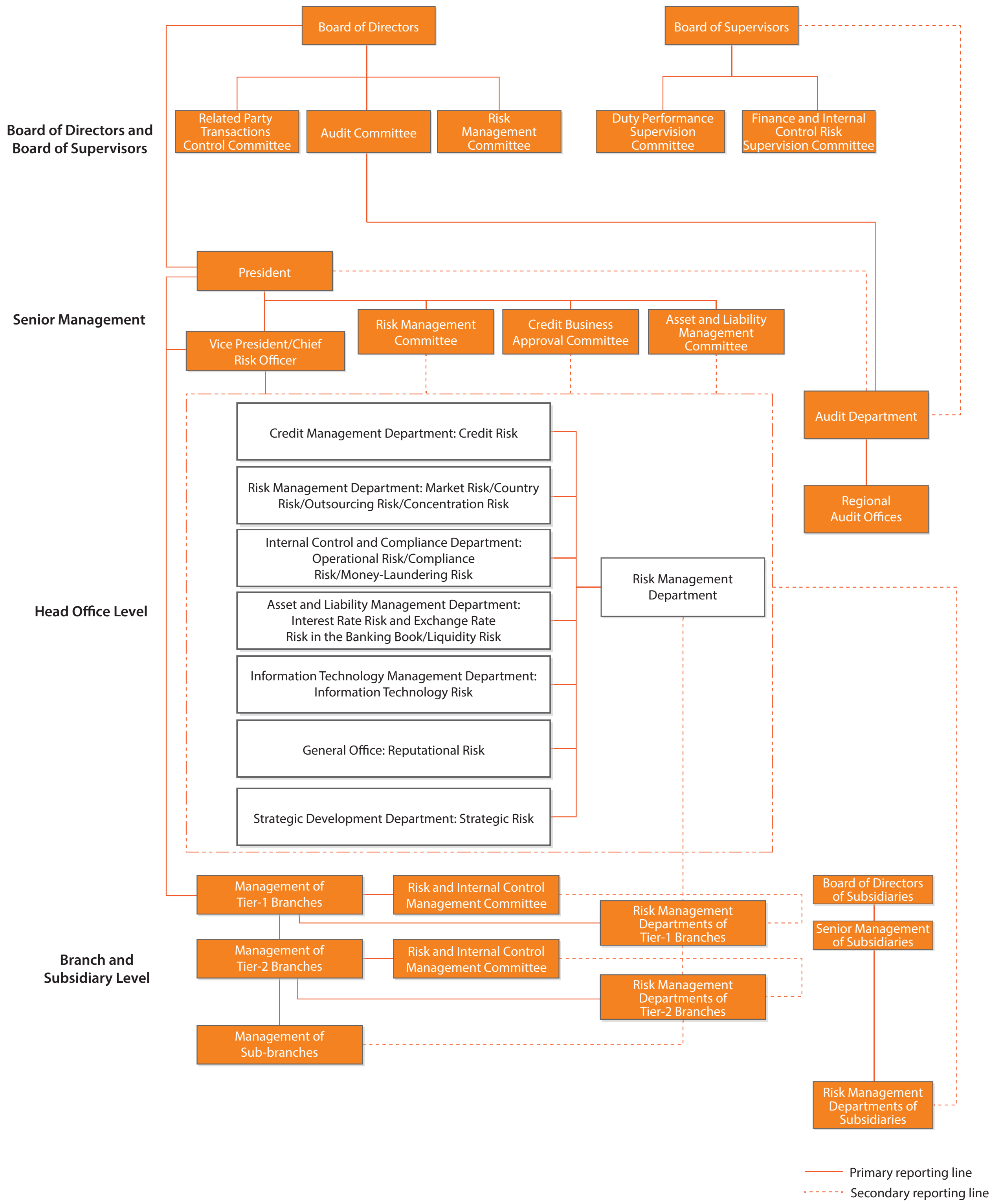
Special mention loans accounted for 0.47%, a drop of 0.07 percentage point compared with the prior year-end.

Allowance to NPLs ratio was 418.61%, with a rise of 10.55 percentage points compared with the prior year-end.

The main tasks concerning the advanced approaches for capital management were basically completed.

The Bank has built a professional team for intelligent risk control and pressed ahead the digital transformation of risk management.

Risk Management Organizational Structure



Note: Other risks not mentioned above have been incorporated into the Bank's comprehensive risk management framework.

绿色让生活更美好
Green world, better life.

Column 23 Strengthening the Cultivation of Talent Teams to Enhance the Quality and Efficiency of Risk Control

The Bank continued to optimize the training and selection system for risk professionals, formulated management measures for leading risk management talents, selected leading talents with excellent professionalism, significant leadership, professional contribution and outstanding organization and coordination ability, and actively carried out relevant training in the risk line to improve the professional competency of personnel. In accordance with its actual conditions, the Bank built a parallel mechanism comprising the intelligent risk control team at the top level and the dispatch of risk managers at the primary level.

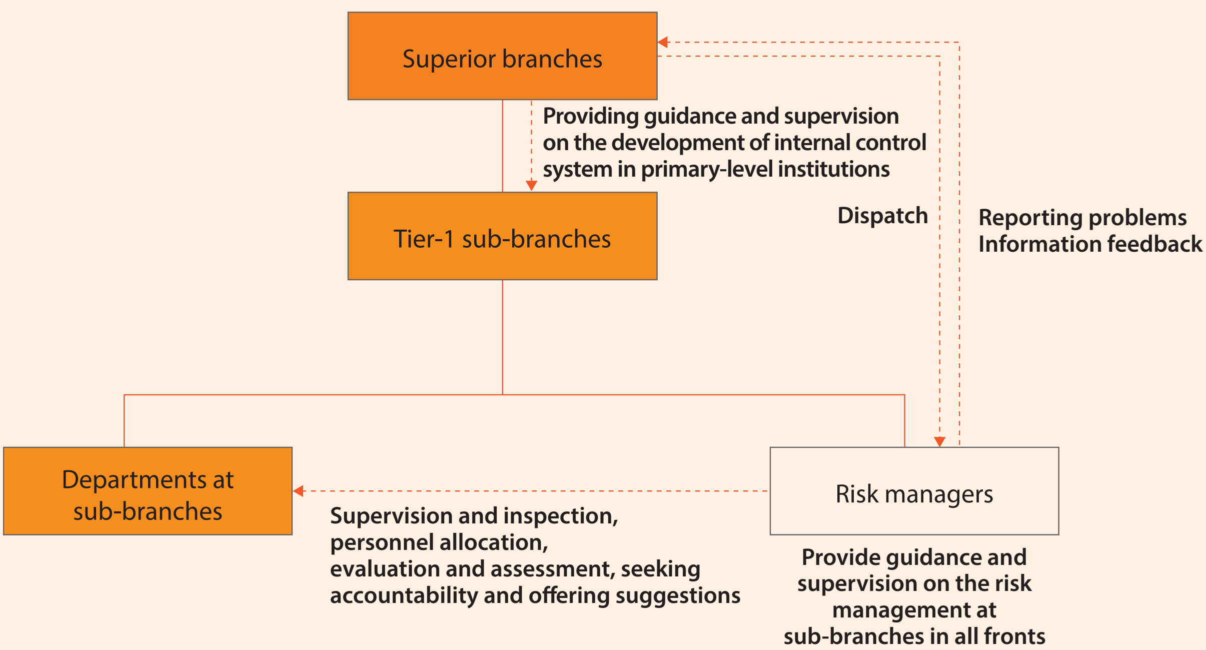
Cultivation of Intelligent Risk Control Team

The Bank continued to broaden the dual path of introducing high-end talents and training young talents, and was committed to building the top intelligent risk control team in the industry. At present, the team has grown from a dozen members initially responsible for the building of internal rating models to nearly 100 members responsible for the development of all fields of intelligent risk control, and will continue to expand in the future. The team has attracted various risk control talents who have strong professional background and rich practical experience as well as graduates from top universities at home and abroad with work experience in fields such as intelligent risk control, intelligent security and intelligent compliance. The team has rich experience in risk control modelling, process management and control and business. It mastered cutting-edge technologies in fields such as deep learning, natural language processing and knowledge graph. The team formulated the 14th Five-Year Plan for Intelligent Risk Control and will gradually realize the "three-step" strategic goals of the development and application of the internal rating system in all fronts, business empowerment by intelligent risk control, and the full realization of digital transformation of risk management.

Risk Manager Dispatch Mechanism

Benchmarking against the standards of modern commercial banks, the Bank continued to improve its internal control and compliance management capacity. Through the guidance of concept, mechanism development and innovative means, it continuously intensified its strategic planning for internal control and compliance and implemented the dispatch of risk managers in institutions at the primary level. By strengthening the vertical division of power and horizontal supervision, the Bank enhanced the effectiveness of internal control at primary-level institutions and forestalled and controlled risks in key areas by dual presence of a business supervisor together with a risk manager.

The stationing of risk managers is conducted and managed by tier-2 or tier-1 branches according to local conditions. Their main tasks are to prevent and control operational risk and compliance risk in non-counter business at sub-branches and provide guidance and supervision on the risk management of sub-branches in all aspects. The assigning of risk managers separates them from the interests of the sub-branches. Free from undertaking business tasks of sub-branches, they can independently report the problems identified to the superior branches so as to ensure the independence of their duty performance. In this way the responsibilities of the "three lines of defense" can be more distinct, which guaranteed the independence of performance of duties for risk management and control as well as professionalism in supervision and inspection, effectively improving the quality and efficiency of risk management in primary-level institutions. At present, the Bank has dispatched more than 1,600 risk managers and will continue to expand the team, so as to achieve a high-level integration of manual and technical prevention and effectively prevent fraud cases, risk incidents and major violations.



Comprehensive Risk Management

In the face of recurrent outbreaks of epidemic and triple pressures of shrinking demand, disrupted supply and weakening expectations in economic development, the Bank, with the worst-case scenarios in mind, enhanced its risk empowerment on a continuous basis, and strove to build a comprehensive risk management system with digitalization and intensiveness to achieve value creation by risk management and maintain excellent asset quality and risk offset capabilities with the overall risk under control.

The Bank actively responded to the changes in internal and external environment and continued to improve its refined risk management. **Lay a solid foundation**. The Bank steadily and orderly pushed forward the development of advanced approaches for capital management with the main tasks basically completed and more and more achievements delivered. In addition, it established and improved the long-term mechanism of risk monitoring and assessment of subsidiaries in order to assess their risks in all aspects, improve the risk isolation system and effectively prevent risk contagion. **Strengthen research and prediction**. The Bank continuously enhanced the leading ability of risk research and set up a professional industry research team. With a focus on competitive industries, it built a core customer screening mechanism to accurately identify target customer groups. Meanwhile, it established risk rating systems from regional and industry-specific perspectives to provide reference for optimized asset structure. **Give more emphasis on management**. The Bank built a systematic, adequate and standardized internal control management system, intensified rigid control of key business nodes by the system, and fully rolled out the dispatch of risk managers. It established a risk control mechanism of "risk compliance department at a sub-branch + dual presence of a business supervisor together with a risk manager" for branches at the primary level, so as to improve the internal control and risk management capacity at the primary level. **Deepen empowerment**. The Bank upgraded and optimized internal ratings to realize automated review and approval and post-lending precision management for retail loans, thus improving the intelligent risk management in terms of non-retail portfolio and customers. The Bank also upgraded its "Jinjing" (Gold Eye) credit risk monitoring system and the "Jindun" (Gold Shield) asset quality management system to improve proactive and forward-looking risk monitoring.

Advanced Approaches for Capital Management

The Bank spared no efforts to push forward the development of advanced approaches for capital management. As at the end of the reporting period, 109 planned main development tasks of advanced approaches for this round were completed, achieving good results in the roll-out and application.

The Bank completed the development or optimization of all the credit, market and operational risk model tools of the first pillar. **Internal rating models were fully upgraded**. It put into production 35 models for non-retail businesses, basically achieving full coverage of the business by internal rating models. It developed or optimized over 40 models for retail businesses and kept improving the coverage by internal rating models. Furthermore, it newly formulated or revised 33 rules related to internal rating system, established or improved requirements for rating management, use of risk parameters, model verification, audit, etc. and further consolidated the basic policy system of internal rating. The Bank successfully built or upgraded 10 key IT systems such as the internal rating platform, centralized credit management system and credit business platform to strongly support internal rating applications. **Core applications were fully implemented and rolled out**. The Bank strengthened system control of rating initiation and credit extension and urged to improve the standardization of non-retail rating process. It fully rolled out automated review and approval for retail credit business, thus saving 8-10 hours process time on each loan. The Bank fully realized the implementation of internal rating results in credit policies and risk reports, etc. **Preliminary results were achieved in the application of advanced approaches**. The Bank introduced internal rating parameters to annual economic capital measurement, economic capital allocation and performance assessment. **Internal models approach for market risk was fully applied**. The Bank realized daily value-at-risk measurement and back test breakthrough monitoring, supporting daily stress testing. Taking opportunity of the approved implementation of the internal models approach for market risk, it established a scientific market risk identification and measurement system for the trading business to support the innovation of trading business products. It reasonably set and monitored business risk limits according to its own risk control ability and market risk in the external environment, and continuously deepened the application of internal models approach in limit management, risk reporting, economic capital measurement and assessment. **Three major tools for operational risk were implemented on a regular basis**. The Bank coordinated and carried out risk control self assessment (RCSA) of operational risk, continuously improved and monitored key risk indicators (KRI), further normalized loss data collection (LDC) standards and continued to improve the quality of loss data. It continued to promote the automated and intelligent development of the operational risk management system, so as to provide strong support for the in-depth promotion and application of the three major management tools and capital measurement. **Establishing an integrated management mechanism for the whole lifecycle of models**. The Bank strengthened the management requirements for development procedures of internal models, pre- and post-production verification, continuous monitoring and upgrading and iteration, so as to effectively prevent modeling risk.

The Bank integrated and optimized the internal capital adequacy assessment of the second pillar and the comprehensive risk management on all fronts. It improved the internal capital adequacy assessment system, established a normative governance framework, a comprehensive risk evaluation system and a relatively perfect risk reporting and management system. It optimized risk evaluation mechanism, enhanced the ability of consolidated management, optimized contents related to stress testing concerning strategic risk, reputational risk, operational risk and risk contagion, so as to ensure that the major risks of the Bank were incorporated into the scope of capital management.

The information disclosure of the third pillar was continuously improved. The Bank optimized information disclosure of contents related to advanced approaches and improved regulatory statements related to advanced approaches, enhancing the standardization and accuracy of disclosures.

The Bank promoted the training and publicity of advanced approaches for capital management across the board, continuously consolidated risk awareness and the concept of capital constraint, and facilitated the integration of advanced approaches into operation and management practices. It issued a handbook on advanced approaches knowledge, systematically hosted training and experience sharing activities, and constantly consolidated training on the technology application of key projects, with over 220,000 participants across the Bank, facilitating managers and business personnel at all levels to grasp the core requirements for the advanced approaches.

Risk Appetite

Risk appetite is the type and level of risks that the Bank is willing to bear while pursuing its strategic business objectives, and is decided by the Board of Directors. It represents a balance among income, capital and risk, and enables the Bank to undertake the risk level compatible with its business strategies and management capabilities and to create value through risk management.

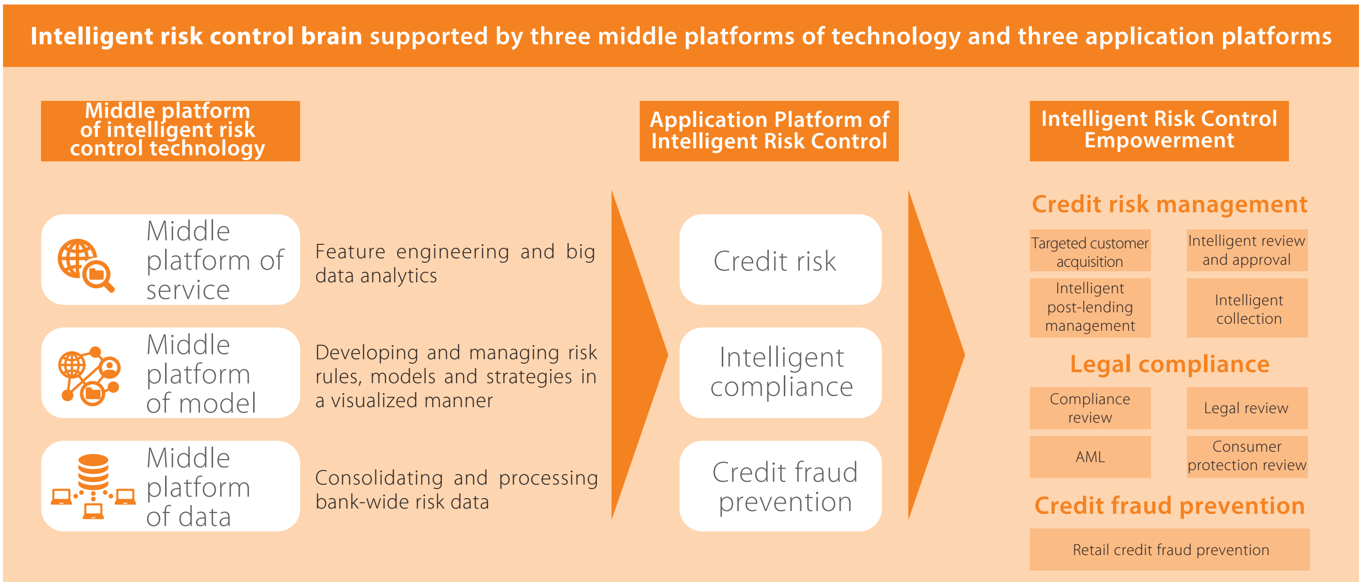
The Bank followed the requirements of a prudent and sound risk appetite. Aiming at achieving a long-term balance between stabilizing growth and preventing risks, the Bank focused on risks in key areas and improved its risk appetite indicators, and set the management objectives against profits, capital and major risks in line with the strategic positioning adopted by the Bank Group, the Bank and subsidiaries. It continued to strengthen the risk appetite transmission mechanism to support the stable operation and development of all businesses.

Intelligent Risk Control

Continuously stepping up technological investment, the Bank moved faster in the digital transformation of risk management. It continued to attract talents, actively built a professional team of intelligent risk control, fully leveraged the leading role of intelligent risk control of business, closely coordinated among lines, and reinforced infrastructure and technology reserve, achieving milestone breakthroughs in the intelligent risk control sector. In the retail sector, the Bank researched and developed exclusive risk control models based on intelligent risk control technologies and empowered business scenarios of different customer groups such as Sannong, consumption, and small and micro retail enterprises, supporting the implementation of rural revitalization and inclusive finance. It implemented automated loan review and approval, accurate post-lending warning and differentiated collection management based on intelligent risk control tools, supporting centralized operations and saving human resources investment. In the non-retail field, the Bank was committed to improving the risk prediction ability at portfolio and customer levels. Based on all kinds of big data such as government affairs, industry and commerce, credit reference and transaction behaviors, it built a big data intelligent post-lending management tool based on statistical model and enterprise correlation graphs. In terms of model management, the Bank established a lifecycle management system of credit risk model, set stricter access standards for risk model, continued to normalize model verification procedures, and orderly carried out various pre- and post-production verification and regular and constant monitoring of various risk models, realizing effective control and management of model risks. In terms of system development, the Bank continuously advanced the development of the risk model laboratory, completed the first phase of the project launch and promoted its application, systematically supported the development, testing, verification, deployment and monitoring of risk models, and realized the lifecycle management of risk models, significantly improving the efficiency of model development and iteration.

Stress Testing

The Bank continued to improve the stress testing system, systematically carried out stress testing verification and audit, and launched various stress tests on all fronts, providing effective support for coping with tail risks of major businesses and asset portfolios under extreme scenarios. The Bank made active efforts to cope with the severe and complicated internal and external risk situations. It carried out comprehensive stress tests, reverse stress tests, climate risk sensitivity stress tests and special stress tests focusing on the real estate industry, and made prudent evaluation and prediction on its asset quality, profitability, and capital and liquidity levels under stress scenarios. As the results showed, under various stress scenarios, the Bank maintained a strong overall resilience, with all risks under control and no significant impact on net profit and capital adequacy.



Three Lines of Defense

The Bank kept improving the mechanism of "three lines of defense" for internal control and set clear definitions for "three lines of defense" based on main substantial risks. It further refined the risk management mechanism featuring clear responsibilities, interconnection, and effective checks and balances. The Bank continued to carry out the campaign on improving the quality and efficiency of internal control and compliance, and implemented the requirements of the activity "Year of Internal Control and Compliance Management" in an in-depth manner, further consolidating the basis for internal control and compliance management. It advocated the concept of active compliance by all employees and value creation by compliance among all employees, and developed an internal control and compliance culture where the senior management plays an exemplary role and everyone performs their duties. The Bank continuously strengthened risk information sharing among the "three lines of defense", improved the rigid management and control of the system, perfect the joint risk prevention and control mechanism and strengthened coordination to form the synergy of the "three lines of defense".

The first line of defense refers to the operation and management departments, tier-1 and tier-2 sub-branches, and agency branches for relevant risks, all of which bear the primary responsibilities for risk prevention and control. The second line of defense refers to risk management departments, internal control and compliance departments, and leading management departments for relevant risks, which are responsible for coordinating, supervising and reviewing the work related to internal risk control. The third line of defense refers to the audit and the discipline inspection departments which supervise and manage the first and second lines of defense.

绿色让生活更美好

Green world, better life.

Column 24 Optimizing Internal Control and Compliance Management Systems to Boost the Bank's High-quality Development

To comprehensively improve the internal control and compliance management, enhance management efficiency, and maximize the effectiveness of "manual prevention + technical prevention", the Bank, centering on its development needs and taking into account the current development situation, proposed an internal control system optimization plan based on the existing internal control system and mechanisms by following the ideas and principles of "coordination and optimization, highlighting focus, cost-saving and effectiveness".

Centering on the overall objectives of policy guidance, digitalization-driven and intensification-led and aligning with regulatory requirements and the best practices in the industry, the Bank made overall plans, coordinated and optimized to form an internal control and compliance policy, system and organizational structure featuring tiered, classified and differentiated management that is more suitable for the development needs of the Bank at present and in the future. As a result, it realized the integrated effect of overall resource planning, operating costs reduction, clear responsibilities at all levels, and improvement of risk control efficiency, facilitating higher-quality development. The internal control and compliance management system was adjusted according to the "2 plus 6" working model: "2" refers to comprehensively revising the two internal control and compliance management rules, namely the Basic Policy on Internal Control of Postal Savings Bank of China and the Compliance Policy of Postal Savings Bank of China, with an aim to adapt to regulatory requirements, broaden the boundary of internal control and compliance, highlight the synergy of "three lines of defense", clarify the focus of compliance risk prevention and control, and ensure the robustness and compliance of operation; "6" means six work measures, namely focusing on promoting the transformation and upgrading of compliance management system, optimizing the evaluation of compliance risk level of outlets, strengthening compliance inspection, studying and promoting the centralized management of risk information monitoring and verification team, promoting the stationing of risk managers, and piloting centralized anti-money laundering management.

Through the optimization plan of the internal control system, the Bank further clarified and improved the relevant policies, consolidated system support and work efficiency, highlighted the focus of compliance inspections and quality and efficiency of supervision, enhanced the management efficiency of the collection team, and made the risk trail verification chain more direct. Meanwhile, the Bank reasonably deployed compliance inspectors and assigned risk managers to the front line of the primary level to achieve daily, personal and full coverage of risk control, forming the closed-loop management of the risk prevention and control system in terms of process control, system model, data analysis, on-site verification, daily supervision, problem rectification, etc.

Key External Risks and Countermeasures

Risks Associated with the Evolving Pandemic

The Covid-19 pandemic is still ongoing. The world economic recovery lacks drive, and commodity prices remain high and are prone to fluctuation. The external environment is increasingly volatile, grave and uncertain. The domestic economic development faced triple pressures of shrinking demand, disrupted supply and weakening expectations. The aviation, tourism, accommodation and catering, wholesale and retail industries were under greater impact, and some middle and downstream enterprises in the industrial chain, especially SMEs, were under tremendous operation pressure. The banking industry faced various challenges such as inadequate effective credit demand and accelerated risk transmission.

The Bank always adhered to a prudent and sound risk appetite, strengthened customer access management, and was committed to enhancing prediction of internal and external risks, with a focus on improving the ability to "see the future". It enhanced comprehensive risk assessment, carried out risk investigation in key fields, and made risk mitigation plans in advance. It deepened the fostering of an internal control and compliance culture, strengthened employee behavior management, and shored up weak links in internal management.

Risks Related to the Real Estate Industry

In recent years, under the impact of the "three red lines" of real estate financing, the "real estate loan concentration management in banking industry" and the introduction of a series of regional real estate regulation policies, real estate financing has contracted significantly and the sales prosperity of property market has continued to weaken. The overall credit risk of the real estate industry rose, individual real estate companies suffered from capital chain rupture and defaulted on their debts, which also triggered demand decline and pressure on capital turnover in the upstream and downstream industries of the real estate industry chain, such as the housing construction industry, building decoration and other construction industries, construction and installation industry, furniture manufacturing industry and so on. Such events would cause risk transmission to local financing platforms and regional small and medium-sized financial institutions.

The Bank's real estate development loans accounted for a small proportion of the total and had a good customer structure. The Bank always adhered to the principle of "housing is for living in, not for speculation" and took multiple measures to prevent and defuse the financial risks of real estate in accordance with local conditions. It continued to strengthen list-based management of real estate enterprises and the rigid control over quotas in the real estate sector, and strictly implemented "Five Stricts", i.e. strict management of market entities, regions, forms of business, guarantee and fund supervision.

Risks Related to Retail Portfolio

Due to factors such as recurring cases of pandemic, the recovery of offline goods and consumer services was constrained with profit divergence along the industrial chain and marked pressure on the operation of micro and small enterprises and self-employed individuals. Some industries such as education and training as well as real estate experienced a recession due to policy influence, and residents' income recovered slowly, with increasing income divergence in some regions and declining willingness of residents to consume. The income stability and repayment ability of customers in lower-tier markets decreased and the risk of customers with concurrent debt on multiple platforms rose.

The overall risk of the Bank's retail loans was under control. The Bank paid close attention to changes in the external risk situation, timely improved the closed-loop risk management mechanism and optimized asset quality control measures. It promoted accurate customer profiles, strengthened management of loan usage, optimized the establishment of a customer risk identification and monitoring system in all aspects, stepped up efforts to collect and dispose of non-performing loans, and broadened non-performing asset disposal channels, efficiently defusing the existing risk.

Credit Risk

Credit risk refers to the risk of loss that may arise from the default by, or downgrade of credit rating or weakened capability to fulfill contractual obligations of, an obligor or counterparty. The Bank is exposed to credit risk primarily through its loans, treasury business (including deposits and placements with banks, financial assets held under resale agreements, investments in corporate bonds and financial bonds, interbank investment, etc.) and off-balance sheet credit businesses (including guarantees, commitments, etc.). The Bank's asset quality was good and stable.

The organizational system of the Bank on credit risk management is as follows: the Board of Directors undertakes the ultimate responsibilities for credit risk management, and the Board of Supervisors undertakes the supervisory responsibilities for credit risk management. The senior management undertakes the responsibilities for implementation of credit risk management, and is responsible for the implementation of resolutions approved by the Board of Directors on credit risk. Under the senior management, the Risk Management Committee and Credit Business Approval Committee are responsible for credit risk management and approving credit matters within the scope of authorization respectively. Each business department shall bear the primary responsibility for credit risk prevention and control, and implement policies, standards and requirements of credit risk management in its field of business in accordance with the division of functions; departments of credit management, risk management, credit approval, internal control and compliance, legal affairs and others are responsible for the overall planning, supervision and review of credit risk prevention and control, among which the Credit Management Department is the leading department of credit risk management, and internal audit department exercises independent and objective supervision of the performance of duties in credit risk management.

Always being prepared for worst-case scenarios, the Bank continued to ramp up credit risk management, optimized credit policy guidance, pressed ahead with joint prevention and control, stepped up monitoring of risks in key areas, adopted new disposal methods for non-performing assets, and maintained stable asset quality.

Adhering to Strategic Guidance to Optimize Credit Structure

Closely following the strategic positioning of serving Sannong, urban and rural residents and SMEs, the Bank implemented differentiated credit granting policies and continued to optimize the financing structure, so as to support the high-quality development of the real economy. Firstly, it focused on the construction of major projects and the implementation of national development strategies. The Bank increased medium and long-term loans for the manufacturing industry and enhanced support for inclusive finance, micro and small enterprises, scientific and technological innovation and green development. It strengthened the financial support for specialized and sophisticated enterprises that produce new and unique products, promoted the quantity increase, channel broadening and price reduction of financing for micro, small and medium-sized enterprises, and optimized financial services for the private economy. It improved the green financial policy system, promoted green and low-carbon transformation, and supported energy supply and price stability. Moreover, it enhanced the financial support for rural revitalization and promoted common prosperity. Secondly, it implemented the national strategies for regional coordinated development. The Bank guided the optimization of credit resource allocation and increased support for key fields such as the coordinated development of the Beijing-Tianjin-Hebei region, development of Xiongan New Area, development of Beijing's sub-center, development of Yangtze Economic Belt, development of the Guangdong-Hong Kong-Macao Greater Bay Area, integrated development of the Yangtze River Delta, development of Hainan Free Trade Port, development of Chengdu-Chongqing economic circle, ecological protection and high-quality development in the Yellow River basin as well as Zhejiang demonstration zone for common prosperity through high-quality development. Thirdly, it actively prevented and controlled risks in key areas. Adhering to the objective of "housing is for living in, not for speculation", the Bank continued to improve the long-effect mechanism for stabilizing land prices, housing prices and expectations of real estate, and increased financial support for the long-term rental housing market and government-subsidized housing, promoting the virtuous cycle and healthy development of the real estate industry. It prevented and defused the risk of implicit debts of local governments, strengthened the management of incremental financing of financing platform companies, and provided appropriate support for the replacement of overdue implicit debts of local governments. In addition, it reinforced the management of industries with high pollution and high energy consumption, and resolutely curbed the blind development of projects in such industries.

Consolidating Joint Prevention and Control to Form Management Synergy

The Bank improved the credit risk governance system, optimized the basic rules regarding monitoring and early warning, unified credit granting, partner institutions, guarantee, credit reference, and list-based management for risk customers in large-amount credit granting, so as to consolidate the credit risk management system in all aspects. It reinforced multi-dimensional asset quality monitoring of products, industries, institutions and customers. It also closely tracked market changes, organized risk screening in key businesses and fields, accurately identified the risks, and implemented control measures. Furthermore, the Bank promoted joint prevention and control and enhanced information sharing and cooperation between the front, middle and back offices in various forms to leverage the management synergy of "three lines of defense".

Enhancing Technology Empowerment to Promote Digital Transformation

The Bank actively responded to the trend of digital transformation and promoted the building and function optimization of credit risk management-related systems. It successfully launched the unified credit granting management system, and thus realized rigid control of core system functions such as refined management of group customers, unified credit information sharing between small enterprises and business owners, unified risk profile of individual customers, and non-credit business and guarantee business. In addition, it successfully completed the switching of the second-generation credit system, improved the technical architecture, enriched information content, optimized the display format, strengthened security protection, and passed the final evaluation by the PBOC with high quality. The Bank continued to promote the building of the "Jinjing" (Gold Eye) credit risk monitoring system, enriched data sources, and improved model rules, and realized real-time monitoring and early warning with comprehensive coverage of legal entities and individual customers. It developed the "Jindun" (Gold Shield) asset quality management system to establish a panoramic view of asset quality across the four-tier institutions from the Head Office to sub-branches to support multi-dimensional analysis of regions, institutions, products and industries, realizing the functions of dynamic monitoring and visualization of Bank-wide asset quality, limit management and overdue and non-performing loan prediction. It reinforced the technology empowerment of non-performing asset disposal, launched and promoted the non-performing asset management system, and piloted cooperative online lending sub-system. It also launched and promoted the debt collection system and enriched the forms of smart voice collection, improving the efficiency of collection and disposal.

Accelerating Disposal of Non-Performing Assets to Improve Disposal Efficiency

The Bank carried out the 2021 "solidifying the fundamentals by disposing non-performing assets" campaign to protect and secure its assets, intensified efforts in cash recovery, and resorted to the principle of "assets written-off with creditor's rights preserved with consistent recovery efforts" by utilizing independent, judicial, outsourcing and other collection methods. The amount of cash recovered increased by 13.51% on a year-on-year basis, accounting for over 50% of the total disposal amount. It promoted the disposal of long-term non-performing assets and implemented the list-based management of write-off of large-amount non-performing corporate loans. Moreover, it adopted new disposal methods for non-performing assets, successfully issued the first and second tranches of NPA-backed securities in 2021 under Youying Huize NPA series, promoted the implementation of the first batch transfer of non-performing personal loans and single account transfer of non-performing legal entity loan. It strengthened the traceability management of non-performing assets, continued to conduct cause analysis, and carried out professional training on assets preservation to enhance the professional competence of the staff, building up the bottom line of compliance. As at the end of the reporting period, the Bank disposed of RMB39.715 billion of principal and interest on and off the balance sheet of non-performing loans, a year-on-year increase of 4.72%. Among that, RMB20.650 billion was disposed through cash collection, RMB14.066 billion by bad debt write-off, RMB3.236 billion by securitization of non-performing assets, and RMB1.763 billion by other means.

Credit Risk Analysis[1]

Non-Performing Loans Structure by Collateral

In millions of RMB, except for percentages

	December 31, 2021		December 31, 2020	
Item	Amount	Percentage (%)(1)	Amount	Percentage (%)(1)
Unsecured loans	13,862	26.31	9,721	19.30
Guaranteed loans(2)	8,146	15.46	8,862	17.59
Loans secured by mortgages(2)(4)	24,277	46.08	24,589	48.82
Loans secured by pledges(2)(3)	6,390	12.13	7,185	14.27
Discounted bills	10	0.02	10	0.02
Total	52,685	100.00	50,367	100.00

Note (1): Calculated by dividing the balance of non-performing loans secured by each type of collateral by total non-performing loans.

Note (2): Represents the total amount of loans fully or partially secured by collateral in each category. If a loan is secured by more than one form of collateral, the classification would be based on the primary form.

Note (3): Represents loans secured by taking possession of or registering as the holder of assets which mainly include moveable property, certificates of deposit, financial instruments, intellectual property rights and the rights to obtain future cash flows.

Note (4): Represents loans secured by assets that the borrower still retains in possession, and mainly includes loans secured by buildings and fixtures, land use rights, machines, equipment and vehicles.

[1] The total loans to customers in the "Credit Risk Analysis" section in this report exclude accrued interest.

Aging Analysis of Overdue Loan Structure

In millions of RMB, except for percentages

Item	December 31, 2021 Amount	December 31, 2021 Percentage of total loans (%)	December 31, 2020 Amount	December 31, 2020 Percentage of total loans (%)
Overdue for 1 to 90 days	18,294	0.28	13,553	0.24
Overdue for 91 to 180 days	10,289	0.16	5,716	0.10
Overdue for 181 days to 1 year	11,440	0.18	8,408	0.15
Overdue for 1 to 3 years	11,936	0.19	13,541	0.24
Overdue for over 3 years	5,400	0.08	4,161	0.07
Total	57,359	0.89	45,379	0.80

Overdue Loans to Customers by Geographical Region

In millions of RMB, except for percentages

Item	December 31, 2021 Amount	December 31, 2021 Percentage (%)	December 31, 2020 Amount	December 31, 2020 Percentage (%)
Head Office	4,200	7.32	3,555	7.83
Yangtze River Delta	10,038	17.50	6,595	14.53
Pearl River Delta	5,503	9.60	4,262	9.39
Bohai Rim	7,320	12.76	5,113	11.27
Central China	14,082	24.55	10,967	24.17
Western China	12,533	21.85	10,745	23.68
North-eastern China	3,683	6.42	4,142	9.13
Total	57,359	100.00	45,379	100.00

Loan Concentration

In millions of RMB, except for percentages

Top ten single borrowers	Industry	Amount	Percentage of total loans (%)	Percentage of net capital (%)[1]
Borrower A[2]	Transportation, storage and postal services	177,089	2.75	18.72
Borrower B	Transportation, storage and postal services	13,711	0.21	1.45
Borrower C	Transportation, storage and postal services	13,007	0.20	1.37
Borrower D	Transportation, storage and postal services	12,611	0.20	1.33
Borrower E	Transportation, storage and postal services	11,260	0.17	1.19
Borrower F	Leasing and business services	10,864	0.17	1.15
Borrower G	Transportation, storage and postal services	8,784	0.14	0.93
Borrower H	Transportation, storage and postal services	8,644	0.13	0.91
Borrower I	Transportation, storage and postal services	7,862	0.12	0.83
Borrower J	Financial services	7,379	0.11	0.78

Note (1): Represents loan balances as a percentage of the Bank's net capital, calculated in accordance with the requirements of the Capital Rules for Commercial Banks (Trial).

Note (2): Percentage of loans to the largest single borrower = balance of loans to the largest borrower/net capital×100%. The largest borrower refers to the customer with the highest balance of loans at the period end. As at the end of the reporting period, China State Railway Group Co., Ltd. was the Bank's largest single borrower. The outstanding loan balance with China State Railway Group Co., Ltd. was RMB177,089 million, accounting for 18.72% of the Bank's net capital. The credit line the Bank extended to China State Railway Group Co., Ltd. includes the legacy credit line of RMB240 billion which was approved by the relevant regulatory authorities. As at the end of the reporting period, the outstanding loan balance under such credit line for China State Railway Group Co., Ltd. was RMB160 billion. After deduction of this RMB160 billion, the Bank's balance of loans to China State Railway Group Co., Ltd. represented 1.81% of the Bank's net capital.

Distribution of Loans by Five-Category Classification

In millions of RMB, except for percentages

	December 31, 2021		December 31, 2020	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Normal	6,351,658	98.71	5,616,782	98.58
Special mention	30,410	0.47	30,566	0.54
Non-performing loans	52,685	0.82	50,367	0.88
Substandard	15,242	0.24	14,106	0.25
Doubtful	11,954	0.18	13,804	0.24
Loss	25,489	0.40	22,457	0.39
Total	6,434,753	100.00	5,697,715	100.00

As at the end of the reporting period, the Bank's non-performing loan balance amounted to RMB52.685 billion, representing an increase of RMB2.318 billion compared with the prior year-end. The non-performing loan ratio was 0.82%, representing a decrease of 0.06 percentage point compared with the prior year-end. The balance of special mention loans amounted to RMB30.410 billion, representing a decrease of RMB156 million compared with the prior year-end. Special mention loan ratio was 0.47%, representing a decrease of 0.07 percentage point compared with the prior year-end. The ratio of special mention and non-performing loans was 1.29%, representing a decrease of 0.13 percentage point compared with the prior year-end. Overall asset quality remained stable with sound momentum.

Distribution of Non-Performing Loans by Product Type

In millions of RMB, except for percentages

Item	December 31, 2021			December 31, 2020		
	Non-performing loan balance	Percentage (%)	Non-performing loan ratio (%)[1]	Non-performing loan balance	Percentage (%)	Non-performing loan ratio (%)[1]
Personal loans						
Consumer loans						
Residential mortgage loans	9,410	17.86	0.44	9,044	17.95	0.47
Other consumer loans	7,646	14.51	1.55	5,182	10.29	1.18
Personal micro loans	15,274	28.99	1.67	14,832	29.45	2.00
Credit card overdrafts and others	2,894	5.50	1.66	2,650	5.26	1.83
Subtotal	35,224	66.86	0.94	31,708	62.95	0.98
Corporate loans						
Working capital loans	14,834	28.16	1.87	16,716	33.19	2.21
Fixed asset loans	991	1.88	0.09	198	0.39	0.02
Trade finance	166	0.31	0.06	285	0.57	0.13
Others[2]	1,460	2.77	6.50	1,450	2.88	9.17
Subtotal	17,451	33.12	0.78	18,649	37.03	0.95
Discounted bills	10	0.02	0.00	10	0.02	0.00
Total	52,685	100.00	0.82	50,367	100.00	0.88

Note (1): Calculated by dividing the balance of non-performing loans in each product type by total loans in that product type.

Note (2): Consist of letters of credit advance, advance on acceptance bills and advance on bills.

As at the end of the reporting period, the balance of non-performing corporate loans of the Bank amounted to RMB17.451 billion, representing a decrease of RMB1.198 billion compared with the prior year-end, and the NPL ratio of corporate loans was 0.78%, representing a decrease of 0.17 percentage point compared with the prior year-end. The balance of the Bank's non-performing personal loans amounted to RMB35.224 billion, representing an increase of RMB3.516 billion compared with the prior year-end, and the NPL ratio of personal loans was 0.94%, representing a decrease of 0.04 percentage point compared with the prior year-end.

Distribution of NPL Formation Ratio[1] by Product Type

%

Item	December 31, 2021	December 31, 2020	Increase/decrease
Personal loans			
Consumer loans			
Residential mortgage loans	0.26	0.34	(0.08)
Other consumer loans	2.11	2.21	(0.10)
Personal micro loans	1.55	1.65	(0.10)
Credit card overdrafts and others	2.59	2.76	(0.17)
Subtotal	0.92	0.96	(0.04)
Corporate loans			
Corporate loans[2]	0.10	0.79	(0.69)
Small business loans	1.31	1.48	(0.17)
Trade finance	0.03	0.02	0.01
Subtotal	0.28	0.78	(0.50)
Discounted bills	–	–	–
Total	0.60	0.79	(0.19)

Note (1): Calculated by dividing the difference between the NPL balance at the end of the period and the NPL balance at the beginning of the period in each product type adding back the collection and disposal amount during the period by the loan balance at the beginning of the period in that product type.

Note (2): Consist of general corporate loans and advances.

Distribution of Non-Performing Loans by Geographical Region

In millions of RMB, except for percentages

Item	December 31, 2021		December 31, 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	2,898	5.50	2,653	5.27
Yangtze River Delta	7,842	14.89	6,481	12.87
Pearl River Delta	4,991	9.47	4,693	9.32
Bohai Rim	7,424	14.09	6,510	12.93
Central China	14,420	27.37	14,902	29.58
Western China	11,660	22.13	10,901	21.64
North-eastern China	3,450	6.55	4,227	8.39
Total	52,685	100.00	50,367	100.00

As at the end of the reporting period, due to the changes in the quality of assets of a few large corporate customers, the Bank's balances of non-performing loans in Yangtze River Delta, Bohai Rim and Western China increased by RMB1.361 billion, RMB914 million and RMB759 million compared with the prior year-end respectively, and their percentages in total NPLs increased by 2.02, 1.16 and 0.49 percentage point(s) compared with the prior year-end respectively. The balances of non-performing loans in North-eastern China and Central China decreased by RMB777 million and RMB482 million compared with the prior year-end, respectively, and their percentages in total NPLs decreased by 1.84 and 2.21 percentage points compared with the prior year-end, respectively.

Non-Performing Corporate Loans by Industry

In millions of RMB, except for percentages

Item	December 31, 2021		December 31, 2020	
	Amount	Non-performing loan ratio (%)	Amount	Non-performing loan ratio (%)
Transportation, storage and postal services	7,480	1.06	7,759	1.27
Manufacturing	4,259	1.30	5,273	1.69
Production and supply of electricity, heating, gas and water	171	0.07	116	0.06
Financial services	–	–	–	–
Wholesale and retail	3,415	2.63	3,732	3.18
Construction	574	0.48	382	0.35
Real estate	22	0.02	17	0.02
Mining	9	0.01	23	0.03
Water conservancy, environmental and public facilities management	436	0.39	25	0.03
Leasing and business services	477	0.35	456	0.41
Agriculture, forestry, animal husbandry and fishery	170	1.54	432	3.85
Information transmission, computer services and software	62	0.67	78	0.79
Accommodation and catering	134	3.67	158	4.19
Residential services and other services	72	1.95	26	0.80
Culture, sports and entertainment	36	0.45	19	0.26
Others(1)	134	0.58	153	0.70
Total	17,451	0.78	18,649	0.95

Note (1): Mainly include education, scientific research and technical services, health and social security, etc.

As at the end of the reporting period, the balance of non-performing corporate loans from water conservancy, environmental and public facilities management was RMB436 million, representing an increase of RMB411 million compared with the prior year-end. The balances and ratios of non-performing corporate loans from transportation, storage and postal services, manufacturing, wholesale and retail, accommodation and catering, and agriculture, forestry, animal husbandry and fishery all decreased.

Movements of Allowance for Impairment Losses on Loans

Allowance for Impairment Losses of Customer Loans at Amortized Cost

In millions of RMB

	December 31, 2021			
	Stage 1	Stage 2	Stage 3	
Item	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Loss allowance as at January 1, 2021	148,428	12,003	43,466	203,897
Transfers:				
Transfer to stage 1	2,092	(1,923)	(169)	–
Transfer to stage 2	(2,852)	2,916	(64)	–
Transfer to stage 3	(4,914)	(1,854)	6,768	–
Changes of ECL arising from transfer of stages	(1,821)	2,692	17,229	18,100
Financial assets derecognized or settled during the period	(61,923)	(5,796)	(7,883)	(75,602)
New financial asset originated or purchased	97,920	–	–	97,920
Remeasurement	(15,307)	(560)	2,518	(13,349)
Write-offs	–	–	(14,066)	(14,066)
Loss allowance as at December 31, 2021	161,623	7,478	47,799	216,900

Allowance for Impairment Losses of Customer Loans at Fair Value Through Other Comprehensive Income

In millions of RMB

	December 31, 2021			
	Stage 1	Stage 2	Stage 3	
Item	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Loss allowance as at January 1, 2021	1,609	11	10	1,630
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(156)	156	–	–
Transfer to stage 3	–	–	–	–
Changes of ECL arising from transfer of stages	–	–	–	–
Financial assets derecognized or settled during the period	(1,609)	(11)	–	(1,620)
New financial asset originated or purchased	3,633	–	–	3,633
Remeasurement	–	–	–	–
Write-offs	–	–	–	–
Loss allowance as at December 31, 2021	3,477	156	10	3,643

Large Exposure Management

The Bank strictly implemented the requirements of Rules on Large Exposure of Commercial Banks (CBIRC Order [2018] No. 1), continued to build the large exposure information system, improved the monitoring and early warning management system for large exposure, strengthened the refined management of large exposure and intensified the management of customer concentration risk, improving credit risk management and control.

Market Risk

Market risk refers to the risk of losses in on- and off-balance sheet businesses arising from adverse movements in market prices (including interest rate, exchange rate, stock price and commodity price). The principal market risks that the Bank is exposed to include interest rate risk and exchange rate risk (inclusive of gold). The Bank continued to strengthen external market research and analysis, vigorously promoted the establishment of an internal model system for market risk, and enhanced consolidated management of market risk, with market risks generally under control.

Classification of Trading Book and Banking Book

The Bank classifies on- and off-balance sheet assets and liabilities into banking book and trading book. The trading book includes financial instruments and commodity positions held by the Bank for the purposes of trading or hedging the risks of other items in the trading book, whereas all other positions are included in the banking book.

Market Risk Management for Trading Book

The Bank manages the market risk of trading book by adopting multiple methods including sensitivity analysis, exposure analysis, profit or loss analysis, limit management and stress testing.

The Bank continued to improve the market risk management policy system and further improved the market risk management operation mechanism such as product innovation and emergency management. It pushed forward the development of the internal model approach for market risk, standardized the management requirements for internal models, optimized the market risk management information system, promoted the implementation of the new market risk standardized approach introduced by Basel III (FRTB-SA), and hence continuously enhanced its risk measurement capability. The Bank strengthened market risk management, enriched the market risk limit indicator system, further expanded the coverage of limit management, and studied the impact of LIBOR phase-out and changes in counterparty credit risk measurement rules. In response to market fluctuations, the Bank proactively conducted risk assessment and analysis of treasury businesses to effectively support the development of treasury businesses.

Market Risk Management for Banking Book

Management of Interest Rate Risk in Banking Book

Interest rate risk refers to the risk that may cause losses to the Bank due to adverse changes in interest rate and maturity structure, etc., or affect the income or economic value of the Bank, mainly including gap risk, basis risk and options risk. The interest rate risk in the Bank's banking book mainly arises from the mismatch between the repricing periods of assets and liabilities and the inconsistent changes in their pricing basis.

The Bank mainly carried out management of interest rate risk in the banking book through repricing gap analysis, net interest income and economic value sensitivity analysis, limit management, duration management, stress testing and proactive adjustment of asset-liability structure. During the reporting period, it further improved the management framework of interest rate risk in the banking book, paid close attention to changes in external interest rate environment, and monitored interest rate risk conditions regularly. It flexibly adjusted the duration structure of asset and liability businesses, strengthened limit control, improved the control quality and efficiency, and maintained the growth in net interest income steadily. During the reporting period, the overall interest rate risk of the Bank's banking book remained stable, and all risk indicators met the regulatory requirements.

Interest Rate Risk Analysis

Interest Rate Risk Gap

In millions of RMB

Item	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing
December 31, 2021	(310,372)	(1,106,093)	(367,905)	731,512	1,293,551	460,174
December 31, 2020	(61,230)	(241,033)	(402,776)	194,284	855,633	256,109

We assume that the market interest rates move up or down in parallel, the repricing cycles of loans, time deposits and other businesses are determined according to the contract and the repricing cycles of non-fixed-term businesses such as demand deposits are set as overnight. Regardless of the risk management activities that may be taken by the management to mitigate interest rate risk, the interest rate sensitivity analysis of the Bank's banking book is as follows:

Interest Rate Sensitivity Analysis

In millions of RMB

	December 31, 2021	December 31, 2020
Basis point movements in yield rate	Impact on net interest income	Impact on net interest income
Increased by 100 basis points	(13,773)	(4,171)
Decreased by 100 basis points	13,773	4,171

Exchange Rate Risk Management

Exchange rate risk refers to the risk of losses in foreign exchange exposure arising from unbalanced foreign exchange assets and liabilities due to adverse movements in exchange rates. During the reporting period, the pandemic was recurring worldwide, and the RMB exchange rate against the US dollar was still in an appreciation cycle. The exchange rate risk of the Bank faced certain pressure, but was manageable in general.

During the reporting period, the Bank paid close attention to the international financial situation, strengthened the monitoring of market exchange rate trends and foreign exchange exposure, and regularly assessed and reported on the exchange rate risk. It further improved the exchange rate risk management framework, established a foreign exchange exposure limit management system, actively optimized the exchange rate risk management process, and explored the active management approaches for foreign exchange exposure, so as to ensure that the exchange rate risk of the Bank is within an acceptable range.

Exchange Rate Risk Analysis

For analysis of the Bank's exchange rate risk, please refer to "Notes to the Consolidated Financial Statements – 44.5 Market risk (continued) – Foreign exchange rate risk".

Currency Concentration

In millions of RMB

	As at December 31, 2021			
Item	USD (in RMB equivalent)	HKD (in RMB equivalent)	Others (in RMB equivalent)	Total
Spot assets	197,842	937	10,371	209,150
Spot liabilities	(47,179)	(85)	(989)	(48,253)
Forward purchases	169,010	3	2,352	171,365
Forward sales	(252,357)	(331)	(12,017)	(264,705)
Net long/(short) position	67,316	524	(283)	67,557

	As at December 31, 2020			
Item	USD (in RMB equivalent)	HKD (in RMB equivalent)	Others (in RMB equivalent)	Total
Spot assets	99,854	630	8,801	109,285
Spot liabilities	(42,180)	(104)	(1,026)	(43,310)
Forward purchases	219,744	0	336	220,080
Forward sales	(213,037)	0	(8,546)	(221,583)
Option position	(90)	0	0	(90)
Net long/(short) position	64,291	526	(435)	64,382

Liquidity Risk

Liquidity Risk Management

Liquidity risk refers to the risk of failure to obtain sufficient funds by commercial banks at a reasonable cost in a timely manner to repay matured debts, fulfill other payment obligations and meet other financial needs of normal operation. Liquidity risk of the Bank may arise from the following events or factors: withdrawal of customers' deposits, drawing of loans by borrowers, overdue payment of debtors, excessive maturity mismatch, difficulties in liquidating assets, and weakening in financing ability, etc.

Governance Structure of Liquidity Risk Management

The governance structure of the Bank's liquidity risk management consists of the systems for decision making, execution, and monitoring. Among them, the decision-making system includes the Board of Directors and the Risk Management Committee under it, the senior management of the Head Office and the Asset and Liability Management Committee and Risk Management Committee under it; the execution system comprises the department responsible for liquidity management, leading management departments of on- and off-balance sheet businesses, Risk Management Department, Information Technology Department and Operation Management Department of the Head Office, and relevant departments of branches and sub-branches; the monitoring system consists of the Board of Supervisors, the Audit Department, and departments responsible for legal affairs and compliance, etc.

Strategy and Policy of Liquidity Risk Management

The objective of liquidity risk management of the Bank is to effectively identify, measure, monitor, and control liquidity risk via the establishment of a scientific and comprehensive liquidity risk management system, and to ensure the liquidity demand is satisfied and its payment obligation to external parties fulfilled promptly under the normal operation scenario and the stress scenario. The Bank adheres to a prudent and sound liquidity risk management strategy to strike a balance between fund sources and utilization in terms of their amount, maturities, and structure. The Bank, in accordance with regulatory requirements, external macro-environment as well as the characteristics of its business, formulates liquidity risk management policies such as those on limit management, intraday liquidity management, stress testing, and contingency plans, manages the liquidity risk of the Bank in a centralized manner and clarifies that the subsidiaries assume primary responsibilities for their liquidity risk management. The Bank pays close attention to changes in macroeconomic situation, follows the trend of the monetary policies, closely monitors market liquidity conditions and strictly enforces liquidity risk limits to effectively maintain balance among safety, liquidity, and profitability.

Liquidity Risk Stress Testing

The Bank performs liquidity risk stress testing every quarter to test the risk tolerance under stress scenarios and constantly improves stress testing methods based on regulatory and internal management requirements. During the reporting period, the stress testing results indicated that the Bank could pass the minimum viability test under various stress scenario assumptions.

Liquidity Risk Analysis

The Bank's liabilities were stable, as its major source of funds was retail deposits. Its assets were highly liquid, with a relatively large proportion of qualified high-quality bonds. Its overall liquidity position was sufficient, safe, and under control. As at the end of the reporting period, the liquidity ratio of the Bank was 72.86%; the liquidity coverage ratio was 248.54%; and the net stable funding ratio was 165.60%, all meeting the regulatory requirements.

Liquidity Gap Analysis

Net Position of Liquidity

In millions of RMB

Item	Overdue	Repayable on demand	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	Total
December 31, 2021	15,192	(3,907,123)	(160,239)	(1,297,519)	(611,470)	1,796,839	3,727,884	1,137,303	700,867
December 31, 2020	9,428	(3,734,107)	(10,149)	(807,104)	(814,869)	1,595,192	3,218,206	1,144,390	600,987

Liquidity Coverage Ratio

In millions of RMB, except for percentages

Item	December 31, 2021	December 31, 2020
High-quality liquid assets	2,337,935	2,227,634
Net cash outflow for the next 30 days	940,684	949,497
Liquidity coverage ratio (%)	248.54	234.61

Net Stable Funding Ratio

In millions of RMB, except for percentages

Item	December 31, 2021	September 30, 2021	June 30, 2021
Total available stable funding	10,819,388	10,521,473	10,376,219
Total required stable funding	6,533,498	6,441,712	6,452,061
Net stable funding ratio (%)	165.60	163.33	160.82

The net stable funding ratio (NSFR) is introduced to ensure commercial banks have sufficient stable sources of funding to meet the needs for stable funding of all types of assets and off-balance sheet risk exposures. According to the minimum regulatory standard set by the Rules on Liquidity Risk Management of Commercial Banks, NSFR should be no less than 100% from July 1, 2018.

The formula for calculating the NSFR is:

Net stable funding ratio = available stable funding (ASF)/required stable funding (RSF) x 100%

Available stable funding refers to the sum of the book value of a commercial bank's all types of capital and liability items multiplied by their corresponding ASF coefficients. Required stable funding refers to the sum of the book value of a commercial bank's asset items and off-balance sheet exposures multiplied by their corresponding RSF coefficients.

Operational Risk

Operational risk refers to the risk resulting from inadequate or problematic internal procedures, employees and IT systems, or from external events. The operational risks which the Bank may be exposed to mainly include internal fraud, external fraud, employment rules and workplace safety, customers, products and business activities, damage to physical assets, IT systems, as well as execution, delivery and process management. The Bank's operational risk and operational risk loss ratio were kept at a relatively low level.

The Bank continuously improved the operational risk management system, pushed forward the on-going implementation of operational risk management tools across the Bank. It carried out the identification and assessment of operational risk and control of main business processes, set key risk indicators, implemented standardized collection of data on operational risk events and losses, identified high-risk areas in a timely manner, and applied targeted prevention and control measures. The Bank optimized the operational risk monitoring and early warning mechanism, strengthened operational risk control in key business areas, and optimized the functions of the operational risk management system. It reinforced technical support, and continuously improved the refined management of operational risk. It carried out training on operational risk management for employees at different levels, and established the right operational risk management concept, consolidating the foundation of operational risk management. The Bank implemented the operational risk management tools for agency outlets, developed and launched the agency financial module of the operational risk management system based on the Bank's characteristics by means of pilot before promotion, and strengthened the control over the operational risk of agency finance.

Legal Risk

Legal risk refers to the risk of commercial banks suffering from adverse legal consequences including legal liabilities, loss of rights and reputational damage due to violation of laws and regulations or terms of contract of its business operations, non-compliance with laws and breach of contracts of others including the counterparty to the contract, and significant changes in the external legal environment. The Bank's legal risk was manageable in general.

The Bank continued to improve the legal risk management system, and consistently enhanced the capability for legal risk management, prevention and control. It actively prepared legal review guidelines, promoted the standardization of legal review opinions and standardized contract texts, and constantly conducted legal reviews in a more professional and standardized manner. It improved the legal affairs system, optimized the legal affairs work platform, and strengthened the technological support for legal risk prevention and control. It actively carried out law popularization to improve the legal competency of the Bank's employees. It conducted legal risk investigation, enhanced the legal awareness of all employees, and took the initiative to prevent legal risks in the process of business development. The Bank established a litigation guidance mechanism, compiled the list of key contact banks to effectively prevent and control litigation risks. It improved the lawyers' pool, and improved standards on the management of outside counsels and in-house counsels. It strengthened management on authorization, and optimized annual authorization to enhance the refined management of authorization. It enhanced the administration of intellectual property rights and encouraged technological innovation to facilitate the creation, application and protection of intellectual property rights.

Compliance Risk

Compliance risk refers to the risk of being subject to legal sanctions, regulatory penalties and significant financial and reputational losses as a result of a commercial bank's failure to comply with laws, regulations and rules. The compliance awareness of employees of the Bank was constantly enhanced. The foundation for compliance management was effectively strengthened and the results of regulatory evaluation continued to improve. The Bank maintained its business operation in compliance with laws and regulations, and sustained the sound development, with the overall compliance risk under control.

The Bank continued to improve the compliance management mechanisms, kept advancing the compliance review of new rules, new products and new businesses, with a focus on forestalling and mitigating compliance risks from the source, and took the compliance review as a necessary procedure for the formulation of rules and regulations, the decision-making of significant events, the operation of major projects and other business management behaviors. The Bank revised basic internal control and compliance rules such as compliance policies and basic internal control regulations, initiated policy review, strengthened lifecycle management on policies, and consolidated the foundation of internal control and compliance management. It followed up the latest changes in relevant laws, rules and guidelines of regulatory authorities as well as the Bank's internal policies in real time, compiled and issued regulatory trends and risk tips, made interpretation of new policies and regulations, and strengthened compliance risk monitoring. Moreover, it strengthened case prevention and control from the source, strictly implemented the review mechanism of five types of accountability for each case and the Head Office review mechanism for case accountability in the industry, reported the results in real name, and conducted innovative case-based educational activities with warnings. The Bank also carried out the re-inspection of rectification accountability, clarified the rectification process, established the rectification tracking mechanism, strengthened the accountability of managers, and constantly reinforced the accountability and penalties for violations. It continuously strengthened compliance inspection, optimized functions of the compliance management system, improved the off-site monitoring and analysis mechanism, and kept improving the quality and efficiency of risk information application. It promoted the fostering of compliance culture, conducted educational activities concerning employees' code of conduct, and kept up the work in communicating information on prevention of illegal fund-raising and financial crimes, deepened the concept of proactive compliance by all employees and the idea that compliance creates value, so as to establish a culture of compliance where the senior management sets the example and everyone performs his or her duty.

Anti-Money Laundering

Money laundering risk refers to the risk arising from illegal activities such as money laundering, terrorist financing and proliferation financing caused by the use of business and products by illegal criminals. The Bank has established a relatively comprehensive money laundering risk management mechanism, including the anti-money laundering (AML) organizational structure from the Board of Directors, senior management, AML leading group to general employees, AML policy system, money laundering risk assessment mechanism, independent inspection and auditing, multi-level AML training, etc. The Bank did not have any significant money laundering incidents, and its money laundering risk was overall under control.

In strict compliance with AML laws and regulations, the Bank earnestly upheld the risk-based AML management concepts, and sincerely fulfilled the legal obligations and social responsibilities concerning AML. The Bank increased its resource input, optimized the AML organizational structure, introduced AML professionals through multiple channels, and further enriched the AML talent team of the headquarters. It enhanced the evaluation and control of money laundering risk, optimized the evaluation mechanism, organized the evaluation of money laundering risk of institutions, businesses and customers, improved the risk management strategy, and strengthened the risk control of high-risk customers and businesses. It stepped up list-based monitoring and compliance risk management on sanctions, and improved the ability to identify sanctions compliance risk. It explored the lifecycle management mechanism of AML suspicious transaction monitoring model, supplemented the crime-related model system, strengthened the training and evaluation of suspicious transaction analysis, and improved the overall quality of monitoring and analysis of suspicious AML transactions. It optimized the work mechanism of customer money laundering risk classification, carried out multiple money laundering risk investigations, and focused on preventing and controlling money laundering risks. It continuously optimized the AML system functions, launched the development of the new generation AML system, improved the AML suspicious transactions monitoring models and carried out the AML data governance in an in-depth manner, so as to utilize financial technology in AML work.

Information Technology Risk

Information technology risk refers to the operational, legal, reputational and other risks of the Bank caused by natural and human factors, technological loopholes and management flaws when applying information technology. The operation of the Bank's information systems was overall stable, with no material security incident found, and various monitoring indicators of information technology risk were within a reasonable range.

The Bank continued to strengthen information technology risk management, gave full play to the "three lines of defense" coordination mechanism for information technology risk, and enhanced network security and data security management. With the theme of "proactive prevention", it steadily advanced campaigns to upgrade the quality of information technology risk management. It improved the Defense in Depth technique in network security, and constantly conducted risk monitoring, evaluation and inspection, so as to enhance all-round capabilities on the prevention and control of information technology risk. It optimized the process management system for software R&D, enhanced project lifecycle security management and control, and put efforts into improving capabilities of independent R&D and agile development. It also strengthened infrastructure building, promoted the implementation of standardized operation and maintenance, and made proper arrangements for continuous operations in order to safeguard business continuity. It introduced IT audit experts and set up a special institution.

Reputational Risk

Reputational risk refers to the risk resulting from negative comments by stakeholders, the public, the media and other parties on the Bank's institutional behaviors, employees' behaviors or external events, etc., which damages the brand value, adversely affects normal operations, and even affects market and social stability. Public opinions about the Bank remained overall positive, and no major reputational incident occurred.

The Bank continued to implement the reputational risk management concept of "addressing both the symptoms and root causes, with a focus on root causes", and strictly implemented regulatory requirements to optimize its reputational risk management policy system. It pressed ahead with the management of reputational risk at earlier steps, made in-depth analysis on reputational risks, and took targeted control measures in time, solidifying the foundation of its reputational risk management. It explored the implementation of an ex ante reputational risk evaluation mechanism and promoted the integration of the evaluation mechanisms into approval procedures for issues requiring decisions according to the Bank's actual conditions. It continued to utilize information technology to improve the quality and effectiveness of reputational risk management, constantly upgraded system functions, and effectively leveraged the role of science and technology in supporting management. It improved the public opinion database to provide more diversified and targeted data support for in-depth public opinion impact analysis and public opinion management. Moreover, the Bank improved the closed-loop management mechanism of reputational events, and responded to and handled public opinions in a timely and effective manner. It continued to optimize the early warning mechanism on public opinions, and promptly gave warnings on hazards that are prone to occur, occur frequently or raise strong public concerns. Focusing on themes such as serving rural revitalization, facilitating peak carbon emissions and carbon neutrality goals, promoting inclusive finance, supporting real economy, financial technology empowerment and improving customer service level, the Bank sent its voices actively and effectively, continued to tell good PSBC stories, and improved its brand image, thereby gaining reputation capital.

Strategic Risk

Strategic risk refers to the risk of adverse impact on the Bank's profitability, capital, reputation, market status, etc., arising from improper business and management strategies, deviations in strategy implementation or failure to respond to changes in the external environment in a timely manner. The Bank continued to see highlights in its strategy implementation, and the management and control system for strategic risks was continuously improved. The strategic risk was largely under control.

The Bank continuously deepened reforms in key areas, pushed forward business transformation and upgrading in an all-round manner, accelerated digital transformation and the building of a smart ecosystem, and continued to promote the implementation of retail banking strategy, realizing rapid growth in retail financial business.

The Bank kept improving its strategic risk control system. It formulated and released the 14th Five-Year Plan Outline, and laid a solid foundation for high-quality development during the 14th Five-Year period. The Bank issued the strategic risk management measures to continuously enhance the strategic risk management capability. It also comprehensively assessed the implementation of strategies, and fully identified, assessed and monitored various risk factors during the implementation of strategies. Focusing on major issues such as the macroeconomic situation, transformation and development trend of commercial banks, impact of the epidemic and peer benchmarking, the Bank made great efforts to strengthen strategic research and provide effective support for strategic risk management.

Country Risk

Country risk refers to the risk of the inability or refusal of the borrowers or debtors of a country or region to repay their debts owed to the bank, or commercial benefit loss suffered by the bank or other losses suffered by the bank in that country or region due to changes and incidents occurred in its economy, politics and society. The Bank's country risk exposure mainly concentrated in low-risk countries or regions, and country risk level was generally low and controllable.

In strict compliance with relevant regulatory requirements for country risk management, the Bank continuously advanced the building of the country risk management system, and raised the efficiency of country risk management. Facing the complex and severe external situations and considering its business development needs, the Bank optimized the country risk rating and limit setting program, timely updated and adjusted country risk rating and limits, and continuously monitored and reported the implementation of country risk limits and changes in country risk exposure, thus effectively controlling country risk.

Climate Risk

Climate risk refers to the potential adverse effects of climate change on the natural system and the economic and social system, mainly including physical risks and transition risks. Among them, physical risk refers to the risk of events such as climate anomalies and environmental pollution that may lead to severe damage to the balance sheets of enterprises, households, banks, insurance companies and other market entities, which in turn affects the financial system and the macro economy. Transition risk refers to the risk of repricing of high-carbon assets and financial losses due to significantly tightening of relevant policies such as carbon emissions or technological innovations, in order to address climate change and promote low-carbon economic transformation.

The Bank attached great importance to environmental and climate risks and incorporated them into its comprehensive risk management system. Through top-level design, enhanced management and technology empowerment, it identified and gave early warnings on environmental and climate risks, so as to effectively forestall and deal with them. The first is strategic leadership. The Bank's 14th Five-Year Plan Outline clearly states that it will strengthen ESG risk management, incorporate ESG risk management and control into the whole process of its credit business, integrate climate risk into the comprehensive risk management system, improve the whole process management system for climate risk management. The Bank carried out researches and conducted stress tests on environmental and climate risks. The second is strengthening management. The Bank incorporated environmental and climate risks into whole process management in terms of risk policy, risk limit, credit policy, customer rating, review and approval, disbursement management and post-lending management. The Bank added "ESG risk and climate risk" to the credit investigation and review report and included ESG risk as an adjustment factor of internal rating. The third is enhancing technology empowerment. Utilizing the "Jinjing" (Gold Eye) credit risk monitoring system, the Bank explored and promoted carbon accounting for corporate customers. It also conducted special investigations on ESG and climate risk and stress tests on climate risk.

Risk Consolidated Management

Risk consolidated management refers to the continuous improvement of the comprehensive risk management framework of the Bank Group and its subsidiaries, and the management process of effectively identifying, measuring, monitoring and controlling the overall risk of the Bank Group. According to the Guidelines on Consolidated Management and Supervision of Commercial Banks issued by the CBIRC, the Bank's subsidiaries were all incorporated into its risk consolidated management framework. The overall risks of the Group were manageable.

The Bank strictly followed national policies and relevant regulatory requirements and continuously improved the Group's risk consolidated management system. It formulated the Bank Group's risk appetite plan, optimized the core risk management indicators of its subsidiaries, and strengthened the transmission and application of risk limits in the management of subsidiaries. It provided guidance to subsidiaries to formulate respective risk management policies in line with their actual conditions under the overall risk appetite and risk management policy framework of the Bank Group, thereby promoting the consistency and effectiveness of risk management across the Bank Group. Furthermore, the Bank carried out comprehensive risk assessment of subsidiaries, and urged and guided them to improve risk management. It revised the consolidated risk management rules, clarified the risk consolidated management structure, specified the responsibilities of consolidated risk management, and strengthened the guidance, supervision and evaluation of risk management of subsidiaries. The Bank implemented the management requirements for risk isolation, realized the coordination of business collaboration and risk isolation, and ensured that the risks of the Bank Group were controllable in general.

Capital Management

The objective of the Bank's capital management is to maintain a stable and reasonable capital adequacy level, effectively support the continuous and healthy development of various businesses, continuously meet regulatory policies and macro-prudential requirements; to comprehensively establish and apply a value management system centered on economic capital, strengthen capital constraints, communicate the concept of value creation, continuously strengthen the Bank's capital, constantly improve the endogenous growth of capital and proactively expand channels for external capital replenishment.

In October 2021, the PBOC and the CBIRC released the list of domestic systemically important banks, and the Bank was included in the list. According to the regulatory requirements, the Bank formulated the recovery and disposal plan, constantly improved the risk prevention and control ability, strengthened the crisis management, and reduced the Bank's risk spillover in the crises to maintain financial stability. During the reporting period, the Bank continued to improve its capital management system, closely followed regulatory requirements, stepped up refined capital management, paid equal attention to capital replenishment by internal and external resources through multiple channels and methods, and further built up its capital strength. Therefore, the Bank continuously enhanced its ability to serve the real economy and effectively supported the sustainable and healthy development of various businesses. As at the end of the reporting period, the Bank's capital indicators stayed within the reasonable range, and the capital adequacy ratios and the leverage ratio continued to meet regulatory requirements including additional requirements for domestic systemically important banks and maintained at a sound and reasonable level.

Capital Planning and Capital Adequacy Ratio Management Plan

Pursuant to the regulatory requirements of the Capital Rules for Commercial Banks (Trial), the Bank made capital planning in light of economic and financial situation, development strategies, risk appetite and other factors, and defined capital management objectives and management measures to ensure the Bank's capital ratios continue to meet regulatory requirements and are in line with long-term sustainable development and shareholder return requirements. It formulated the Three-Year Rolling Capital Plan 2022-2024 for Postal Savings Bank of China and the Capital Adequacy Ratio Management Plan 2022 for Postal Savings Bank of China, which were reviewed and approved by the Board of Directors.

Capital Adequacy Ratio

According to the requirements of the Capital Rules for Commercial Banks (Trial) and its supporting policy documents issued by the CBIRC, the Bank measured credit risk by weighted approach, market risk by standardized approach, and operational risk by basic indicator approach. As at the end of the reporting period, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 9.92%, 12.39%, and 14.78% respectively, details of which are as follows:

Capital Adequacy Ratio

In millions of RMB, except for percentages

Item	December 31, 2021		December 31, 2020	
	The Group	The Bank	The Group	The Bank
Core tier 1 capital – net	635,024	619,935	542,347	529,574
Tier 1 capital – net	793,006	777,789	670,301	657,432
Net capital	945,992	930,200	784,579	771,166
Risk-weighted assets	6,400,338	6,363,162	5,651,439	5,615,106
Credit risk-weighted assets	5,892,637	5,866,543	5,193,789	5,165,186
Market risk-weighted assets	96,870	96,870	94,964	94,964
Operational risk-weighted assets	410,831	399,749	362,686	354,956
Core tier 1 capital adequacy ratio (%)	9.92	9.74	9.60	9.43
Tier 1 capital adequacy ratio (%)	12.39	12.22	11.86	11.71
Capital adequacy ratio (%)	14.78	14.62	13.88	13.73

Market Risk Capital Requirements

In millions of RMB

Item	December 31, 2021	December 31, 2020
Interest rate risk	2,313	2,120
Exchange rate risk	5,437	5,477

Leverage Ratio

As at the end of the reporting period, the leverage ratio calculated by the Bank pursuant to the Administrative Measures for the Leverage Ratio of Commercial Banks (Revised) issued by the CBIRC was 6.10%, meeting the regulatory requirements. For details of leverage ratio, please refer to "Appendix I: Supplementary Financial Information".

Economic Capital Management

The Bank continued to improve the refined management of economic capital and effectively communicated and implemented the concept of achieving transformation and development with less capital consumption. It reinforced internal capital constraint and advanced capital intensive development. The Bank deepened the capital allocation mechanism with risk-adjusted return on capital (RAROC) as the core indicator, channelled resources to businesses with high returns and strictly controlled the growth of inefficient assets. It promoted the application of internal rating results and estimated risk parameters in economic capital measurement, allocation and performance assessment in an orderly manner. The awareness of saving capital and creating value has been continuously enhanced across the Bank, and business structure continuously improved.

Capital Financing Management

On the basis of capital replenishment through retained earnings, the Bank comprehensively utilized external financing instruments to replenish its capital, and actively explored innovative capital replenishment channels.

In accordance with its capital requirements and capital replenishment plan, the Bank non-publicly issued 5,405,405,405 A shares of ordinary shares in March 2021 at an issue price of RMB5.55 per share, raising a total of approximately RMB30 billion. After deducting the issuance cost, actual net proceeds were approximately RMB29,985.92 million, all of which were used to replenish core tier 1 capital. Please refer to "Changes in Share Capital and Shareholdings of Shareholders" for details.

The Bank publicly issued RMB60 billion write-down undated capital bonds in aggregate in the national Interbank Bond Market in two tranches in March 2021 and January 2022 respectively, with all proceeds after deducting the issuance cost be used to replenish additional tier 1 capital in accordance with applicable laws and approval of the competent authorities.

The Bank convened a meeting of the Board on January 28, 2021 to review and approve the Proposal on the Issuance of Write-down Qualified Tier 2 Capital Instruments by Postal Savings Bank of China. The proposal was submitted to the Shareholders' General Meeting on April 29, 2021 for review and approval. In August 2021, the Bank received approval from the CBIRC and the PBOC to issue tier 2 capital bonds in the national Interbank Bond Market with an aggregate amount of no more than RMB150 billion. The Bank issued RMB100 billion tier 2 capital bonds in aggregate in the national Interbank Bond Market in two tranches in August 2021 and March 2022 respectively, and the proceeds were used to replenish the Bank's tier 2 capital in accordance with the applicable laws and approval of the competent authorities.

Upon approval by the CBIRC, the Bank redeemed in full the tier 2 capital bonds of RMB30 billion issued in 2016 in October 2021 and redeemed in full the tier 2 capital bonds of RMB20 billion issued in 2017 in March 2022.

Liability Quality Management

Liability quality management refers to the management activities carried out by commercial banks with regard to the sources, structures and costs of liabilities for the purpose of ensuring the safety, liquidity and efficiency of operations and in accordance with the principles commensurate with business strategies, risk appetite and overall business characteristics. The Bank continuously strengthened liability quality management, earnestly implemented regulatory requirements, established and improved the liability quality management system, and regarded high-quality liabilities as the basis for stable operations and the support for serving the real economy.

During the reporting period, the quality of the Bank's liabilities was generally good. Firstly, it strengthened the management of the scale of liabilities and changes in its structure to maintain a stable source of funds. The balance of total liabilities increased by RMB1.11 trillion, of which customer deposits increased by RMB996,044 million and personal deposits with high stability increased by RMB950,071 million. Secondly, it took the initiative to expand funding channels to improve the diversity of liability structure. During the reporting period, the Bank established a system of decentralized trading counterparties and diversified business categories, flexibly carried out interbank liabilities and participated in open market operations to increase the initiative and diversity of sources of liabilities. Thirdly, it strengthened its asset and liability portfolio management to achieve a balance between liquidity and profitability. During the reporting period, the Bank improved its ability of asset-liability portfolio coordination, scientifically arranged the total amount, structure and pace of fund sources and utilization, and stabilized the cost of liabilities and net interest margin on the basis of ensuring the steady operation of indicators such as liquidity risk and interest rate risk. Fourthly, it adhered to compliance management and strictly controlled the bottom line of risks. During the reporting period, the Bank prudently carried out liability business innovation activities in strict accordance with relevant laws, regulations and regulatory requirements, and carried out transactions, accounting and statistics of liabilities in a legally compliant way to ensure the steady and compliant development of liability business. Fifthly, it adhered to the concept of value creation and innovated the liability management mechanism. During the reporting period, the Bank strengthened the top-level design, conducted a value analysis on the supply and demand of funds, formulated the development goals and optimized management mechanisms and evaluation policies, so as to facilitate the establishment of a liability development mechanism centering on the growth of value deposits across the Bank.

Focuses of the Capital Market

Net Interest Margin

In 2021, due to the complex and severe domestic and international landscape, the banking industry faced challenges and the net interest margin was under certain downward pressure. By following the high-quality development strategy, the Bank continued to optimize its asset and liability structure and steadily improved its capability of value creation, with an aim to stabilize its net interest margin. During the reporting period, the net interest margin of the Bank was 2.36%, which maintained a leading position in the industry. Affected by the external market environment and business development situation, the Bank recorded a decrease in the net interest margin mainly in the first half of the year which stabilized in the second half.

Looking ahead to 2022, there will be increasing uncertainty over international environment and continued pressure to stabilize the domestic economic growth. Despite that, its fundamentals of strong economic resilience to sustain long-term growth remain unchanged. The net interest margin of the banking industry will remain under pressure, but the Bank is expected to stabilize its net interest margin by measures including adhering to our development positioning, capturing strategic opportunities, optimizing business structures and so on. Firstly, the Bank will keep pursuing its development goal of building a first-tier large retail bank, push forward retail businesses transformation and strengthen its capability to withstand market volatility and to steer through economic cycles. Secondly, the Bank will actively fulfill its responsibilities as a major state-owned bank to seize significant strategic opportunities arising from rural revitalization, green development, common prosperity and the like to improve its capabilities for serving the real economy while improving business quality and efficiency. Thirdly, the Bank will strengthen proactive management. On the asset side, the Bank will fully tap the potentials of structure optimization, steadily improve its loan-to-deposit ratio and continue to increase the proportion of high-RAROC assets such as loans to entities, retail loans and investments in local bonds, thereby seeking returns from structural adjustment. On the liability side, the Bank will uphold the strategy of high-quality deposit growth, continue to adjust the deposit structure, facilitate the conversion of long-term deposits upon maturity, and promote performance appraisal on value deposits. These efforts, coupled with our upgraded wealth management strategies, are bound to bring a virtuous cycle of AUM expansion and improved deposit structure.

Net Non-interest Income

During the reporting period, net non-interest income of the Bank increased by 49.96% year on year to RMB49,725 million, accounting for 15.58% of the operating income, up 4.01 percentage points year on year, reflecting the breakthrough development of non-interest businesses. There are two main factors driving its growth. Firstly, the net fee and commission income was RMB22,007 million, representing a year-on-year increase of 33.42%, mainly due to the rapid growth of income from intermediary business as the Bank strengthened top-level design of its intermediary business, accelerated the transformation and upgrade of the wealth management system and achieved comprehensive development of various businesses such as agency sales, credit cards, custody and investment banking, etc. Secondly, net trading gains and net gains from securities investment were RMB26,367 million, representing a year-on-year increase of 37.47%, primarily due to rising dividend income received from increased investments in securities investment funds with tax benefits and less capital consumption as a result of the Bank's optimized investment structure as well as the increase in trading spread yield and bond valuation by well-adjusted pace of investment and diversified trading strategies.

In 2022, the Bank will continue to maintain strategic resolve, seize new opportunities in economic development, and promote the sustainable development of non-interest businesses. Firstly, the Bank will further advance the building of the wealth management system and maintain the rapid growth of income from intermediary business. Regarding the wealth management business, the Bank will seize the development opportunity of continuous growth of residents' wealth, build a professional capability system, deepen stratified customer management, and enhance asset allocation capability based on customers' demands, so as to realize rapid increase in AUM scale and continuous optimization of structure. As for credit cards, the Bank will build signature products for key customer groups such as young people, car owners, and women, improve customer lifecycle management and expand the small-value high-frequency business district scenarios to improve the scale of customer acquisition and consumption. With respect to electronic payment business, it will target key customer groups, focus on the conversion of potential customers to value customers and give full play to the role of the scenarios in order to increase customer transactions. As for wealth management business, the Bank will continue to optimize the product system, strengthen sales and service support, and enhance asset allocation to stabilize investment returns and promote breakthroughs in the scale of wealth management. Regarding corporate business, the Bank will build a new customer-centric "1 plus N" corporate financial operation and service system, enhance the professional capability of investment banking, accelerate the smart transformation of transaction banking and expand the scale of custody business to increase income contribution from intermediary business. Secondly, the Bank will maintain a steady growth of other non-interest businesses by following the investment & research-driven approach. It will proactively enhance market tracking and product research, continuously optimize its position structure, increase band operations and asset turnover, and increase the frequency and scale of transactions. Moreover, it will make early arrangements for key customers and products, and seize market opportunities to invest in high-quality, high-yield assets. It will also improve its bill trading business by deepening the linkage of rediscount and discount business. All in all, it will continue to increase the overall contribution to non-interest business income through the flexible development of various local and foreign currency businesses.

Asset Quality and Provisioning

Always adhering to a prudent and sound risk appetite and firmly upholding the new development philosophy, the Bank, with the aim of maintaining a long-term balance between sustaining growth and preventing risks, strengthened control over non-performing assets by controlling increments, reducing existing ones and preventing unforeseen circumstances, and thereby kept good asset quality on a continuous and stable basis. As at the end of the reporting period, the Bank's NPL ratio was 0.82%, representing a decrease of 0.06 percentage point compared with the prior year-end. The NPL formation ratio[1] was 0.60%, representing a decrease of 0.19 percentage point as compared with the prior year-end. The special mention loan ratio was 0.47%, representing a decrease of 0.07 percentage point compared with the prior year-end. The overdue loan ratio was 0.89%, representing an increase of 0.09 percentage point as compared with the prior year-end. The allowance to NPLs ratio was 418.61%, representing an increase of 10.55 percentage points compared with the prior year-end. Risks were generally under control. The Bank acted in strict compliance with regulatory standards and constantly optimized risk classification rules. Therefore, its asset quality was authentic and reliable. As at the end of the reporting period, the ratio of NPLs to loans overdue for more than 90 days was 1.35, and all loans overdue for more than 60 days as well as 93.03% of loans overdue for more than 30 days were recognized as NPLs, which fully and truly reflected the risk profile of its loans.

1 NPL formation ratio = (NPL balance at the end of the period – NPL balance at the beginning of the period + collection and disposal amount during the period) / total loan balance at the beginning of the period

In terms of corporate loans, as at the end of the reporting period, the Bank's balance of non-performing corporate loans amounted to RMB17,451 million, representing a decrease of RMB1,198 million compared with the prior year-end. The NPL ratio was 0.78%, representing a decrease of 0.17 percentage point compared with the prior year-end. Both the NPL balance and its ratio decreased. The asset quality improved steadily with good momentum, which was mainly because the Bank recorded a significant decrease in the NPL formation, increased disposal efforts and stepped up the risk mitigation for customers of large-value non-performing assets.

In terms of personal loans, as at the end of the reporting period, the Bank's balance of non-performing personal loans amounted to RMB35,224 million, representing an increase of RMB3,516 million compared with the prior year-end. The Bank recorded a NPL ratio of 0.94% in personal loans, representing a decrease of 0.04 percentage point compared with the prior year-end. Specifically, the NPL ratio of residential mortgage loans was 0.44%, representing a decrease of 0.03 percentage point from the prior year-end. The NPL ratio of personal micro loans was 1.67% and the NPL ratio of credit card business was 1.66%, representing a decrease of 0.33 and 0.17 percentage point compared with the prior year-end respectively.

Changes in Share Capital and Shareholdings of Shareholders

Ordinary Shares

As at the end of the reporting period, the total number of ordinary shares of the Bank amounted to 92,383,967,605, including 72,527,800,605 A shares and 19,856,167,000 H shares, accounting for 78.51% and 21.49% of all shares respectively.

Details of Changes in Share Capital

Unit: share, except for percentages

	As at December 31, 2020		Increase/decrease (+,-) during the reporting period					As at December 31, 2021	
	Number of shares	Percentage (%)	Issuance of new shares	Issuance of bonus shares	Transferred from reserve	Others	Subtotal	Number of shares	Percentage (%)
I. Shares subject to selling restrictions	55,847,933,782	64.21	+5,405,405,405	–	–	–	+5,405,405,405	61,253,339,187	66.30
1. Shareholdings of the State	–	–	–	–	–	–	–	–	–
2. Shareholdings of state-owned legal entities	55,847,933,782	64.21	+5,405,405,405	–	–	–	+5,405,405,405	61,253,339,187	66.30
3. Other domestic shareholdings	–	–	–	–	–	–	–	–	–
Including: Shareholdings of domestic non-state-owned legal entities	–	–	–	–	–	–	–	–	–
Shareholdings of domestic natural persons	–	–	–	–	–	–	–	–	–
4. Foreign shareholdings	–	–	–	–	–	–	–	–	–
Including: Shareholdings of foreign legal entities	–	–	–	–	–	–	–	–	–
Shareholdings of foreign natural persons	–	–	–	–	–	–	–	–	–
II. Circulating shares not subject to selling restriction	31,130,628,418	35.79	–	–	–	–	–	31,130,628,418	33.70
1. RMB ordinary shares	11,274,461,418	12.96	–	–	–	–	–	11,274,461,418	12.21
2. Domestically listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas listed foreign shares	19,856,167,000	22.83	–	–	–	–	–	19,856,167,000	21.49
4. Others	–	–	–	–	–	–	–	–	–
III. Total ordinary shares	86,978,562,200	100.00	+5,405,405,405	–	–	–	+5,405,405,405	92,383,967,605	100.00

Changes in Ordinary Shares

Pursuant to the Approval of the Non-public Issuance of Shares by Postal Savings Bank of China Co., Ltd. (Zheng Jian Xu Ke [2021] No. 751) issued by the CSRC on March 8, 2021, the Bank completed the non-public issuance of 5,405,405,405 A shares of ordinary shares to China Post Group in March 2021. The closing price of the A shares of the Bank on the date of determining the terms of issuance (i.e. November 30, 2020) was RMB5.23 per share. After issuance, the Bank raised a total of around RMB30,000 million at an issue price of RMB5.55 per share. After deducting the issuance fee, the actual net proceeds raised totaled RMB29,985.92 million, and net proceeds per share was approximately RMB5.55. After completion of the non-public issuance, total number of shares of the Bank increased from 86,978,562,200 to 92,383,967,605. For details, please refer to the announcement of the Bank dated March 26, 2021.

Effect of changes in ordinary shares on earnings per share and net assets per share of the past year and the latest period

During the reporting period, the Bank completed the non-public issuance of A shares. Upon the issuance, the total number of shares of the Bank increased from 86,978,562,200 to 92,383,967,605, and the new share capital and new capital reserve of the Bank amounted to RMB5,405,405,405.00 and RMB24,580,510,132.24, respectively.

In RMB

Item	2021	Under the same criteria for 2021[1]
Basic earnings per share	0.78	0.82
Diluted earnings per share	0.78	0.82
Net assets per share attributable to ordinary shareholders of the listed company	6.89	6.97

Note (1): Basic earnings per share, diluted earnings per share and net assets per share attributable to ordinary shareholders of the listed company under the same criteria for 2021 are calculated with the assumption that no shares were issued in 2021.

There was no change in ordinary shares of the Bank from December 31, 2021 to the disclosure date of this report.

Changes in Shares Subject to Selling Restrictions

Unit: share

Name of shareholder	Number of shares subject to selling restrictions at the beginning of 2021	Shares released from selling restrictions in 2021	Increase in shares subject to selling restrictions in 2021	Number of shares subject to selling restrictions at the end of 2021	Reason for selling restrictions	Date of release from selling restrictions
China Post Group Corporation Limited	55,847,933,782	–	–	55,847,933,782	Commitments on selling restrictions of initial public offering of A shares	December 12, 2022
	–	–	5,405,405,405	5,405,405,405	Commitments on selling restrictions of non-public issuance of A shares	March 25, 2026
Total	55,847,933,782	–	5,405,405,405	61,253,339,187	/	/

Number of Shareholders and Shareholdings

As at the end of the reporting period, the Bank had a total number of 200,309 ordinary shareholders (including 197,702 A-share holders and 2,607 H-share holders) and no holders of preference shares with voting rights restored.

As at February 28, 2022, the Bank had a total number of 161,410 ordinary shareholders (including 158,836 A-share holders and 2,574 H-share holders) and no holders of preference shares with voting rights restored.

Shareholdings of Top Ten Ordinary Shareholders

Unit: share, except for percentages

Name of shareholder	Number of shares held	Shareholding percentage (%)	Number of shares subject to selling restrictions	Number of shares pledged, marked or locked-up	Nature of shareholder	Type of ordinary shares
China Post Group Corporation Limited	62,244,339,189	67.38	61,253,339,187	–	State-owned legal entity	RMB ordinary shares, overseas listed foreign shares
HKSCC Nominees Limited	19,843,277,510	21.48	–	Unknown	Foreign legal entity	Overseas listed foreign shares
China Life Insurance Company Ltd.	2,290,666,515	2.48	–	–	State-owned legal entity	RMB ordinary shares
China Telecommunications Corporation Limited	1,117,223,218	1.21	–	–	State-owned legal entity	RMB ordinary shares
Ant Group Co., Ltd.	679,499,900	0.74	–	–	Domestic non-state-owned legal entity	RMB ordinary shares
Hong Kong Securities Clearing Company Limited	567,417,586	0.61	–	–	Foreign legal entity	RMB ordinary shares
Bank of Communications Co., Ltd. – ICBC Credit Suisse Double Profit Bond Fund	160,000,048	0.17	–	–	Domestic non-state-owned legal entity	RMB ordinary shares
Shenzhen New Star Investment Management Co., Ltd. – New Star Growth No.1 Fund	113,879,362	0.12	–	–	Domestic non-state-owned legal entity	RMB ordinary shares
Shanghai International Port (Group) Co., Ltd.	112,539,226	0.12	–	–	State-owned legal entity	RMB ordinary shares
Dajia Life Insurance Co., Ltd. – Universal Products	100,000,000	0.11	–	–	Domestic non-state-owned legal entity	RMB ordinary shares

Note (1): The total number of shares held by HKSCC Nominees Limited as the nominee is the total number of H shares held by all institutional and individual investors registered with the company as at the end of the reporting period, which includes 80,700,000 H shares held by China Post Group Corporation Limited through HKSCC Nominees Limited as the nominee.

Note (2): The total number of shares held by Hong Kong Securities Clearing Company Limited refers to the A shares (Shanghai-Hong Kong Stock Connect) held on behalf of Hong Kong investors and overseas investors as the nominee.

Note (3): HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited (HKSCC). Apart from this, the Bank is not aware of any connected relations among the aforementioned shareholders or whether they constitute persons acting in concert as stipulated in the Administrative Measures for the Takeover of Listed Companies.

Note (4): Except for the unknown situation of HKSCC Nominees Limited, as at the end of the reporting period, the remaining top ten ordinary shareholders of the Bank did not participate in margin trading, short selling or refinancing.

Note (5): The above shareholders do not have special repurchase accounts nor do they involve delegation/entrustment of voting rights, abstention of voting rights, the strategic investors or general legal entities becoming the top ten ordinary shareholders due to placement of new shares.

Shareholdings of the Top Ten Shareholders Not Subject to Selling Restrictions

Unit: share

Name of shareholder	Number of circulating shares held not subject to selling restrictions	Type and number of shares	
		Type	Number
HKSCC Nominees Limited	19,843,277,510	Overseas listed foreign shares	19,843,277,510
China Life Insurance Company Ltd.	2,290,666,515	RMB ordinary shares	2,290,666,515
China Telecommunications Corporation Limited	1,117,223,218	RMB ordinary shares	1,117,223,218
China Post Group Corporation Limited	991,000,002	RMB ordinary shares Overseas listed foreign shares	910,300,002 80,700,000
Ant Group Co., Ltd.	679,499,900	RMB ordinary shares	679,499,900
Hong Kong Securities Clearing Company Limited	567,417,586	RMB ordinary shares	567,417,586
Bank of Communications Co., Ltd. — ICBC Credit Suisse Double Profit Bond Fund	160,000,048	RMB ordinary shares	160,000,048
Shenzhen New Star Investment Management Co., Ltd. — New Star Growth No.1 Fund	113,879,362	RMB ordinary shares	113,879,362
Shanghai International Port (Group) Co., Ltd.	112,539,226	RMB ordinary shares	112,539,226
Dajia Life Insurance Co., Ltd. — Universal Products	100,000,000	RMB ordinary shares	100,000,000

Note (1): The total number of shares held by HKSCC Nominees Limited as the nominee is the total number of H shares held by all institutional and individual investors registered with the company as at the end of the reporting period, which includes 80,700,000 H shares held by China Post Group Corporation Limited through HKSCC Nominees Limited as the nominee.

Note (2): The total number of shares held by Hong Kong Securities Clearing Company Limited refers to the A shares (Shanghai-Hong Kong Stock Connect) held on behalf of Hong Kong investors and overseas investors as the nominee.

Note (3): HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited (HKSCC). Apart from this, the Bank is not aware of any connected relations among the aforementioned shareholders or whether they constitute persons acting in concert as stipulated in the Administrative Measures for the Takeover of Listed Companies.

Note (4): Except for the unknown situation of HKSCC Nominees Limited, as at the end of the reporting period, the remaining top ten ordinary shareholders not subject to selling restrictions of the Bank did not participate in margin trading, short selling or refinancing.

Note (5): The above shareholders do not have special repurchase accounts nor do they involve delegation/entrustment of voting rights, abstention of voting rights, the strategic investors or general legal entities becoming the top ten ordinary shareholders due to placement of new shares.

Shareholdings of the Top Ten Shareholders Subject to Selling Restrictions

Unit: share

Name of shareholder	Number of shares subject to selling restrictions	Conditions for listing and trading of shares subject to selling restrictions: Date on which listing and trading may commence	Conditions for listing and trading of shares subject to selling restrictions: Number of new shares allowed to be listed and traded	Selling restrictions
China Post Group Corporation Limited	55,847,933,782	December 12, 2022	–	36 months since the date of the initial public offering and listing of A shares of the Bank
	5,405,405,405	March 25, 2026	–	60 months since the date of the non-public issuance of A shares of the Bank

Shareholdings by the Directors, Supervisors and Senior Management Members

During the reporting period, the shareholdings by the Directors, Supervisors and senior management members of the Bank remained unchanged. As at the disclosure date of this report, none of the Directors, Supervisors and senior management members of the Bank held any shares of the Bank.

Offshore Preference Shares

Issuance and Listing of Offshore Preference Shares

On September 27, 2017, the Bank issued non-public offshore preference shares totaling USD7,250 million in the overseas market. A total of 362,500,000 shares were issued, each with a face value of RMB100 and an offer price of USD20. The dividend rate is adjusted every 5 years, and remain unchanged within each adjustment period. The dividend rate is the yield on five-year US treasury bonds in the adjustment period plus a fixed interest spread, and the dividend rate for the first 5 years after issuance is 4.50%. The offshore preference shares of the Bank were listed on the Hong Kong Stock Exchange on September 28, 2017, and net proceeds raised from the issuance were approximately RMB47.8 billion, all of which were used to replenish the Bank's additional tier 1 capital.

Issuance and Listing of Offshore Preference Shares

Stock code of the offshore preference shares	Preference shares abbreviation	Issuing date	Issue price (USD/share)	Initial dividend rate (%)	Issuing quantity (share)	Issuing amount (USD)	Listing date	Permitted trading volume (share)
4612	PSBC 17USDPREF	September 27, 2017	20	4.50	362,500,000	7,250,000,000	September 28, 2017	362,500,000

Number of Offshore Preference Shareholders and Shareholdings

As at the end of the reporting period, the total number of offshore preference shareholders (or nominees) of the Bank was 1. As at February 28, 2022, the total number of offshore preference shareholders (or nominees) of the Bank was 1. The top ten offshore preference shareholders (or nominees) of the Bank are as follows:

Number of Offshore Preference Shareholders and Shareholdings

Unit: share, except for percentages

Name of shareholder	Nature of shareholder	Class of shares	Change during the reporting period	Number of shares held at the end of the period	Shareholding percentage (%)	Number of shares subject to selling restrictions	Number of shares pledged or locked-up
The Bank of New York Depository (Nominees) Limited	Foreign legal entity	Offshore preference shares	–	362,500,000	100.00	–	Unknown

Note (1): Shareholdings of offshore preference shareholders are based on the information listed in the Bank's register of offshore preference shareholders.

Note (2): As the issuance of offshore preference shares was non-public, the register of offshore preference shareholders presented the information on nominees of placees.

Note (3): "Shareholding percentage" refers to the percentage of the number of offshore preference shares held by offshore preference shareholders in total number of offshore preference shares.

Distribution of Dividends on Offshore Preference Shares

During the reporting period, as per the resolution and authorization of the Shareholders' General Meeting, upon the review and approval of the Board of Directors of the Bank, the Bank distributed cash dividends to offshore preference shareholders whose names appeared on the share register on the record date on September 27, 2021. For details, please refer to the announcement of the Bank dated May 26, 2021.

Dividends on the Bank's offshore preference shares are paid annually in cash, with interest-bearing principal as the preferred clearing amount. Dividends of the Bank's offshore preference shares are paid in a non-cumulative manner. Holders of the Bank's offshore preference shares are only entitled to dividends at the prescribed dividend rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution provisions in the offshore preference share issuance plan, the Bank distributed dividends of USD362.5 million (tax inclusive) on the offshore preference shares. According to relevant laws and regulations, when the Bank distributes dividends on the offshore preference shares, the income tax shall be withheld by the Bank at a rate of 10%. The actual payment to offshore preference shareholders was USD326.25 million.

Distribution of dividends on preference shares of the Bank in the recent three years is as follows:

In millions of RMB, except for percentages

2021		2020		2019	
Dividend rate (%)	Total dividends paid	Dividend rate (%)	Total dividends paid	Dividend rate (%)	Total dividends paid
4.5	2,324	4.5	2,584	4.5	2,501

Note: Total dividends payable include tax.

Redemption or Conversion of Offshore Preference Shares

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

Restoration of Voting Rights of Offshore Preference Shares

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

Accounting Policies Adopted for Offshore Preference Shares and the Reasons Thereof

According to the Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments, and the Differentiation of Financial Liabilities and Equity Instruments and Relevant Accounting Treatment (Cai Kuai [2014] No. 13) promulgated by the MOF, the International Financial Reporting Standards No. 7 – Financial Instruments: Disclosures, the International Financial Reporting Standards No. 9 – Financial Instruments, and the International Accounting Standards No. 32 – Financial Instruments: Presentation formulated by the International Accounting Standards Board as well as the issuance terms of the Bank's preference shares, the existing preference shares issued by the Bank conform to the accounting requirements for equity instruments, and shall be accounted for as equity instruments.

Substantial Shareholders

According to the Interim Measures on Equity Management of Commercial Banks published by the CBIRC, China Post Group, China State Shipbuilding Corporation Limited ("CSSC") and Shanghai International Port (Group) Co., Ltd ("SIPG") are substantial shareholders of the Bank, as China Post Group holds more than 5% of interest in the Bank while CSSC and SIPG designate Directors to the Bank. As at the end of the reporting period, the Bank's former substantial shareholder China Shipbuilding Industry Corporation ("CSIC") was incorporated into CSSC and completed the changes to the Industrial and Commercial Registration. Therefore, the Bank's substantial shareholder CSIC was replaced by CSSC.

Basic Information of Substantial Shareholders

There was no change in the controlling shareholder or de facto controller of the Bank during the reporting period.

Controlling Shareholder and De Facto Controller

The controlling shareholder and de facto controller of the Bank is China Post Group. China Post Group, a wholly state-owned enterprise incorporated in accordance with the Company Law of the People's Republic of China, was established on October 4, 1995, and was officially restructured into China Post Group Corporation Limited on December 17, 2019. It engages in various postal businesses in accordance with law, undertakes the obligations of general postal services and provides special postal services entrusted by the government. China Post Group has a registered capital of RMB137.6 billion. Its registered address is No. 3 Financial Street, Xicheng District, Beijing. Its unified social credit code is 911000000000192465 and legal representative is Mr. Liu Aili. China Post Group is principally engaged in domestic and international mail delivery, distribution of publications such as newspapers and journals, stamp issuance, postal remittance, operation of postal savings business in accordance with law, confidential correspondence, postal financial business, emerging business such as postal logistics and e-mail, e-commerce, agency business and other businesses as stipulated by the state.

Other domestic and overseas listed companies directly held by China Post Group as at the end of the reporting period are listed below:

No.	Name of institution	Shareholding percentage (%)	Stock exchange
1	Bank of Communications Co., Ltd.	0.0847	SSE, Hong Kong Stock Exchange
2	Shanghai Pudong Development Bank Co., Ltd.	0.5370	SSE
3	China Merchants Bank Co., Ltd.	0.0837	SSE, Hong Kong Stock Exchange
4	New Guomai Digital Culture Co., Ltd.	0.1846	SSE
5	Shenergy Company Limited	0.0059	SSE
6	Orient Securities Company Limited	2.5558	SSE, Hong Kong Stock Exchange
7	China Merchants Securities Co., Ltd.	0.0278	SSE, Hong Kong Stock Exchange
8	Industrial Bank Co., Ltd.	0.1094	SSE
9	China Pacific Insurance (Group) Co., Ltd.	0.0018	SSE, Hong Kong Stock Exchange
10	PetroChina Company Limited	0.0004	SSE, Hong Kong Stock Exchange, New York Stock Exchange
11	COSCO SHIPPING Development Co., Ltd.	0.0025	SSE, Hong Kong Stock Exchange
12	China Coal Energy Company Limited	0.0025	SSE, Hong Kong Stock Exchange
13	Yangmei Chemical Co., Ltd.	0.0556	SSE
14	Southwest Securities Company Ltd.	0.1361	SSE
15	Bank of Chongqing Co., Ltd.	0.1349	SSE, Hong Kong Stock Exchange

As at the end of the reporting period, China Post Group[1] directly held 62,163,639,189 A shares and 80,700,000 H shares of the Bank, with a shareholding percentage of 67.38%. The property right relationship between the Bank and China Post Group, the controlling shareholder and de facto controller, is as follows:

1 During the reporting period, China Post Securities Co., Ltd., a majority-owned subsidiary of China Post Group, reduced the A shares of the Bank held by it.

Other Substantial Shareholders

China State Shipbuilding Corporation Limited ("CSSC") is a wholly state-owned enterprise established under the Company Law of the People's Republic of China by the state with a registered capital of RMB110 billion. Its registered address is No. 1 Pudong Avenue, China (Shanghai) Pilot Free Trade Zone, and its unified social credit code is 91310000MA1FL70B67. CSSC has the largest shipbuilding and repair base in China and the most complete research and development capacity for shipping and supporting products. It is the world's largest shipbuilding group capable of designing and building shipping and marine equipment that meet the requirements of global classification societies, international general technical standards and safety conventions. CSSC is principally engaged in the research, development and production of naval products, merchant ships and supporting facilities as well as non-marine equipment, and is one of the Global 500 companies in China's shipping industry.

Shanghai International Port (Group) Co., Ltd. ("SIPG") has its registered address at 4/F, Area A, Comprehensive Building, No. 1 Tonghui Road, China (Shanghai) Pilot Free Trade Zone, and its headquarters at No. 358 (International Port Building) East Daming Road, Hongkou District, Shanghai. Its unified social credit code is 913100001322075806, and the legal representative is Mr. Gu Jinshan. The registered capital of SIPG is approximately RMB23.174 billion and its ultimate controller is Shanghai State-owned Assets Supervision and Administration Commission. SIPG, the operator of public terminals in the Port of Shanghai, is a large specialized business group established in January 2003 by restructuring the former Shanghai Port Administration Bureau. In June 2005, SIPG was transformed into a joint-stock company after an overall restructuring, and was listed on SSE on October 26, 2006, becoming the first joint-stock port company listed as a whole in China. It is now the largest public company in the port industry in the mainland of China and is also one of the largest port companies in the world. SIPG is mainly engaged in port-related business including container services, bulk cargo services, port logistics and port services.

Pledging of The Bank's Shares by Its Substantial Shareholders

As at the end of the reporting period, CSSC pledged 1,620,000,000 ordinary shares of the Bank, accounting for 1.75% of the total share capital of the Bank, and there was no share pledge by other substantial shareholders of the Bank.

Other Legal Entity Shareholders Holding 10% or More of the Bank's Shares

Save for China Postal Group, as at the end of the reporting period, the Bank had no other legal entity shareholders[2] holding 10% or more of its shares.

Related Parties of Substantial Shareholders and Connected Transactions

About 1,100 institutions including the above-mentioned substantial shareholders and their controlling shareholders, de facto controllers, related parties, persons acting in concert and ultimate beneficiaries are regarded as related parties of the Bank. During the reporting period, the types of transactions between the Bank and the above-mentioned related parties mainly included credit extension, service provision, asset transfer, etc. These connected transactions were included in the routine connected transaction management of the Bank and submitted to the Board of Directors and its Related Party Transactions Control Committee for approval or kept on record.

For details on the Bank's connected transactions with China Post Group, please refer to "Connected Transactions and the Implementation of the Management System for Connected Transactions" and "Notes to the Consolidated Financial Statements – 39 Relationship and transactions with related parties".

2 Excluding HKSCC Nominees Limited.

Interests and Short Positions Held by Substantial Shareholders and Other Persons

As at the end of the reporting period, so far as was known to the Directors, Supervisors and President of the Bank, saved as disclosed below, there were no other persons (other than the Directors, Supervisors and President of the Bank) or companies who had interests or short positions in the shares or underlying shares of the Bank which were required to be disclosed to the Bank and Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Unit: share, except for percentages

Name of shareholder	Capacity	Class of shares	Relevant interests and short positions (shares)	Nature of interests	Percentage of issued class shares (%)	Percentage of total issued shares (%)
China Post Group Corporation Limited	Beneficial owner	A shares	62,163,639,189	Long position	85.71	67.29
	Beneficial owner	H shares	80,700,000	Long position	0.41	0.09
China State Shipbuilding Corporation Limited[(2)]	Interest of controlled corporations	H shares	3,779,910,000	Long position	19.04	4.09
Shanghai International Port (Group) Co., Ltd.[(3)]	Beneficial owner and interest of controlled corporations	H shares	3,479,132,345	Long position	17.52	3.77
	Beneficial owner	A shares	112,539,226	Long position	0.16	0.12
Li Ka-Shing[(4)]	Interest of controlled corporations	H shares	2,267,364,000	Long position	11.42	2.45
Li Tzar Kuoi, Victor[(4)]	Interest of controlled corporations	H shares	2,267,364,000	Long position	11.42	2.45
China National Tobacco Corporation	Beneficial owner	H shares	1,296,000,000	Long position	6.53	1.40
Li Lu[(5)]	Interest of controlled corporations	H shares	1,274,411,000	Long position	6.42	1.38
BNP PARIBAS SA[(6)]	Interest of controlled corporations	H shares	1,559,594,232	Long position	7.85	1.69
	Interest of controlled corporations	H shares	245,347,481	Short position	1.24	0.27

Note (1): The information disclosed above is based on the information provided on the website of Hong Kong Stock Exchange and the information available to the Bank at the end of the reporting period. Pursuant to Section 336 of the SFO, shareholders of the Bank are required to file a disclosure of interests form when certain criteria are fulfilled. When a shareholding in the Bank changes, it is not necessary for the shareholder to notify the Bank and Hong Kong Stock Exchange unless several criteria have been fulfilled, therefore the shareholder's latest shareholding in the Bank may be different from the shareholding filed with Hong Kong Stock Exchange.

Note (2): China State Shipbuilding Corporation Limited is interested in a total of 3,779,910,000 H shares (long position), of which 3,778,144,000 H shares (long position) are indirectly held by controlled corporations, namely China Shipbuilding Industry Corporation, China Shipbuilding & Offshore International Co., Limited, China Shipbuilding & Offshore International (H.K.) Co., Limited and China Shipbuilding Capital Limited through CSIC Investment One Limited as the beneficial owner, and 1,766,000 H shares (long position) are indirectly held by the controlled corporation China Shipbuilding Industry Corporation through China Shipbuilding Capital Limited as the beneficial owner.

Note (3): Shanghai International Port (Group) Co., Ltd. is interested in a total of 3,479,132,345 H shares (long position), of which 109,600,000 H shares (long position) are beneficially owned by it, 2,936,591,431 H shares (long position) are beneficially owned by the controlled corporation Shanghai International Port Group (HK) Co., Limited, and 432,940,914 H shares (long position) are indirectly held by the controlled corporation Shanghai International Port Group (HK) Co., Limited through Shanghai Port Group (BVI) Holding Co., Limited as the beneficially owner.

Note (4): Mr. Li Ka-Shing and Mr. Li Tzar Kuoi, Victor is each interested in a total of 2,267,364,000 H shares (long position), of which 1,108,228,000 H shares (long position) are beneficially owned by the controlled corporation Li Ka Shing (Canada) Foundation. The above 2,267,364,000 H shares (long position) are all unlisted derivatives delivered in kind.

Note (5): Li Lu is interested in the 1,274,411,000 H shares (long position) indirectly held by the controlled corporation LL Group, LLC through Himalaya Capital Investors, L.P. as the beneficiary owner. Himalaya Capital Management LLC is interested in the 1,274,411,000 H shares (long position) as the investment manager.

Note (6): BNP PARIBAS SA is deemed to be interested in a total of 1,559,594,232 H shares (long position) and 245,347,481 H shares (short position) as it controls several enterprises. Of which 1,297,692,946 H shares (long position) are available for lending. Besides, 184,012,413 H shares (long position) and 161,047,423 H shares (short position) involve derivative tools, of which 164,895,488 H shares (long position) and 56,232,568 H shares (short position) are listed derivatives of convertible instruments, and 19,116,925 H shares (long position) and 104,814,855 (short position) are unlisted derivatives delivered via cash.

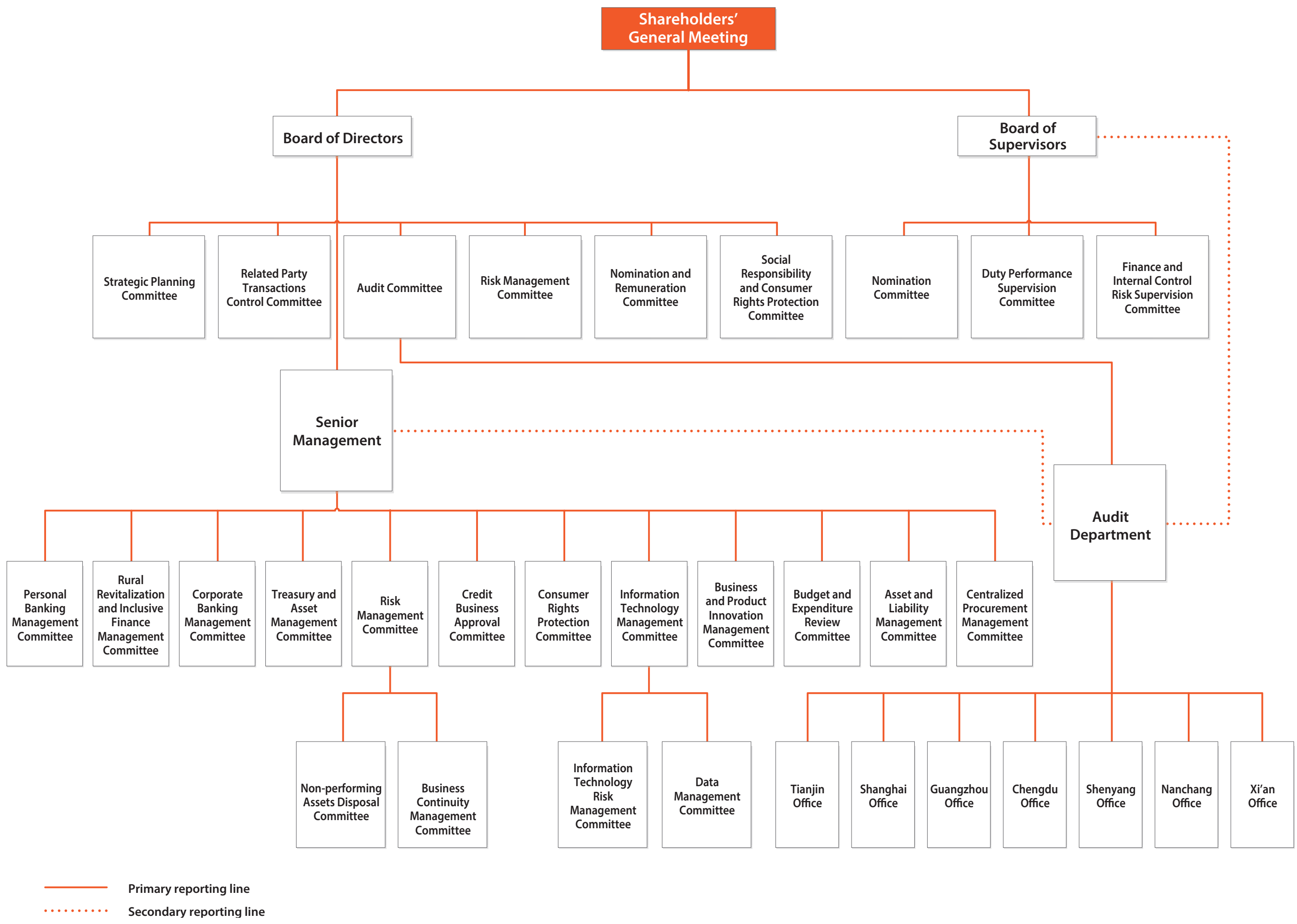
Issuance and Listing of Securities

Type of equity and derivative securities	Issuing date	Issue price (RMB/share)	Issuing quantity (share)	Listing date	Permitted trading volume (share)	Termination date of transaction
RMB ordinary shares	March 25, 2021	5.55	5,405,405,405	March 25, 2021	5,405,405,405	–

For details regarding the non-public issuance of A shares of the Bank, please refer to the "Changes in Ordinary Shares". For details of the issuance of other securities of the Bank during the reporting period, please refer to "Notes to the Consolidated Financial Statements – 32 Debt securities issued" and "Notes to the Consolidated Financial Statements – 34.2 Other equity instruments".

The Bank has no employee stocks.

Corporate Governance Chart



Corporate Governance Code

During the reporting period, the Bank strictly complied with laws and regulations, requirements for corporate governance in normative documents of the CBIRC, CSRC, SSE and other regulatory authorities as well as the principles and code provisions of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules. The Board of Directors of the Bank earnestly performed its corporate governance functions and assessed and improved the Bank's corporate governance on a continuous basis. The special committees under the Board of Directors performed their duties in strict compliance with the requirements for corporate governance.

Shareholders' Rights

Convening of an Extraordinary General Meeting

The Bank protects shareholders' rights strictly in compliance with the regulatory requirements and the Articles of Association. Shareholders who individually or jointly hold more than 10% of the total voting shares of the Bank (the "Requesting Shareholders") may propose to the Board of Directors to convene an extraordinary general meeting in writing. The Board of Directors shall reply in writing as to whether it agrees or refuses to convene such a meeting within 10 days upon receipt of the proposal in accordance with the laws, administrative regulations, ministerial rules and the Articles of Association.

If the Board of Directors agrees to convene an extraordinary general meeting, a notice of such a meeting shall be issued within 5 days after relevant resolution of the Board of Directors is passed. Consent of the Requesting Shareholders must be sought if there are any changes to the original proposal in the notice. If the Board of Directors does not agree to convene an extraordinary general meeting, or fails to reply within 10 days upon receipt of the proposal, the Requesting Shareholders have the right to propose to the Board of Supervisors to convene an extraordinary general meeting, and shall make such proposal to the Board of Supervisors in writing.

If the Board of Supervisors agrees to convene an extraordinary general meeting, a notice of such a meeting shall be issued within 5 days upon receipt of the proposal. Consent of the Requesting Shareholders must be sought if there are any changes to the original proposal in the notice.

If the Board of Supervisors does not issue the notice of the extraordinary general meeting within the prescribed period, it shall be deemed that such a meeting will not be convened or presided over by the Board of Supervisors, and shareholders individually or jointly holding more than 10% of the Bank's shares for over 90 consecutive days may convene and preside over the meeting on their own initiative.

Convening of an Extraordinary Board Meeting

The Requesting Shareholders are entitled to propose the convening of an extraordinary board meeting to the Chairman of the Board of Directors. The Chairman should convene and chair the extraordinary board meeting within ten days upon receipt of the proposal.

Enquiries to the Board of Directors

Shareholders of the Bank may put enquiries to the Board of Directors and have the right to obtain relevant information in accordance with the laws, administrative regulations, ministerial rules and provisions of the Articles of Association, including the Articles of Association of the Bank, the status of the share capital, the latest audited financial statement, the report of the Board of Directors, the report of the Board of Supervisors, the minutes of the Shareholders' General Meeting, and other relevant information. Shareholders who request to review the relevant information or obtain such materials shall provide the Bank with written documents evidencing the class and number of shares held by them in the Bank, and the Bank shall provide such information or materials as requested upon verification of such shareholders' identities. The Office of the Board of Directors shall be responsible for assisting the Board of Directors with its daily matters. If shareholders have any enquiries, please contact the Office of the Board of Directors.

Proposals to the Shareholders' General Meeting

Pursuant to the Articles of Association, shareholders who individually or jointly hold more than 3% of the total voting shares of the Bank (the "Proposing Shareholders") shall have the right to submit proposals to the Shareholders' General Meeting. Shareholders holding individually or jointly more than 1% of the total voting shares of the Bank may propose Independent Non-executive Director candidates and External Supervisor candidates to the Shareholders' General Meeting. The Proposing Shareholders shall have the right to submit interim proposals to the convener in writing ten days before the Shareholders' General Meeting. The convener shall within two days upon receipt of such proposals give a supplemental notice on the Shareholders' General Meeting.

Proposals to the Board of Directors

The Requesting Shareholders are entitled to submit proposals to the Board of Directors.

Special Provisions for Preference Shareholders

In the following circumstances, preference shareholders of the Bank have the right to attend the Shareholders' General Meeting and exercise voting rights: (1) amendments to the Articles of Association of the Bank relating to preference shares; (2) the reduction of the registered capital of the Bank by more than 10% at a time or cumulatively; (3) merger, division and dissolution or change of corporate form of the Bank; (4) issuance of preference shares by the Bank; and (5) other circumstances as stipulated by laws, administrative regulations, ministerial rules and the Articles of Association of the Bank.

In the event of any of the above, the Bank shall notify the preference shareholders of convening a Shareholders' General Meeting and comply with the prescribed procedures for notifying ordinary shareholders set forth in the Articles of Association of the Bank. The preference shareholders shall vote with the ordinary shareholders as separate classes of shares in respect of the above matters, and each preference share represents one voting right, but the preference shares held by the Bank shall not have voting rights.

Where the Bank fails to pay dividends for preference shares as agreed for three cumulative accounting years in total or two consecutive accounting years, the preference shareholders shall have the right to attend the Shareholders' General Meeting and vote together with the ordinary shareholders from the next day following the date of approval of the proposal on not paying the agreed dividend for the year by the Shareholders' General Meeting. The voting rights of the preference shareholders of the Bank shall be temporarily restored until the full payment of the agreed dividend for the year by the Bank.

Shareholders' General Meetings

During the reporting period, the Bank held one Annual General Meeting and one Extraordinary General Meeting in total, with 15 proposals reviewed and approved and three reports heard. Details are as follows:

Meeting	Date	Websites for publishing announcements	Disclosure date	Meeting resolutions
2021 First Extraordinary General Meeting	April 29, 2021	The announcement on resolutions is published on the websites of SSE (www.sse.com.cn), Hong Kong Stock Exchange (www.hkexnews.hk) and the Bank (www.psbc.com) on April 29, 2021.	April 29, 2021	See the Announcement on Poll Results of the 2021 First Extraordinary General Meeting
2020 Annual General Meeting	June 29, 2021	The announcement on resolutions is published on the websites of SSE (www.sse.com.cn), Hong Kong Stock Exchange (www.hkexnews.hk) and the Bank (www.psbc.com) on June 29, 2021.	June 29, 2021	See the Announcement on Poll Results of the 2020 Annual General Meeting

On April 29, 2021, the Bank held the First Extraordinary General Meeting of 2021 in Beijing, and reviewed and approved seven proposals, namely the proposal regarding the amendments to the Articles of Association, the proposal regarding the formulation of the measures for equity management of Postal Savings Bank of China, the proposal regarding the issuance of write-down qualified Tier 2 capital instruments by the Bank, the proposal regarding the re-election of Mr. Han Wenbo as Non-executive Director of the Bank and the proposals regarding the election of Mr. Chen Donghao and Mr. Wei Qiang as Non-executive Directors of the Bank.

On June 29, 2021, the Bank held the Annual General Meeting for the Year 2020 in Beijing, reviewed and approved 8 proposals including the proposals on the final financial accounts for 2020, the profit distribution plan for 2020, the election of Mr. Liu Jianjun as the Executive Director of the Bank and others, and heard three reports including the 2020 work report of independent directors, the report on the implementation of the Plan on Authorization of the Shareholders' General Meeting to the Board of Directors of the Bank for 2020 and the special report on connected transactions of the Bank in 2020.

The aforementioned Shareholders' General Meetings were convened and held in strict accordance with relevant laws and regulations and the listing rules of the Chinese mainland and Hong Kong. Directors, Supervisors and senior management members of the Bank attended the meetings and exchanged views with shareholders on their concerns. The Bank issued announcements on the resolutions of the above-mentioned Shareholders' General Meetings and legal opinions in a timely manner in accordance with the regulatory requirements. For details, please refer to the announcements of the Bank dated April 29 and June 29, 2021 respectively.

In order to protect the rights to know, participate and make decisions of minority shareholders, the Shareholders' General Meeting was held in the form of on-site meeting, and online voting for A-shares was provided to meet the requirements of normalized epidemic prevention and control while promoting in-depth communication and exchange with shareholders and effectively protecting the rights and interests of minority shareholders.

Directors, Supervisors and Senior Management

Basic Information

Name	Title	Gender	Date of birth	Tenure		
Directors						
Zhang Jinliang	Chairman	Male	November 1969	May 2019	–	May 2022
	Non-executive Director			May 2019	–	May 2022
Liu Jianjun	Executive Director	Male	August 1965	August 2021	–	July 2024
	President			August 2021	–	
Zhang Xuewen	Executive Director	Male	November 1962	January 2013	–	October 2022
	Vice President			January 2013	–	
Yao Hong	Executive Director	Female	October 1966	August 2016	–	October 2022
	Vice President			December 2006	–	
Han Wenbo	Non-executive Director	Male	December 1966	May 2017	–	April 2024
Chen Donghao	Non-executive Director	Male	June 1964	July 2021	–	July 2024
Wei Qiang	Non-executive Director	Male	August 1963	May 2021	–	May 2024
Liu Yue	Non-executive Director	Male	March 1962	December 2017	–	December 2023
Ding Xiangming	Non-executive Director	Male	October 1968	October 2017	–	December 2023
Fu Tingmei	Independent Non-executive Director	Male	May 1966	August 2016	–	August 2022
Wen Tiejun	Independent Non-executive Director	Male	May 1951	October 2019	–	October 2022
Chung Shui Ming Timpson	Independent Non-executive Director	Male	November 1951	October 2019	–	October 2022
Hu Xiang	Independent Non-executive Director	Male	November 1975	October 2017	–	October 2023
Pan Yingli	Independent Non-executive Director	Female	June 1955	December 2019	–	December 2022
Supervisors						
Chen Yuejun	Chairman of the Board of Supervisors	Male	June 1965	January 2013	–	October 2022
	Shareholder Representative Supervisor			December 2012	–	October 2022
Zhao Yongxiang	Shareholder Representative Supervisor	Male	February 1964	May 2016	–	October 2022
Wu Yu	External Supervisor	Male	January 1966	May 2016	–	May 2022
Bai Jianjun	External Supervisor	Male	July 1955	October 2019	–	October 2022
Chen Shimin	External Supervisor	Male	July 1958	December 2019	–	December 2022
Li Yue	Employee Supervisor	Male	March 1972	December 2012	–	May 2022
Bu Dongsheng	Employee Supervisor	Male	September 1965	May 2017	–	May 2023
Gu Nannan	Employee Supervisor	Male	July 1969	June 2021	–	June 2024

Name	Title	Gender	Date of birth	Tenure		
Senior Management Members						
Liu Jianjun	See "Directors" above					
Zhang Xuewen	See "Directors" above					
Yao Hong	See "Directors" above					
Qu Jiawen	Vice President	Male	April 1963	January 2013	–	
Xu Xueming	Vice President	Male	July 1967	January 2013	–	
Shao Zhibao	Vice President	Male	June 1962	January 2013	–	
Du Chunye	Vice President	Male	May 1977	July 2020	–	
	Secretary to the Board of Directors			April 2017	–	
	Joint Company Secretary			March 2017	–	
Tang Junfang	Secretary of the Discipline Inspection Committee	Female	January 1968	May 2020	–	
Liang Shidong	Chief Risk Officer	Male	January 1977	February 2020	–	
Niu Xinzhuang	Chief Information Officer	Male	July 1976	July 2020	–	
Resigned Personnel						
Guo Xinshuang	Former Executive Director	Male	November 1963	April 2020	–	January 2021
	Former President			February 2020	–	January 2021
Liu Yaogong	Former Non-executive Director	Male	August 1967	May 2017	–	January 2021
Li Yujie	Former Shareholder Representative Supervisor	Male	November 1961	May 2016	–	January 2022
Song Changlin	Former Employee Supervisor	Male	September 1965	March 2016	–	June 2021

Note (1): During the reporting period, none of the Directors, Supervisors and senior management members of the Bank held any share options or were granted restricted shares of the Bank.

Positions Taken by Directors, Supervisors and Senior Management Members at Shareholders' Companies

Name	Name of company	Major titles	Tenure
Zhang Jinliang	China Post Group	Board Member, President	August 2018 to present
Liu Jianjun	China Post Group	Vice President	May 2021 to present
Zhang Xuewen	China Post Group	Assistant President	February 2022 to present
Han Wenbo	China Post Group	Board Member	February 2021 to present
Chen Donghao	China Post Group	Board Member	February 2021 to present
Liu Yue	CSSC	Chairman of the Board of Directors of China Shipbuilding Capital Limited	January 2016 to present
Ding Xiangming	SIPG	Vice President and Secretary to the Board of Directors	December 2014 to present
Zhao Yongxiang	China Post Group	Managing Director and Inspection Commissioner of Discipline Inspection Office of the Leading Party Members' Group	May 2020 to present

Note (1): Save as disclosed above, none of the existing Directors, Supervisors and senior management members of the Bank took positions in shareholders' companies in 2021.

Remuneration of Directors, Supervisors and Senior Management Members Paid in 2021

In RMB10,000

Name	Title	Fees (1)	Remuneration paid (2)	Contribution by the employer to social insurance, housing provident fund, enterprise annuity, etc. (3)	Total (4)=(1)+(2)+(3)	Obtain remuneration from shareholders' companies or other related parties or not during the tenure in 2021
Zhang Jinliang	Chairman, Non-executive Director	–	–	–	–	Yes
Liu Jianjun	Executive Director, President	–	–	–	–	Yes
Zhang Xuewen	Executive Director, Vice President	–	53.67	22.73	76.40	No
Yao Hong	Executive Director, Vice President	–	50.97	22.26	73.23	No
Han Wenbo	Non-executive Director	–	–	–	–	Yes
Chen Donghao	Non-executive Director	–	–	–	–	Yes
Wei Qiang	Non-executive Director	–	–	–	–	Yes
Liu Yue	Non-executive Director	–	–	–	–	Yes
Ding Xiangming	Non-executive Director	–	–	–	–	Yes
Fu Tingmei	Independent Non-executive Director	34.80	–	–	34.80	Yes
Wen Tiejun	Independent Non-executive Director	34.80	–	–	34.80	No
Chung Shui Ming Timpson	Independent Non-executive Director	34.80	–	–	34.80	Yes
Hu Xiang	Independent Non-executive Director	34.80	–	–	34.80	Yes
Pan Yingli	Independent Non-executive Director	34.80	–	–	34.80	Yes
Chen Yuejun	Chairman of the Board of Supervisors, Shareholder Representative Supervisor	–	52.14	22.77	74.91	No
Zhao Yongxiang	Shareholder Representative Supervisor	–	–	–	–	Yes
Wu Yu	External Supervisor	30.00	–	–	30.00	Yes
Bai Jianjun	External Supervisor	30.00	–	–	30.00	Yes
Chen Shimin	External Supervisor	30.00	–	–	30.00	Yes
Li Yue	Employee Supervisor	–	–	–	–	No
Bu Dongsheng	Employee Supervisor	–	–	–	–	No
Gu Nannan	Employee Supervisor	–	–	–	–	No
Qu Jiawen	Vice President	–	50.91	22.44	73.35	No
Xu Xueming	Vice President	–	50.91	22.11	73.02	No
Shao Zhibao	Vice President	–	50.91	23.14	74.05	No
Du Chunye	Vice President, Secretary to the Board of Directors, Joint Company Secretary	–	50.91	19.82	70.73	No
Tang Junfang	Secretary of the Discipline Inspection Committee	–	48.15	17.67	65.82	No
Liang Shidong	Chief Risk Officer	–	80.00	17.88	97.88	No
Niu Xinzhuang	Chief Information Officer	–	80.00	18.10	98.10	No
Resigned Personnel						
Guo Xinshuang	Former Executive Director, President	–	–	–	–	Yes
Liu Yaogong	Former Non-executive Director	–	–	–	–	Yes
Li Yujie	Former Shareholder Representative Supervisor	–	–	–	–	Yes
Song Changlin	Former Employee Supervisor	–	–	–	–	No

Note (1): In accordance with the relevant requirements, the final remuneration payable to Directors, Supervisors and senior management members of the Bank is still subject to confirmation, and additional details of remuneration will be disclosed upon confirmation.

Note (2): Mr. Zhang Jinliang, Non-executive Director and Chairman of the Bank, held positions at and received remuneration from China Post Group Corporation Limited, the controlling shareholder of the Bank, and did not receive any remuneration from the Bank.

Note (3): Mr. Liu Jianjun, Executive Director and President of the Bank, held positions at and received remuneration from China Post Group Corporation Limited, the controlling shareholder of the Bank, and did not receive any remuneration from the Bank.

Note (4): Mr. Han Wenbo, Mr. Chen Donghao, Mr. Wei Qiang, Mr. Liu Yue and Mr. Ding Xiangming, Non-executive Directors of the Bank, did not receive any remuneration from the Bank.

Note (5): Mr. Zhao Yongxiang, Shareholder Representative Supervisor of the Bank, did not receive any remuneration from the Bank.

Note (6): Employee Supervisors of the Bank did not receive remuneration from the Bank as Employee Supervisors, and the remuneration due to them as employees of the Bank is not included here.

Note (7): Mr. Guo Xinshuang, former Executive Director and President of the Bank, received remuneration from China Post Group Corporation Limited, the controlling shareholder of the Bank, and did not receive any remuneration from the Bank.

Note (8): Mr. Liu Yaogong, former Non-executive Director of the Bank, did not receive any remuneration from the Bank.

Note (9): Mr. Li Yujie, former Shareholder Representative Supervisor of the Bank, did not receive any remuneration from the Bank.

Note (10): Mr. Song Changlin, former Employee Supervisor of the Bank, did not receive remuneration from the Bank as Employee Supervisor, and the remuneration due to him as employee of the Bank is not included here.

Biographies of Directors, Supervisors and Senior Management Members

Biographies of Directors

Zhang Jinliang, Chairman and Non-executive Director

Zhang Jinliang, male, obtained a doctor's degree in Economics from Xiamen University. He is a Certified Public Accountant and holds the title of Senior Accountant. Mr. Zhang has served as Chairman and Non-executive Director of the Bank since May 2019. He previously served as Deputy General Manager of the Finance and Accounting Department, Head of IT Blueprint Implementation Office, General Manager of the Financial Management Department, President of Beijing Branch of Bank of China, and Vice President of Bank of China; Executive Director of China Everbright Group, and Executive Director and President of China Everbright Bank. Mr. Zhang currently serves as Board Member and President of China Post Group Corporation Limited.

Liu Jianjun, Executive Director and President

Liu Jianjun, male, obtained a master's degree in Economics from Dongbei University of Finance and Economics and holds the title of Senior Economist. Mr. Liu Jianjun began to serve as Executive Director and President of the Bank since August 2021. He previously served as Deputy General Manager of Weifang Branch and Jinan Branch as well as the General Manager of Dezhou Branch under Shandong Branch of China Construction Bank; Deputy General Manager of Jinan Branch of China Merchants Bank, General Manager of the Retail Banking Department, General Manager of the Retail Management Department, Business Executive of the Head Office and Senior Executive Vice President of the General Office of Retail Finance, Director of the Credit Card Center of China Merchants Bank, Executive Director, Executive Vice President and Secretary of the Board of Directors of China Merchants Bank. He is now Vice President of China Post Group Corporation Limited.

Zhang Xuewen, Executive Director and Vice President

Zhang Xuewen, male, obtained a doctor's degree in Economics from Dongbei University of Finance and Economics and holds the title of Senior Economist. Mr. Zhang has served as Executive Director and Vice President of the Bank since January 2013. He previously served as Deputy Director of the Internal Trade Division II of the Trade Finance Department of the MOF, Deputy Director of the Grain Division of the Economy and Trade Department of the MOF, Deputy Director and Director of the Grain Division of the Economic Construction Department of the MOF, and Deputy Director General of the Economic Construction Department of the MOF. Mr. Zhang concurrently serves as Deputy Chairman of the Rural Social Insurance Commission of China Social Insurance Association, and Deputy Chairman of the Banking Accounting Society of China. He is now Assistant President of China Post Group Corporation Limited.

Yao Hong, Executive Director and Vice President

Yao Hong, female, obtained a master's degree in Management from Hunan University and holds the title of Senior Economist. Ms. Yao has served as Vice President and Executive Director of the Bank since December 2006 and August 2016 respectively. She previously served as Deputy Director of the Savings Business Division under the Postal Savings and Remittance Bureau of the Ministry of Posts and Telecommunications, and Director of the Savings Business Division and Associate Director General of the Postal Savings and Remittance Bureau of the State Post Bureau.

Han Wenbo, Non-executive Director

Han Wenbo, male, obtained a doctor's degree in Management from Northeast Agricultural University and holds a PRC lawyer's license and the title of Economist. Mr. Han has served as Non-executive Director of the Bank since May 2017 and has served as Board Member of China Post Group since February 2021. He previously served as Deputy Director of General Office and Assistant Ombudsman of Heilongjiang Fiscal Ombudsman Office of the Ministry of Finance (MOF), Assistant Ombudsman of Beijing Fiscal Ombudsman Office of the MOF, Vice Ombudsman of Sichuan Fiscal Ombudsman Office of the MOF, Vice Ombudsman of Beijing Fiscal Ombudsman Office of the MOF, and Deputy Director (Deputy Director General level) and Director (Director General level) of the General Office of the Inspection Work Leadership Group of the MOF.

Chen Donghao, Non-executive Director

Chen Donghao, male, graduated from Renmin University of China with a bachelor's degree in law. Mr. Chen has served as Non-executive Director of the Bank since July 2021 and the Director of China Post Group since February 2021. Mr. Chen served as Deputy Director of Division II, Deputy Director and Director of the General Office, Director of Division IV of the Department of Treaty and Law, Deputy Chief of the Department of Tax Policy of the Ministry of Finance, etc.

Wei Qiang, Non-executive Director

Wei Qiang, male, graduated from Party School of the Central Committee of the Communist Party of China and holds the title of Senior Auditor. Mr. Wei has served as Non-executive Director of the Bank since May 2021. He served as teacher and the deputy chief of the finance department of Sichuan Post and Telecommunication College, deputy chief staff member, chief staff member, Deputy Director and Deputy Director (presiding over work) of the Public Finance Audit Division, Director of the Financial Audit Division I of the Chengdu Regional Office of the National Audit Office, Assistant Commissioner and Deputy Commissioner of Changsha Regional Office, Deputy Commissioner of Chengdu Regional Office, Deputy Commissioner (presiding over work) and Commissioner of Lanzhou Regional Office, Head of the Department of Enterprise Audit, Director of the General Office, Director of the Training Center (Audit Communication Center), Head of the Department of Public Finance Audit of the National Audit Office, etc.

Liu Yue, Non-Executive Director

Liu Yue, male, obtained a doctor's degree in Engineering from Harbin Engineering University and holds the title of Senior Engineer. Mr. Liu has served as Non-executive Director of the Bank since December 2017. He previously served as an engineer and Deputy Director of Comprehensive Planning Bureau of China State Shipbuilding Corporation, Deputy Director of Science, Technology and Quality Control Department of China National Space Administration, Board Secretary, Director and Executive Director of CSIC Science & Technology Investment & Development Co., Ltd., Assistant Director, Deputy Director and Director of Planning and Development Department and Chief Economist of China Shipbuilding Industry Corporation. Mr. Liu currently serves as Chairman of China Shipbuilding Capital Limited.

Ding Xiangming, Non-Executive Director

Ding Xiangming, male, obtained an MBA degree from Shanghai Maritime University, and holds the title of Senior Economist and Engineer. Mr. Ding has served as Non-executive Director of the Bank since October 2017. He previously served as Technical Management Director of Jungonglu Wharf Technology Department, Equipment Director of Baoshan Wharf Technology Department, Technical Support Director of Engineering Technology Department, Business Management Director of General Manager Office of Shanghai Container Terminal Co., Ltd., Assistant Manager of Investment Management Department of Shanghai Port Container Co., Ltd., Manager of Project Development Office, and Deputy General Manager and General Manager of Investment and Development Department of Shanghai International Port (Group) Co., Ltd. ("SIPG"). Mr. Ding currently serves as Vice President and Board Secretary of SIPG.

Fu Tingmei, Independent Non-executive Director

Fu Tingmei, male, obtained a doctor's degree in Philosophy from the University of London in United Kingdom. Mr. Fu has served as Independent Non-executive Director of the Bank since August 2016. He previously served as Director of Peregrine Capital Limited, Managing Director of BNP Paribas Peregrine Capital Limited, Consultant (part-time) to the Central Policy Unit of the Government of the Hong Kong Special Administrative Region, Independent Non-executive Director of Beijing Enterprises Holdings Limited and CPMC Holdings Limited. Mr. Fu currently serves as Independent Non-executive Director of Guotai Junan International Holdings Limited, COFCO Joycome Foods Limited and China Resources Pharmaceutical Group Limited.

Wen Tiejun, Independent Non-executive Director

Wen Tiejun, male, obtained a doctor's degree in Management from China Agricultural University. Mr. Wen has served as Independent Non-executive Director of the Bank since October 2019. He previously served as an assistant researcher of the Rural Development Research Center of the State Council, a researcher of the Research Center for Rural Economy of the Ministry of Agriculture, Deputy Secretary General of the China Society of Economic Reform, Dean of School of Agricultural Economics and Rural Development at Renmin University of China, and Independent Non-executive Director of Agricultural Bank of China Limited. Mr. Wen currently serves as Executive Dean of Institute of Rural Reconstruction of China at Southwest University, a member of the National Environment Advisory Committee, a member of the Committee of Experts on Food Security, as well as a provincial and ministerial-level adviser and policy advisory expert of the Ministry of Commerce, the Ministry of Civil Affairs, the National Forestry and Grassland Administration, Beijing Municipality and Fujian Province of the PRC.

Chung Shui Ming Timpson, Independent Non-executive Director

Chung Shui Ming Timpson, male, obtained an MBA degree from the Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, and received the title of Justice of the Peace from the HKSAR Government in 1998 and was awarded the Gold Bauhinia Star by the HKSAR Government in 2000. Mr. Chung has served as Independent Non-executive Director of the Bank since October 2019. He previously served as Senior Auditing Director of Coopers & Lybrand, Chairman of the Management Board of the City University of Hong Kong, Chief Executive Officer of Shimao International Holdings Ltd., Chairman of the Hong Kong Housing Society, a member of the HKSAR Executive Council, Chief Executive Officer of HKSAR Government Land Fund Trust, and Independent Non-executive Director of Nine Dragons Paper (Holdings) Limited, Henderson Land Development Co., Ltd., China Everbright Bank Co., Ltd., China Construction Bank Corporation, Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited, Glorious Sun Enterprises Limited, etc. He currently serves as Independent Non-executive Director of China Unicom (Hong Kong) Limited, Miramar Hotel and Investment Company Limited, China Overseas Grand Oceans Group Ltd., China Everbright Limited, China Railway Group Limited and Orient Overseas (International) Limited.

Hu Xiang, Independent Non-executive Director

Hu Xiang, male, obtained a master's degree in Economics from the Graduate School of the PBOC. Mr. Hu has served as Independent Non-executive Director of the Bank since October 2017. He previously served as Principal Staff Member of Entrusted Investment Division of Investment Department and Deputy Director (presiding over the work) of Share Transfer Division of Overseas Investment Department of National Council for Social Security Fund, Deputy General Manager of Penghua Fund Management Co., Ltd., and Director of Shanghai Zhitong Construction Development Co., Ltd. Mr. Hu currently serves as Chairman and General Manager of Great Wheel Asset Management Company Zhejiang, Director of World Transmission Technology (Tianjin) Co., Ltd., Independent Director of New China Fund Management Co., Ltd. and Chairman of Shanghai TURIN Chi Robot Co., Ltd.

Pan Yingli, Independent Non-executive Director

Pan Yingli, female, obtained a doctor's degree in World Economics from East China Normal University. Ms. Pan has served as Independent Non-executive Director of the Bank since December 2019. She previously served as associate professor, professor and tutor of doctorate candidates in East China Normal University, an invited expert of Shanghai Municipal Government on decision-making consultation, as well as an Independent Non-executive Director of China Merchants Bank Co., Ltd. Ms. Pan currently serves as Director of Research Center for Global Finance at Shanghai Jiao Tong University, professor in Finance at Antai College of Economics and Management of Shanghai Jiao Tong University, Chief Expert of the Decision-making Consultation Research Base Pan Yingli Studio of Shanghai Municipal Government, Independent Non-executive Director of Pujiang International Group Limited and Independent Director of Asia Cuanon Technology (Shanghai) Co., Ltd.

Biographies of Supervisors

Chen Yuejun, Chairman of the Board of Supervisors and Shareholder Representative Supervisor

Chen Yuejun, male, obtained a doctor's degree in Economics from the Southwestern University of Finance and Economics, and holds the title of Senior Economist. Mr. Chen has served as Chairman of the Board of Supervisors of the Bank since January 2013. He previously served as Deputy Director and Director of the Audit and Supervision Bureau and Bank Supervision Department I of the PBOC, Deputy Chief of the Sichuan Regulatory Bureau of CBRC, Deputy Director of the Banking Regulatory Department IV of CBRC, and Director (Director General level) of the Financial Work Office of the People's Government of Sichuan Province.

Zhao Yongxiang, Shareholder Representative Supervisor

Zhao Yongxiang, male, obtained a master's degree in Engineering from Beijing University of Posts and Telecommunications and holds the title of Senior Economist. Mr. Zhao has served as Shareholder Representative Supervisor of the Bank since May 2016. He previously served as Deputy Chief of Hebei Shijiazhuang Municipal Post Bureau, Deputy Director of the Planning and Finance Department of the State Post Bureau, Deputy Chief (presiding over the work) and Chief of Hebei Shijiazhuang Municipal Post Bureau, Assistant Counsel of Hebei Post Bureau, Assistant Counsel of Hebei Post Company, Deputy General Manager of the Finance Department, and Director General of the Audit Bureau of China Post Group and Supervisor of Beijing Ule E-Commerce Company Limited. Mr. Zhao currently serves as Managing Director and Inspection Commissioner of Discipline Inspection Office of the Leading Party Members' Group of China Post Group. He concurrently serves as Chairman of the Board of Supervisors of Hunan Copote Science & Technology Co., Ltd. and Chairman of the Board of Supervisors of China Post & Capital Fund Management Co., Ltd.

Wu Yu, External Supervisor

Wu Yu, male, obtained a bachelor's degree in Law from Renmin University of China and holds the title of Senior Editor. Mr. Wu has served as External Supervisor of the Bank since May 2016. He previously served as Chief Editor of Entrepreneurship Weekly Publication, Deputy Director of Chief Editor Office and Director (Deputy Director General level) of Finance News Department at Economic Daily Press, Senior Vice President and Director of ChemChina Asset Management Co., Ltd., and Director of Sichuan Tianyi Science & Technology Co., Ltd. (now Haohua Chemical Technology Group Co., Ltd.) and Vice Chairman of Investment Association of Central SOEs. He currently served as General Manager of Yunnan Jinggu Forestry Company Limited.

Bai Jianjun, External Supervisor

Bai Jianjun, male, obtained a master's degree and doctor's degree in Law from Peking University. Mr. Bai has served as External Supervisor of the Bank since October 2019. He previously served as a professor and tutor of doctorate candidates in Peking University Law School, Director of the Research Institute of Empirical Legal Affairs of Peking University, Deputy Director of the Financial Law Research Center of Peking University, a visiting researcher in New York University in the USA, a visiting professor in Niigata University in Japan, External Supervisor of China Construction Bank Corporation, and Independent Director of Beijing Boya-Yingjie Science & Technology Co., Ltd. Mr. Bai currently serves as Independent Non-executive Director of China Securities Co., Ltd., and Independent Director of Sichuan Xinwang Bank Co., Ltd.

Chen Shimin, External Supervisor

Chen Shimin, male, obtained a bachelor's degree and a master's degree in Economics from Shanghai University of Finance and Economics, a doctor's degree in Accounting from the University of Georgia in the USA, and is a Certified Management Accountant in the USA. Mr. Chen has served as External Supervisor of the Bank since December 2019. He previously served as Sub-dean and Curriculum Director of the master's degree programme of business administration of China Europe International Business School, and External Supervisor of Shanghai Pudong Development Bank Co., Ltd. He currently serves as a professor of Accounting and Director of the Case Center in China Europe International Business School, as well as Independent Director of Anxin Trust Co., Ltd., Yincheng International Holding Co., Ltd., Sun. King Power Electronics Group Limited, Advanced Micro-Fabrication Equipment (Shanghai) Inc. China, Huaxia Happiness Foundation Co., Ltd. and China Guangfa Bank Co., Ltd.

Li Yue, Employee Supervisor

Li Yue, male, obtained a bachelor's degree in Arts from Heilongjiang University and holds the title of Senior Corporate Culture Specialist. Mr. Li has served as Employee Supervisor of the Bank since December 2012. He previously served as Project Manager of the Investment Attraction Bureau, Deputy Director and Director of Beijing Liaison Office of Jiangsu Nantong Economic & Technological Development Area, Deputy Director of Beijing Liaison Office of Nantong People's Government of Jiangsu Province, as well as Deputy Director (presiding over the work) of Party and Masses' Affairs Department, Deputy Director of Inspection and Supervision Department, Director of Party and Masses' Affairs Department and Director of Party Committee and Party Building Department of the Bank. He currently serves as Director of Party Building Department, Deputy Secretary to the Party Committee, Secretary of the Party Discipline Inspection Committee and Chairman of the Labour Union of the Head Office of the Bank.

Bu Dongsheng, Employee Supervisor

Bu Dongsheng, male, graduated from the Party School of Liaoning Provincial Committee. Mr. Bu has served as Employee Supervisor of the Bank since May 2017. He previously served as Deputy Director and Director of the Business Division II, Director of the Division IV and Director of the Division II of the Liaoning Fiscal Ombudsman Office of the Ministry of Finance, Vice President of Liaoning Branch, the person in charge of the Audit Office and the President of Hubei Branch of the Bank. He currently serves as President of Anhui Branch of the Bank.

Gu Nannan, Employee Supervisor

Gu Nannan, male, obtained a master's degree in Management from the Australian National University and holds the title of Senior Economist. Mr. Gu has served as Employee Supervisor of the Bank since June 2021. He served as Deputy Director of Personnel and Education Department and Deputy Director of Organization Department of the Party Committee of Beijing Municipal Postal Administration, General Manager of the Human Resources Department of the Beijing Branch of the Bank, Deputy General Manager of the Human Resources Department, Deputy General Manager (presiding over the work) of Office of the Board of Directors and General Manager of Office of the Board of Directors of the Bank. Mr. Gu Nannan currently serves as General Manager of the Office of the Board of Supervisors of the Bank.

Biographies of Senior Management

Liu Jianjun, Executive Director and President

For the biography of Liu Jianjun, please refer to the aforesaid section "Biographies of Directors".

Zhang Xuewen, Executive Director and Vice President

For the biography of Zhang Xuewen, please refer to the aforesaid section "Biographies of Directors".

Yao Hong, Executive Director and Vice President

For the biography of Yao Hong, please refer to the aforesaid section "Biographies of Directors".

Qu Jiawen, Vice President

Qu Jiawen, male, obtained a doctor's degree in Engineering from Harbin Engineering University. He holds the title of professor-level Senior Engineer and is entitled to special government allowance granted by the State Council. Mr. Qu has served as Vice President of the Bank since January 2013. He previously served as Deputy Director of the Planning and Construction Division under Heilongjiang Posts and Telecommunications Administration Bureau, Deputy Director and Director of the Engineering Construction Division, Director of the Network Planning and Cooperation Division, Director of Science & Technology Division, Associate Chief and Deputy Chief of Heilongjiang Post Bureau, Deputy General Manager of Heilongjiang Post Company, and President of Heilongjiang Branch of the Bank. He concurrently serves as Deputy Chairman of the 3rd Payment & Clearing Association of China, Director of China UnionPay and Vice Chairman of China Financial Photographers Association.

Xu Xueming, Vice President

Xu Xueming, male, obtained an Executive Master's degree of Business Administration from Peking University and holds the title of Senior Economist. Mr. Xu has served as Vice President of the Bank since January 2013. He previously served as Deputy Chief of Beijing Postal Savings and Remittance Bureau, Director of the Public Service Division of the Beijing Postal Administration Bureau, Chief of Beijing Western Post Bureau, Deputy Chief of Beijing Postal Administration Bureau, Deputy General Manager of Beijing Post Company, President of Beijing Branch and Secretary to the Board of Directors of the Bank. He concurrently serves as Director of China Post Securities Co., Ltd. and Director of China Bankers Institute of China Banking Association.

Shao Zhibao, Vice President

Shao Zhibao, male, obtained an Executive Master's degree of Business Administration from Jinan University and holds the title of Senior Accountant. Mr. Shao has served as Vice President of the Bank since January 2013 and has concurrently served as President of the Sannong Finance Department of the Bank since September 2016. He previously served as Associate General Manager and Deputy General Manager of Guangdong Southern Communication Group Company, Deputy Director and Director of the Planning and Finance Division, Associate Chief and Deputy Chief of Guangdong Post Bureau, Deputy General Manager of Guangdong Post Company, and President of Guangdong Branch of the Bank. He concurrently serves as Deputy Chairman of the Board of the Internet Society of China, an executive member of the Board of the National Internet Finance Association, and Director of Ule Holdings Company.

Du Chunye, Vice President, Secretary to the Board of Directors and Joint Company Secretary

Du Chunye, male, obtained a master's degree in Business Administration from Beijing University of Posts and Telecommunications and holds the title of Senior Economist. Mr. Du has served as Joint Company Secretary of the Bank since March 2017, Secretary to the Board of Directors of the Bank since April 2017, President of Beijing Branch of the Bank since December 2019, and Vice President of the Bank since July 2020. He previously served as Deputy Manager, Senior Business Manager and Manager of the General Manager's Office of China Post Group, as well as General Manager of the General Office, Vice President of Beijing Branch and President of Shenzhen Branch of the Bank.

Tang Junfang, Secretary of the Discipline Inspection Committee

Tang Junfang, female, holds a bachelor's degree in Economics from Beijing University of Posts and Telecommunications and a master's degree in Business Administration from Nanjing University – Maastricht School of Management and holds the title of Senior Economist. Ms. Tang served as Secretary of the Discipline Inspection Committee of the Bank since May 2020. She previously served as the Deputy Director and Secretary of the Discipline Inspection Committee of Nanjing Post Bureau in Jiangsu Province, General Manager of the Market Operation Department and the Human Resources Department of Jiangsu Post Company, leader of the Discipline Inspection Team in Jiangxi Branch of China Post Group, leader of Nanjing sub-team of the Discipline Inspection Team under China Post Group, Director of the Nanjing Sub-bureau under the Supervision Bureau of China Post Group, Secretary of the Discipline Inspection Committee of Shanghai Branch of China Post Group, etc.

Liang Shidong, Chief Risk Officer

Liang Shidong, male, obtained a doctor's degree in Management from University of Science and Technology of China and holds the title of Researcher. He has served as General Manager of the Risk Management Department of the Bank since January 2020, Chief Risk Officer of the Bank since February 2020 and Chairman of YOU^{+} BANK since December 2021. Mr. Liang previously served as Deputy Director and Director of the Risk Management Department of China Construction Bank, Deputy Director General of the Financial Stability Bureau of the PBOC, a member of the CPC committee of National Association of Financial Market Institutional Investors, and Director of CNIC Corporation Limited. He used to be a member of the Policy Development Committee of the Basel Committee on Banking Supervision (BCBS) and a member of the Steering Committee of the Financial Stability Board (FSB). Mr. Liang previously served as a member of the 12th committee of All-China Youth Federation.

Niu Xinzhuang, Chief Information Officer

Niu Xinzhuang, male, obtained a master's degree in Management from Nanjing University of Aeronautics and Astronautics. He has served as General Manager of the Financial Technology Innovation Department of the Bank since April 2020, and Chief Information Officer of the Bank since July 2020. He previously served as Chief Technology Officer and Supervisor of Shanghai Zhuangliang Information Technology Co., Ltd., Assistant to General Manager, Deputy General Manager and General Manager of the Technology Development Department and General Manager of the Information Technology Department of the Head Office of China Minsheng Banking Corporation Limited, and Executive Director and General Manager of Minsheng Fintech Corp. Ltd. He concurrently serves as member of the 2nd "Internet Plus" Action Expert Advisory Committee of the State Council, an AI expert of the Ministry of Industry and Information Technology, one of the first experts of the Central Enterprise Network Security and Information Service Sharing Alliance, and visiting professor at Zhejiang University, University of International Business and Economics, and Beijing Jiaotong University.

Changes in Directors, Supervisors and Senior Management Members

Changes in Directors

On January 4, 2021, Mr. Guo Xinshuang resigned from positions of Executive Director, Chairman and member of the Social Responsibility and Consumer Rights Protection Committee, member of the Strategic Planning Committee and member of the Nomination and Remuneration Committee of the Board of Directors of the Bank. Ms. Yao Hong started to perform the duties on behalf of the Chairwoman of the Social Responsibility and Consumer Rights Protection Committee of the Board of Directors of the Bank, with effect from January 4, 2021, immediately after the departure of Mr. Guo Xinshuang. For details, please refer to the announcement of the Bank dated January 4, 2021.

On January 29, 2021, Mr. Liu Yaogong resigned from his positions as Non-executive Director of the Bank, member of the Risk Management Committee of the Board of Directors, and member of the Audit Committee of the Board of Directors due to change of job. For details, please refer to the announcement of the Bank dated January 29, 2021.

On March 29, 2021, the Board of Directors of the Bank nominated Mr. Han Wenbo for re-election as a Non-executive Director of the Bank. On April 29, 2021, Mr. Han Wenbo was re-elected as a Non-executive Director of the Bank at the 2021 First Extraordinary General Meeting of the Bank. The tenure of Mr. Han Wenbo is three years, commencing from April 29, 2021. For details, please refer to the announcement of the Bank dated March 29, 2021 and April 29, 2021.

On March 29, 2021, the Board of Directors of the Bank nominated Mr. Chen Donghao and Mr. Wei Qiang as candidates for Non-executive Directors of the Bank. On April 29, 2021, Mr. Chen Donghao and Mr. Wei Qiang were elected as Non-executive Directors of the Bank at the 2021 First Extraordinary General Meeting of the Bank. On May 31, 2021, the qualification of Mr. Wei Qiang as a Non-executive Director of the Bank, member of the Audit Committee and member of the Risk Management Committee of the Board of Directors of the Bank was approved by the CBIRC. For details, please refer to the announcement of the Bank dated June 3, 2021. On July 15, 2021, the qualification of Mr. Chen Donghao as a Non-executive Director of the Bank, member of the Risk Management Committee and member of the Social Responsibility and Consumer Rights Protection Committee of the Board of Directors of the Bank was approved by the CBIRC. For details, please refer to the announcement of the Bank dated July 21, 2021.

On May 31, 2021, the Board of Directors of the Bank nominated Mr. Liu Jianjun as a candidate for Executive Director of the Bank. On June 29, 2021, Mr. Liu Jianjun was elected as an Executive Director of the Bank at the 2020 Annual General Meeting of the Bank. On August 1, 2021, the qualification of Mr. Liu Jianjun as an Executive Director of the Bank, Chairman and member of the Social Responsibility and Consumer Rights Protection Committee of the Board of Directors, member of the Strategic Planning Committee of the Board of Directors and member of the Nomination and Remuneration Committee of the Board of Directors of the Bank was approved by the CBIRC. Immediately after the commencement of the term of office of Mr. Liu Jianjun, Ms. Yao Hong no longer performed the duties on behalf of the Chairwoman of the Social Responsibility and Consumer Rights Protection Committee of the Board of Directors. For details, please refer to the announcement of the Bank dated August 4, 2021.

Changes in Supervisors

On June 8, 2021, Mr. Song Changlin resigned from his positions as the Employee Supervisor and the member of the Nomination Committee of the Board of Supervisors, the Duty Performance Supervision Committee of the Board of Supervisors and the Finance and Internal Control Risk Supervision Committee of the Board of Supervisors of the Bank due to work reasons. For details, please refer to the announcement of the Bank dated June 8, 2021.

On June 8, 2021, the Seventh Session of the First Employee Representative Assembly elected Mr. Gu Nannan as Employee Supervisor of the Bank. The term of office of Mr. Gu Nannan came into effect as from June 8, 2021. For details, please refer to the announcement of the Bank dated June 8, 2021.

On January 4, 2022, Mr. Li Yujie resigned from the positions as Shareholder Representative Supervisor and member of the Nomination Committee of the Board of Supervisors of the Bank due to the reason of age. For details, please refer to the announcement of the Bank dated January 4, 2022.

Changes in Senior Management Members

On January 4, 2021, Mr. Guo Xinshuang resigned from the position as President of the Bank. Mr. Zhang Xuewen started to perform the duties on behalf of the President, with effect from January 4, 2021 immediately after the departure of Mr. Guo Xinshuang. For details, please refer to the announcement of the Bank dated January 4, 2021.

On May 31, 2021, the Board of Directors of the Bank appointed Mr. Liu Jianjun as the President of the Bank. On August 1, 2021, the CBIRC approved the appointment of Mr. Liu Jianjun as President of the Bank. Mr. Zhang Xuewen ceased to perform the duties on behalf of the President immediately after the appointment of Mr. Liu Jianjun. For details, please refer to the announcement of the Bank dated August 4, 2021.

Board of Directors and Special Committees

Functions and Powers of the Board of Directors

The Board of Directors is responsible to the Shareholders' General Meetings. It is responsible for convening the Shareholders' General Meetings, reporting its work at the meetings and implementing resolutions adopted at the Shareholders' General Meetings; making decisions on the Bank's development strategies, business plans and investment plans; reviewing and approving capital management plans and risk capital allocation plans of the Bank; formulating the Bank's annual financial budget and final accounts plans, profit distribution plan and loss recovery plan, plan for the increase or reduction of the Bank's registered capital, plan for issuance of bonds or other marketable securities and listing plan, plans for merger, division, dissolution, liquidation or other changes in the corporate form, plan for repurchase of the Bank's shares, plan for material changes in equity interest or financial reorganization, and capital replenishment plans; making decisions on the general management rules, risk management and internal control policies of the Bank and supervising the implementation of such basic management rules and policies; reviewing and approving the internal audit rules of the Bank, appointing or dismissing the President and the Secretary to the Board of Directors of the Bank according to the nomination of the Chairman of the Board of Directors; appointing or dismissing Vice Presidents and other senior management members according to the nomination of the President and deciding on their remuneration, performance appraisal, incentive and punishment; listening to the risk management report presented by the senior management and evaluating the effectiveness of risk management in the Bank in order to improve the Bank's risk management; regularly assessing and improving the Bank's corporate governance; and examining the work of the senior management to monitor and ensure the effective performance of their management responsibilities, etc.

Composition of the Board of Directors and Board Diversity Policy

Composition of the Board of Directors

As of the disclosure date of this report, the Board of Directors comprised 14 Directors, including Chairman and Non-executive Director Mr. Zhang Jinliang; Executive Directors Mr. Liu Jianjun, Mr. Zhang Xuewen and Ms. Yao Hong; Non-executive Directors Mr. Han Wenbo, Mr. Chen Donghao, Mr. Wei Qiang, Mr. Liu Yue and Mr. Ding Xiangming; and Independent Non-executive Directors Mr. Fu Tingmei, Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson, Mr. Hu Xiang and Ms. Pan Yingli.

Board Diversity

The Bank believes that the diversity of Board members is a key factor in maintaining the Bank's sound corporate governance, achieving sustainable development and reaching strategic goals. The appointment of Board members is based on the skills and experience needed for the good operation of the Board of Directors as a whole, adhering to the principle of meritocracy and taking into consideration various aspects, including but not limited to gender, age, culture, education background, professional experience and nationality of Directors. In 2021, the Bank appointed one Executive Director with extensive experience in retail banking management, and two Non-executive Directors with expertise in auditing and finance to continuously promote the diversity of Board members. Currently, the Chairman and Executive Directors have long been engaged in financial or postal financial operation and management, and are familiar with the operation and management of the Bank; the Non-executive Directors come from government authorities or large state-owned enterprises, and have rich experience in management; Independent Non-executive Directors are well-known experts in the fields of economics, finance, law and auditing, and can provide professional advice to the Bank from the perspectives of different fields. There are 2 female Directors and 5 Independent Non-executive Directors in the Board of Directors of the Bank, with the latter accounting for more than one-third of the total number of Board members.

To build a more diverse Board of Directors, the Nomination and Remuneration Committee of the Board of Directors of the Bank formulated and supervised the implementation of the Board diversity policy. It is responsible for reviewing the implementation of this policy annually and reporting to the Board of Directors, and proposing revisions to the policy to the Board of Directors according to the corporate governance practice to ensure its effectiveness. After self-inspection, the Nomination and Remuneration Committee of the Board of Directors believes that the composition of the Board of Directors of the Bank during the reporting period was in line with the requirements of the Board diversity policy.

Meetings of the Board of Directors

During the reporting period, the Bank convened a total of 13 meetings of the Board of Directors to review and discuss a total of 115 proposals, including proposals such as fixed asset investment budget, final financial accounts and profit distribution plan; development planning proposals such as the three-year capital rolling plan for 2021-2023, the outline of the 14th Five-Year Plan and the outline of the IT Planning for the 14th Five-Year Plan period; system related proposals such as the amendments to the Management Measures for Information Disclosure; and major matters relating to operation and management such as the establishment of the Digital Currency Department as a tier-1 department and the issuance of write-down qualified Tier 2 capital instruments. Moreover, such meetings also heard 21 reports on the Bank's implementation of major decisions and deployments made by the CPC Central Committee and progress in comprehensive risk management, internal control and compliance, and data governance. The Directors made in-depth research and earnest discussions, and put forward an array of opinions and suggestions at their meetings and during recess periods, all of which were adopted or responded to by the Bank, ensuring that the Board of Directors made well-convinced and effective decisions in leading the reform and development of the Bank.

Meeting	Date	Convening method	Resolutions
First Meeting of the Board of Directors in 2021	January 4, 2021	Written circulation	Reviewed and approved the proposal on the designation of candidates for performing duties on behalf of president and other posts
Second Meeting of the Board of Directors in 2021	January 28, 2021	On-site	Reviewed and approved 17 proposals including the issuance of write-down qualified Tier 2 capital instruments
Third Meeting of the Board of Directors in 2021	March 29, 2021	On-site	Reviewed and approved 31 proposals including the profit distribution plan
Fourth Meeting of the Board of Directors in 2021	April 29, 2021	On-site	Reviewed and approved eight proposals including the establishment of the Digital Currency Department as a tier-1 department in the Head Office
Fifth Meeting of the Board of Directors in 2021	May 26, 2021	On-site	Reviewed and approved 12 proposals including distribution of dividends on preference shares
Sixth Meeting of the Board of Directors in 2021	May 31, 2021	On-site	Reviewed and approved three proposals including the nomination of Mr. Liu Jianjun as an Executive Director candidate
Seventh Meeting of the Board of Directors in 2021	June 30, 2021	Written circulation	Reviewed and approved the proposal on the rectification plan for wealth management business
Eighth Meeting of the Board of Directors in 2021	July 26, 2021	Written circulation	Reviewed and approved three proposals including the special donation for flood control and disaster relief in Henan
Ninth Meeting of the Board of Directors in 2021	August 27, 2021	On-site	Reviewed and approved 12 proposals including the 14th Five-Year Plan Outline
Tenth Meeting of the Board of Directors in 2021	September 17, 2021	On-site	Reviewed and approved two proposals including the outsourcing management measures
Eleventh Meeting of the Board of Directors in 2021	October 20, 2021	On-site	Reviewed and approved the proposal on asset disposal
Twelfth Meeting of the Board of Directors in 2021	October 28, 2021	On-site	Reviewed and approved 10 proposals including the IT Planning for the 14th Five-Year Plan period
Thirteenth Meeting of the Board of Directors in 2021	December 23, 2021	On-site	Reviewed and approved 14 proposals including the amendments to the Management Measures for Information Disclosure

Attendance of Directors at Meetings

During the reporting period, the attendance of Directors at Shareholders' General Meetings, meetings of the Board of Directors and special committees of the Board of Directors is listed below:

Number of attendance in person[1]/Number of meetings that should be attended

Director	Shareholders'[1] General Meeting	Board of Directors			Strategic Planning Committee	Related Party Transactions Control Committee	Audit Committee	Risk Management Committee	Nomination and Remuneration Committee	Social Responsibility and Consumer Rights Protection Committee
	Number of attendance in person/Number of meetings that should be attended	Number of attendance in person/Number of meetings that should be attended	Number of on-site meetings attended	Number of attendance by proxy	Number of attendance in person/Number of meetings that should be attended	Number of attendance in person/Number of meetings that should be attended	Number of attendance in person/Number of meetings that should be attended	Number of attendance in person/Number of meetings that should be attended	Number of attendance in person/Number of meetings that should be attended	Number of attendance in person/Number of meetings that should be attended
Chairman and Non-executive Director										
Zhang Jinliang	1/2	10/13	7	3	7/9	–	–	–	–	–
Executive Directors										
Liu Jianjun[2]	–	5/5	5	0	5/5	–	–	–	1/1	2/2
Zhang Xuewen	2/2	13/13	10	0	9/9	3/3	–	–	4/4	–
Yao Hong	2/2	13/13	10	0	9/9	3/3	–	7/8	–	6/6
Non-executive Directors										
Han Wenbo	2/2	13/13	10	0	9/9	–	–	8/8	–	–
Chen Donghao[3]	–	6/6	5	0	–	–	–	4/4	–	3/3
Wei Qiang[4]	1/1	7/7	5	0	–	–	3/3	4/4	–	–
Liu Yue	2/2	13/13	10	0	9/9	–	3/6	–	–	–
Ding Xiangming	1/2	12/13	9	1	–	–	–	8/8	–	6/6
Independent Non-executive Directors										
Fu Tingmei	2/2	13/13	10	0	–	3/3	–	8/8	4/4	–
Wen Tiejun	1/2	12/13	9	1	8/9	–	6/6	–	4/4	–
Chung Shui Ming Timpson	2/2	13/13	10	0	–	3/3	6/6	–	–	–
Hu Xiang	2/2	13/13	10	0	9/9	–	6/6	–	–	6/6
Pan Yingli	2/2	12/13	9	1	–	3/3	4/6	–	4/4	–
Resigned Directors										
Guo Xinshuang[5]	–	–	–	–	–	–	–	–	–	–
Liu Yaogong[6]	–	2/2	1	0	–	–	1/1	1/1	–	–

1 "Attendances in person" refers to on-site attendances and attendances by way of instant communications, such as telephone and video conferences. During the reporting period, Directors who did not attend the meetings of the Board of Directors and its special committees in person had designated other Directors as proxies to attend and vote on their behalf at the meetings. All Directors attended more than two thirds of the on-site meetings of the Board of Directors in person, and there is no case of failing to attend the meetings of the Board of Directors in person or by proxy for two consecutive times.

2 The qualification of Mr. Liu Jianjun as a Director of the Bank was approved by the CBIRC on August 1, 2021, and he began to serve as Chairman of the Social Responsibility and Consumer Rights Protection Committee of the Board of Directors, member of the Strategic Planning Committee of the Board of Directors and member of the Nomination and Remuneration Committee of the Board of Directors of the Bank.

3 The qualification of Mr. Chen Donghao as a Director of the Bank was approved by the CBIRC on July 15, 2021, and he began to serve as member of the Risk Management Committee of the Board of Directors and member of the Social Responsibility and Consumer Rights Protection Committee of the Board of Directors of the Bank.

4 The qualification of Mr. Wei Qiang as a Director of the Bank was approved by the CBIRC on May 31, 2021, and he began to serve as member of the Audit Committee of the Board of Directors and member of the Risk Management Committee of the Board of Directors of the Bank.

5 Mr. Guo Xinshuang resigned from his positions as Executive Director of the Bank, Chairman and member of the Social Responsibility and Consumer Rights Protection Committee of the Board of Directors, member of the Strategic Planning Committee of the Board of Directors and member of the Nomination and Remuneration Committee of the Board of Directors on January 4, 2021.

6 Mr. Liu Yaogong resigned from his positions as Non-executive Director of the Bank, member of the Audit Committee of the Board of Directors and member of the Risk Management Committee of the Board of Directors on January 29, 2021.

Special Committees of the Board of Directors

There are six special committees under the Board of Directors, namely the Strategic Planning Committee, Related Party Transactions Control Committee, Audit Committee, Risk Management Committee, Nomination and Remuneration Committee, and Social Responsibility and Consumer Rights Protection Committee. For details of adjustments to members of the special committees of the Board of Directors, please refer to "Corporate Governance – Directors, Supervisors and Senior Management".

During the reporting period, within the scope authorized by the Board of Directors and in accordance with the Articles of Association of the Bank and relevant rules of procedures, special committees of the Board of Directors gave full play to their expertise and diligently performed duties. Focusing on major matters of the Bank including development strategies, connected transaction management, internal and external audits, risk management, internal control and compliance, nomination and remuneration, consumer rights protection and fulfillment of social responsibilities, the special committees convened 36 meetings, at which they reviewed 103 proposals and heard 12 reports. They gave advice and recommendations to the Board of Directors, which provided strong support for well-grounded and efficient decision-making of the Board of Directors.

Strategic Planning Committee

As at the disclosure date of this report, the Strategic Planning Committee of the Bank comprised eight Directors, namely, Chairman and Non-executive Director Mr. Zhang Jinliang; Executive Directors Mr. Liu Jianjun, Mr. Zhang Xuewen and Ms. Yao Hong; Non-executive Directors Mr. Han Wenbo and Mr. Liu Yue; and Independent Non-executive Directors Mr. Wen Tiejun and Mr. Hu Xiang. Mr. Zhang Jinliang is the Chairman of the Committee.

The Committee primarily performs such duties as reviewing the implementation of major plans and decisions of the CPC Central Committee, the Bank's business objectives, overall strategic development plans and special strategic development plans, strategic capital allocation and assets and liabilities management objectives, business development plans, development plans for inclusive finance business, major management policies, major investment and financing plans and other matters significant to the development of the Bank, and proposes suggestions to the Board of Directors.

In 2021, the Strategic Planning Committee convened nine meetings, at which it reviewed and approved 21 proposals and heard two reports. It reviewed and approved the work on supporting rural revitalization, bolstering the development of micro and small enterprises and implementing the inclusive finance policy, so as to strictly implement major plans and decisions of the CPC Central Committee and improve the quality and efficiency of the work on inclusive finance on all fronts. It also reviewed and approved the proposals concerning the 14th Five-Year Plan Outline and the IT Planning for the 14th Five-Year Plan period, so as to strengthen strategic support for high-quality development through strategic planning. It reviewed and approved the proposals concerning the issuance of write-down qualified Tier 2 capital instruments and general authorization for share issuance, so as to drive the Bank's enhancement of risk resistance ability and realize transformation and development. The Committee reviewed and approved the proposals concerning the annual plan for asset and liability business and annual economic capital allocation plan.

(The meetings of the Strategic Planning Committee were held respectively on January 28, 2021, March 29, 2021, April 29, 2021, May 26, 2021, August 27, 2021, September 17, 2021, October 20, 2021, October 28, 2021 and December 23, 2021)

Related Party Transactions Control Committee

As at the disclosure date of this report, the Related Party Transactions Control Committee of the Bank comprised five Directors, namely, Executive Directors Mr. Zhang Xuewen and Ms. Yao Hong, and Independent Non-executive Directors Mr. Fu Tingmei, Mr. Chung Shui Ming Timpson and Ms. Pan Yingli. Mr. Fu Tingmei is the Chairman of the Committee.

The Committee primarily performs such duties as managing matters on connected transactions of the Bank, reviewing the basic management rules for connected transactions, supervising their implementation and making recommendations to the Board of Directors; identifying related parties of the Bank, reporting to the Board of Directors and Board of Supervisors, informing relevant personnel of the Bank in a timely manner, reviewing major connected transactions or other connected transactions subject to the approval of the Board of Directors or the Shareholders' General Meeting, and submitting to the Board of Directors or the Shareholders' General Meeting through the Board of Directors for approval.

In 2021, the Related Party Transactions Control Committee convened three meetings, at which it reviewed and approved seven proposals. It reviewed and approved the annual special report on connected transactions, managed the connected transactions of the Bank, and prudently performed the responsibilities of connected transactions management in accordance with laws and regulations within the scope authorized by the Board of Directors. It reviewed and approved the proposals regarding forecasting the caps of connected transactions in 2021 and 2022-2024, and renewal of framework agreements with China Post Group. It fully reviewed the compliance and fairness of major connected transactions and the truthfulness, accuracy and completeness of information disclosure, and made suggestions thereon to the Board of Directors. It also reviewed and approved the proposal on the profiles of the Bank's related parties, confirmed the status of the Bank's related parties and connected transactions and reported to the Board of Directors.

(The meetings of the Related Party Transactions Control Committee were held respectively on April 27, 2021, May 25, 2021 and October 26, 2021)

Audit Committee

As at the disclosure date of this report, the Audit Committee of the Bank comprised six Directors, namely, Non-executive Directors Mr. Wei Qiang and Mr. Liu Yue; and Independent Non-executive Directors Mr. Chung Shui Ming Timpson, Mr. Wen Tiejun, Mr. Hu Xiang and Ms. Pan Yingli. Mr. Chung Shui Ming Timpson is the Chairman of the Committee.

The Committee primarily performs such duties as supervising the Bank's internal control, reviewing its major financial and accounting policies and their implementation, reviewing its basic audit management rules, regulations, medium and long-term audit plan as well as annual work plan, supervising and evaluating the work of its internal audit department, proposing the engagement or dismissal of accounting firms, supervising and evaluating the work of the accounting firms, and making suggestions to the Board of Directors.

In 2021, the Audit Committee convened six meetings, at which it reviewed and approved 18 proposals and heard 7 reports. It provided advice and suggestions to the Board of Directors on issues such as continuously improving the quality and efficiency of audit, refining internal control, and continuously pushing forward the rectification of problems identified in audits.

(The meetings of the Audit Committee were held respectively on January 27, 2021, March 25, 2021, April 27, 2021, August 25, 2021, October 27, 2021 and December 22, 2021)

Regularly reviewing the Bank's financial status and financial reports and monitoring the Bank's financing status

The Committee reviewed and approved the financial statements and auditor's report for 2020, the financial statements for the first quarter of 2021, the interim financial statements and review report of 2021, and the financial statements for the third quarter of 2021. It earnestly reviewed the financial information, expressed its opinion on the truthfulness, accuracy and completeness of the financial data, and focused with considerable emphasis on the Bank's financial performance and business results. It also provided guidance on the revision of basic financial management policies to ensure support for strengthening the Bank's financial management and standardizing financial activities.

Regularly assessing the effectiveness of internal control and attaching great importance to the quality and efficiency of internal audit

The Committee reviewed and approved the 2020 internal control assessment report, and regularly assessed the effectiveness of the Bank's internal control efforts. It also reviewed and approved the 2020 audit report and 2021 audit plan, several audit reports on anti-money laundering and business continuity management for 2020, as well as the follow-up audits on the rectification for audit findings. It attached great importance to the continuous rectification of problems identified in audits, and put forward opinions on deepening the rectification in a more thorough, detailed manner with solid results, so as to promote the continuous improvement of the Bank's internal control management and risk management capability.

Strengthening the engagement and management of accounting firms and fully leveraging the role of external audit

The Committee provided guidance on the performance evaluation of accounting firms in 2020 and the selection of accounting firms for 2021. It heard the accounting firms' summary on the annual audit for 2020 and the overall summary and recommendations for the period of serving as auditor as well as the work report of the new accounting firms during the transition period and the audit work plan for 2021. The Committee fully communicated with the external auditors to ensure the smooth transition of work during the transition period between former and current accounting firms. It earnestly promoted the communication and coordination between internal audit and external audit, and urged the senior management to form a continuous rectification mechanism for findings of external audit.

Risk Management Committee

As at the disclosure date of this report, the Risk Management Committee of the Bank comprised six Directors, namely, Executive Director Ms. Yao Hong, Non-executive Directors Mr. Han Wenbo, Mr. Chen Donghao, Mr. Wei Qiang and Mr. Ding Xiangming, and Independent Non-executive Director Mr. Fu Tingmei. Mr. Han Wenbo is the Chairman of the Committee.

The Committee primarily performs such duties as, based on the Bank's overall strategic planning on development, reviewing and revising the Bank's risk management strategies, basic policies on risk management, risk appetite, comprehensive risk management framework and important procedures and policies of risk management, reviewing risk capital allocation plans, listening to risk management reports, and making suggestions to the Board of Directors.

In 2021, the Risk Management Committee convened eight meetings, at which it reviewed and approved 38 proposals and heard three reports. It kept close watch on the effectiveness of the Bank's overall risk management and provided opinions and advice on improving risk management, and management of internal control and compliance to the Board of Directors.

(The meetings of the Risk Management Committee were held respectively on January 27, 2021, March 25, 2021, April 27, 2021, May 24, 2021, August 26, 2021, September 16, 2021, October 26, 2021 and December 21, 2021)

Improving internal risk control system and continuously pressing ahead with the development and implementation of advanced approaches for capital management

The Risk Management Committee reviewed and approved 18 basic management rules, including the Management Measures for Loss Allowance on Financial Instruments, the Management Measures for Internal Rating System of Credit Risk, the Management Measures for Internal Rating of Retail Business and the Management Measures for Internet Loans. It continuously improved the top-level policy design for internal risk control to provide institutional support for the development and implementation of advanced approaches for capital management.

Regularly assessing risk management status to enhance the comprehensiveness and effectiveness of risk management

The Committee reviewed and approved the proposals concerning the comprehensive risk management report for 2020, the internal control and compliance management report for 2020, the 2020 work report and 2021 work plan for case prevention. It also conducted regular assessment on the compliance and the comprehensiveness and effectiveness of the Bank's risk management, and proposed advice on improving risk management and internal control to the Board of Directors.

Nomination and Remuneration Committee

As at the disclosure date of this report, the Nomination and Remuneration Committee of the Bank comprised five Directors, namely, Executive Directors Mr. Liu Jianjun and Mr. Zhang Xuewen; and Independent Non-executive Directors Mr. Fu Tingmei, Mr. Wen Tiejun and Ms. Pan Yingli. Mr. Wen Tiejun is the Chairman of the Committee.

The Committee primarily performs such duties as conducting annual review on the structure, size and composition of the Board of Directors, and making suggestions in respect of its size and composition; formulating the criteria and procedures for the selection and appointment of Directors, Chairmen and members of special committees of the Board of Directors and senior management members, performing preliminary review on the qualifications and qualities of candidates for Directors and senior management members, and making recommendations to the Board of Directors;

formulating performance evaluation methods for Directors, appraisal methods for senior management members, and remuneration policies or plans for Directors and senior management members, and submitting them to the Board of Directors for review.

The Articles of Association sets out the procedures and methods for the nomination of Directors and specific requirements for the appointment of Independent Non-executive Directors. When reviewing the qualifications of Director candidates, the Nomination and Remuneration Committee mainly considers whether they meet the requirements of laws and regulations for directorship, whether they can be faithful and diligent in fulfilling their duties, whether they understand the Bank's operation and management and accept supervision of the Board of Supervisors on their performance as well as fulfil the diversity requirements of the Board of Directors. For details, please refer to the Articles of Association and Rules of Procedures for the Nomination and Remuneration Committee of Postal Savings Bank of China Co., Ltd. on the website of the Bank. In 2021, the Bank strictly implemented relevant provisions of the Articles of Association in appointing or re-appointing the Directors of the Bank.

In 2021, the Nomination and Remuneration Committee convened four meetings, at which it reviewed and approved 11 proposals. It reviewed the qualifications and qualities of Mr. Liu Jianjun as Executive Director and President of the Bank, as well as the qualifications and qualities of Mr. Han Wenbo, Mr. Chen Donghao and Mr. Wei Qiang as Non-executive Directors, implemented regulatory requirements, and strengthened the review and verification of the qualifications and qualities of Directors and senior management. It reviewed and approved the proposals on changes to the composition of special committees of the Board of Directors, among others, and continuously worked on Board diversity in terms of profession and age. The Committee reviewed and approved the proposals on the evaluation of performance of Directors by the Board of Directors for 2020 and the remuneration settlement plan for Directors, senior management and heads of internal audit department for 2020.

(The meetings of the Nomination and Remuneration Committee were held respectively on January 27, 2021, March 26, 2021, May 31, 2021 and December 21, 2021)

Social Responsibility and Consumer Rights Protection Committee

As at the disclosure date of this report, the Social Responsibility and Consumer Rights Protection Committee of the Bank comprised five Directors, namely, Executive Directors Mr. Liu Jianjun and Ms. Yao Hong; Non-executive Directors Mr. Chen Donghao and Mr. Ding Xiangming; and Independent Non-executive Director Mr. Hu Xiang. Mr. Liu Jianjun is the Chairman of the Committee.

The Committee primarily performs duties such as developing strategies, policies and objectives of social responsibility and consumer rights protection in line with the Bank's development strategies and actual situation, developing relevant basic management policies and submitting them to the Board of Directors for approval before implementation; regularly listening to the reports of the senior management on the progress in consumer rights protection according to the authorization of the Board of Directors, and supervising and evaluating the comprehensiveness, timeliness and effectiveness of the Bank's consumer rights protection as well as duty performance of the senior management.

In 2021, the Social Responsibility and Consumer Rights Protection Committee convened six meetings, at which it reviewed and approved eight proposals. It reviewed and approved the proposals on the work and plan, assessment and evaluation, special audit reports on consumer rights protection, and continued to strengthen consumer rights protection by adhering to the customer-centric service philosophy. It reviewed and approved the proposals on the 2020 Corporate Social Responsibility Report and the 2020 Work Report on Green Bank Development, fully implemented relevant decisions and plans of the CPC Central Committee and the State Council, and earnestly promoted the ESG development of the Bank. The Committee also considered and approved the special donation for flood control and disaster relief, fully supporting flood control and disaster relief and performing its responsibilities as a major state-owned bank.

(The meetings of the Social Responsibility and Consumer Rights Protection Committee were held respectively on January 26, 2021, March 26, 2021, May 21, 2021, July 25, 2021, August 20, 2021 and October 26, 2021)

Responsibilities of Directors on Financial Statements

The Directors are responsible for supervising the preparation of financial statements of each accounting period so that financial statements can give a true and fair view of the financial position, operating results and cash flows of the Bank. In the course of preparation of the financial statements for 2021, the Directors fully adopted and applied appropriate accounting policies, and made prudent and reasonable judgments and estimates.

During the reporting period, the Bank complied with the requirements of relevant laws and regulations and listing rules of places where the Bank's shares are listed, and disclosed 2020 Annual Report and 2020 Results Announcement, First Quarterly Report of 2021, 2021 Interim Report and 2021 Interim Results Announcement, and Third Quarterly Report of 2021.

Terms of Office of Directors

The Bank strictly complies with the requirements of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange ("SSE Listing Rules"), the Hong Kong Listing Rules and the Articles of Association that the Directors shall be elected by the Shareholders' General Meeting with a term of office of three years. Directors are eligible for re-election, and the consecutive term of office shall commence from the date of approval by the Shareholders' General Meeting. The term of office of an Independent Non-executive Director shall be no more than six years on a cumulative basis.

Surveys, Researches and Training Attended by Directors and Company Secretaries

Directors' Participation in Surveys and Researches

During the reporting period, all the Directors of the Bank took the initiative and conducted various forms of surveys and researches, with a total of 50 times. The surveys and researches focused on topics such as comprehensive risk management, intermediary business development, support for rural revitalization through cooperation between the Bank and China Post Group, pilot run of e-CNY, and credit village building, with multiple research reports finished, providing reference for decision–making in improving the operation and management across the Bank, and promoting such implementation.

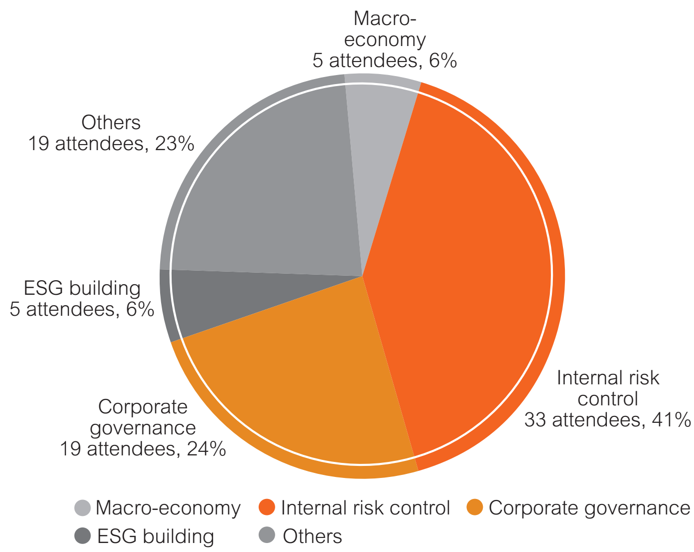
Directors' Participation in Training

During the reporting period, the Bank made an overall plan for the training of Directors and actively encouraged and organized Directors to attend various training to help them improve their duty performance ability.

During the reporting period, in compliance with the Hong Kong Listing Rules and relevant regulatory requirements, the Directors of the Bank actively participated in a series of training sessions organized by the MOF, the Listed Companies Association of Beijing, other third-party institutions and the Bank, covering a wide range of topics such as macroeconomic situation, risk management, anti-money laundering, corporate governance and ESG development. During the reporting period, all Directors attended the training.

Types of training	Main training topics
Training organized by regulators and self-regulation organizations	Training held by the MOF, the Listed Companies Association of Beijing and the China Banking Association, covering a wide range of topics such as interpretation of domestic and international economic situations and improvement of the quality of listed companies
Training organized by third-party institutions	Interpretation and thinking of the new rules for corporate governance Carbon peak and carbon neutralization: Opportunities and challenges for commercial banks High-quality development of listed companies and creation of free cash flow ESG building Corporate governance of listed commercial banks Wealth management and bank valuation Opportunities and challenges facing China's banking industry under the great circulation of domestic economy
Special training organized by the Bank	Anti-money laundering and counter-terrorist financing Implementation of advanced approaches and comprehensive risk management Other themes on operation and management

Training categories and percentage



Company Secretaries' Participation in Training

Mr. Du Chunye and Dr. Ngai Wai Fung, a Director and the Chief Executive Officer of SWCS Corporate Services Group (Hong Kong) Limited, are the joint company secretaries of the Bank.

During the reporting period, the company secretaries took no less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Hong Kong Listing Rules. The primary contact person of Dr. Ngai Wai Fung at the Bank is Mr. Du Chunye.

Independence and Duty Performance of Independent Non-executive Directors

During the reporting period, the qualifications, number and proportion of the Bank's Independent Non-executive Directors were in full compliance with the requirements of regulatory authorities. The Independent Non-executive Directors were not involved in any business or financial interests of the Bank and did not take any managerial position in the Bank. The Bank has received annual independence confirmations from all Independent Non–executive Directors and confirmed their independence.

The Independent Non-executive Directors of the Bank earnestly attended the meetings of the Board of Directors and special committees, and provided objective, unbiased and independent advice based on the overall interests of the Bank, and safeguarded the rights of depositors and minority shareholders by taking advantage of their professional capabilities and industrial experiences. They provided independent advice on matters including special report on connected transactions in 2020, forecast of cap of connected transaction amount, profit distribution plan for 2020, dividend distribution for preference shares, selection of Directors and senior management members, and renewing framework agreements with China Post Group, and expressed prior approval opinions on such matters as the special report on connected transactions, forecast of cap of connected transaction amount and renewing framework agreements with China Post Group. They earnestly reviewed 2020 Annual Report and 2020 Results Announcement, First Quarterly Report of 2021, 2021 Interim Report and 2021 Interim Results Announcement, and Third Quarterly Report of 2021 to ensure the disclosed contents are true, accurate and complete. The Bank's Independent Non-executive Directors did not raise any objection on proposals of the Board of Directors or its special committees.

The Independent Non-executive Directors of the Bank actively strengthened the communication with the senior management, business departments and external auditors and thoroughly studied the operation and management of the Bank by attending important work meetings of the Bank, hearing special reports on major issues from the operation and having seminars with external auditors. They earnestly performed their duties with integrity and diligence, complied with the working rules for Independent Non-executive Directors, provided strong support to the Board of Directors for making rational decisions, protected the interests of the Bank and its shareholders as a whole and worked for the Bank for far more than 15 workdays.

On October 28, 2021, the Bank organized and convened a seminar for Independent Directors, at which all Independent Non-executive Directors exchanged views and discussed various aspects including the strategic research, risk management, ESG and talent team building etc. of the Bank, earnestly providing advice and suggestions for business development after taking into account of both internal and external environment and the actual situation of the Bank. The Bank attached great importance to the opinions and suggestions of the Independent Non-executive Directors and timely organized the implementation of the opinions and suggestions based on the actual situation of the Bank.

Board of Supervisors and Special Committees

Functions and Powers of the Board of Supervisors

The Board of Supervisors is the supervisory body of the Bank, and shall be responsible to the Shareholders' General Meeting. It exercises the following functions and powers according to the requirements of the Company Law of the People's Republic of China and the Articles of Association: to supervise the duty performance of the Board of Directors and senior management, to supervise and make enquiries on the duty performance of Directors and senior management members, and to urge Directors and senior management members to rectify their acts that impair the benefits of the Bank; to propose the removal of or initiate legal proceedings against Directors and senior management members who violate laws, administrative regulations, the Articles of Association or the resolutions of the Shareholders' General Meeting; to examine and supervise the financial activities of the Bank; to supervise matters such as operation decisions, risk management and internal control, guide the internal audit department of the Bank to independently perform the duty of auditing and supervision, and carry out business management and evaluation of the internal audit department; to propose the convening of extraordinary general meetings, and convene and preside over the meeting when the Board of Directors does not perform its duty of convening and presiding over the meeting as required by the Company Law of the People's Republic of China; to make proposals to the Shareholders' General Meeting; to formulate amendments to the rules of procedures of the Board of Supervisors; to supervise the implementation of policies and basic management rules of the Bank; to nominate Shareholder Representative Supervisors, External Supervisors and Independent Directors; to conduct audit on resigning Directors and senior management members as required; to negotiate with the Directors on behalf of the Bank; to examine financial information to be submitted to the Shareholders' General Meeting by the Board of Directors, including financial reports, business reports and profit distribution plans, and to entrust certified public accountants and auditors to assist in the review in the name of the Bank in case of any doubt; to review the Bank's regular reports prepared by the Board of Directors, and provide review opinions in writing; to supervise the appointment, dismissal, re-appointment and audit of the external audit institutions of the Bank; to formulate performance evaluation policies, remuneration policies or plans for Supervisors, and propose remuneration allocation plans for Supervisors based on the performance evaluation of Supervisors and submit them to the Shareholders' General Meeting for approval.

Composition of the Board of Supervisors

As of the disclosure date of this report, the Board of Supervisors of the Bank consisted of 8 Supervisors, namely Mr. Chen Yuejun, Chairman of the Board of Supervisors and Shareholder Representative Supervisor, as well as Shareholder Representative Supervisor Mr. Zhao Yongxiang, External Supervisors Mr. Wu Yu, Mr. Bai Jianjun and Mr. Chen Shimin, and Employee Supervisors Mr. Li Yue, Mr. Bu Dongsheng and Mr. Gu Nannan. For details of current Supervisors, please refer to "Corporate Governance – Directors, Supervisors, and Senior Management".

Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors of the Bank held 10 meetings (7 on-site meetings and 3 meetings by written circulation) in strict accordance with relevant laws and regulations, the Articles of Association and the rules of procedures of the Board of Supervisors, at which it studied and reviewed 100 proposals and supervision items, including the 2021 work plan of the Board of Supervisors, the 2020 Annual Report and abstract, the 2020 Results Announcement, the final finance accounts for 2020, the 2020 profit distribution plan, the 2020 internal control evaluation report, the 2020 work report of the Board of Supervisors, the 2020 evaluation report on the performance of the Board of Directors, the senior management and their members by the Board of Supervisors, the 2020 evaluation report on the performance of the Board of Supervisors and its members, the 2020 remuneration settlement plan for supervisors, etc.

Meeting	Date	Convening method	Resolutions
First Meeting of the Board of Supervisors in 2021	January 28, 2021	On-site	Reviewed and approved the proposal on the 2021 work plan of the Board of Supervisors
Second Meeting of the Board of Supervisors in 2021	March 29, 2021	On-site	Reviewed and approved the proposals including the 2020 profit distribution plan
Third Meeting of the Board of Supervisors in 2021	April 29, 2021	On-site	Reviewed and approved the proposal on the First Quarterly Report of 2021
Fourth Meeting of the Board of Supervisors in 2021	May 26, 2021	On-site	Heard the reports including the assessment report on the implementation of the medium and long-term development strategy outline (2019-2025) in 2020
Fifth Meeting of the Board of Supervisors in 2021	June 17, 2021	Written circulation	Reviewed and approved the proposal on adjusting the composition of special committees of the Board of Supervisors
Sixth Meeting of the Board of Supervisors in 2021	August 27, 2021	On-site	Reviewed and approved the proposals including the 2021 interim report, abstract and results announcement
Seventh Meeting of the Board of Supervisors in 2021	September 17, 2021	Written circulation	Reviewed the reports including the project of disposal of debt-offsetting equity
Eighth Meeting of the Board of Supervisors in 2021	October 20, 2021	Written circulation	Reviewed the reports, including the report on supporting micro and small enterprises and the implementation of inclusive finance policies
Ninth Meeting of the Board of Supervisors in 2021	October 28, 2021	On-site	Reviewed and approved the proposals including the Measures for the Supervision and Evaluation of the Duty Performance of the Board of Directors, the Senior Management and their Members by the Board of Supervisors
Tenth Meeting of the Board of Supervisors in 2021	December 23, 2021	On-site	Reviewed and approved the proposals including the remuneration settlement plan for supervisors for 2020

Attendance of Supervisors at Meetings

The attendance of Supervisors of the Bank at meetings of the Board of Supervisors and its special committees during the reporting period is listed below:

Number of attendance in person[1]/Number of meetings that should be attended

Supervisors	Board of Supervisors: Number of attendance in person/ Number of meetings that should be attended	Board of Supervisors: Number of on-site meetings attended	Board of Supervisors: Number of attendance by proxy	Nomination Committee: Number of attendance in person/Number of meetings that should be attended	Duty Performance Supervision Committee: Number of attendance in person/Number of meetings that should be attended	Finance and Internal Control Risk Supervision Committee: Number of attendance in person/Number of meetings that should be attended
Shareholder Representative Supervisors						
Chen Yuejun	10/10	7	0	–	–	–
Zhao Yongxiang	9/10	6	1	–	4/4	–
External Supervisors						
Wu Yu	10/10	7	0	–	–	5/5
Bai Jianjun	10/10	7	0	1/1	–	–
Chen Shimin	9/10	6	1	–	4/4	–
Employee Supervisors						
Li Yue[2]	10/10	7	0	–	4/4	5/5
Bu Dongsheng	9/10	6	1	–	–	5/5
Gu Nannan[3]	6/6	3	0	1/1	3/3	3/3
Resigned Supervisors						
Li Yujie[4]	10/10	7	0	1/1	–	–
Song Changlin[5]	4/4	4	0	–	1/1	2/2

1 "Attendance in person" refers to on-site attendances and attendances by way of instant communications, such as telephone and video conferences. During the reporting period, Supervisors who did not attend the meetings of the Board of Supervisors and its special committees in person had designated other Supervisors as proxies to attend and to vote on their behalf at the meetings. All the Supervisors attended more than two-thirds of the on-site meetings of the Board of Supervisors in person, and none of the Supervisors failed to attend the meetings of the Board of Supervisors in person or by proxy for consecutive two times.

2 Mr. Li Yue began to serve as a member of the Nomination Committee of the Board of Supervisors on December 23, 2021.

3 Mr. Gu Nannan began to serve as an Employee Supervisor of the Bank from June 8, 2021 and as a member of the Nomination Committee, Duty Performance Supervision Committee and Finance and Internal Control Risk Supervision Committee of the Board of Supervisors since June 17, 2021.

4 Mr. Li Yujie resigned from positions of Shareholder Representative Supervisor and member of the Nomination Committee under the Board of Supervisors of the Bank on January 4, 2022.

5 Mr. Song Changlin resigned from positions of Employee Supervisor, member of the Nomination Committee, member of the Duty Performance Supervision Committee and member of the Finance and Internal Control Risk Supervision Committee of the Board of Supervisors of the Bank on June 8, 2021.

Special Committees of the Board of Supervisors

There are 3 special committees under the Board of Supervisors of the Bank, namely the Nomination Committee, Duty Performance Supervision Committee, and Finance and Internal Control Risk Supervision Committee.

Nomination Committee

As of the disclosure date of this report, the Nomination Committee of the Board of Supervisors comprised 3 members, namely, External Supervisor Mr. Bai Jianjun, Employee Supervisors Mr. Li Yue and Mr. Gu Nannan, and was chaired by Mr. Bai Jianjun. The Nomination Committee is mainly responsible for the formulation of procedures and standards for the election and appointment of Shareholder Representative Supervisors and External Supervisors, the preliminary reviewing of their eligibility for appointment and qualifications, as well as other matters authorized by the Board of Supervisors. During the reporting period, the Nomination Committee held one meeting, at which it researched and reviewed issues including the 2020 remuneration settlement plan for Supervisors and the adjustment of members of the special committees of the Board of Supervisors.

Duty Performance Supervision Committee

As of the disclosure date of this report, the Duty Performance Supervision Committee of the Board of Supervisors comprised 4 members, namely, External Supervisor Mr. Chen Shimin, Shareholder Representative Supervisor Mr. Zhao Yongxiang, Employee Supervisors Mr. Li Yue and Mr. Gu Nannan, and was chaired by Mr. Chen Shimin. The Duty Performance Supervision Committee is mainly responsible for supervising and evaluating the performance of duties of the Board of Directors, the senior management and their members, providing advice to the Board of Supervisors, and handling other matters authorized by the Board of Supervisors. During the reporting period, the Duty Performance Supervision Committee held four meetings, at which it studied and reviewed issues including the Board of Supervisors' evaluation report on the performance of the Board of Directors, the senior management and their members in 2020, 2020 performance evaluation report of the Board of Supervisors and its members, amendment to the Measures for the Supervision and Evaluation of the Duty Performance of the Board of Directors, the Senior Management and Their Members by the Board of Supervisors of Postal Savings Bank of China Co., Ltd. and amendment to the Measures for the Supervision and Evaluation of the Duty Performance of Supervisors of Postal Savings Bank of China Co., Ltd.

Finance and Internal Control Risk Supervision Committee

As of the disclosure date of this report, the Finance and Internal Control Risk Supervision Committee of the Board of Supervisors of the Bank comprised four members, namely, External Supervisor Mr. Wu Yu, Employee Supervisors Mr. Li Yue, Mr. Bu Dongsheng and Mr. Gu Nannan, and was chaired by Mr. Wu Yu. The Finance and Internal Control Risk Supervision Committee is mainly responsible for researching and submitting supervision reports on the Bank's finance, internal control and risk management, supervising the establishment and improvement of the Bank's internal control governance structure and comprehensive risk management governance structure, and handling other issues authorized by the Board of Supervisors. During the reporting period, the Finance and Internal Control Risk Supervision Committee held five meetings, at which it heard and reviewed reports, including the rectification of the supervision opinions for 2020, and reports on duty performance, risk, internal control and financial supervision for 2020, as well as reports on risk, internal control and financial supervision for the first quarter, first half and third quarter of 2021.

Functions of Senior Management

Senior management members refer to the Bank's President, Vice Presidents, Secretary to the Board of Directors and other senior management members designated by the Board of Directors. All senior management members are collectively referred to as senior management. During the reporting period, the senior management of the Bank carried out business management activities within the scope of the Articles of Association and the authorization of the Board of Directors, studied the internal and external situation in depth in accordance with the annual business objectives set by the Board of Directors, firmly guarded the bottom line of risks, and carried out solid work to achieve continuous improvement of business performance.

The President of the Bank shall be responsible to the Board of Directors, and exercises the following functions and powers: to take charge of the operation and management of the Bank, to organize the implementation of the resolutions of the Board of Directors, and to report the work to the Board of Directors; to formulate specific rules of the Bank (other than internal audit rules); to draft business and investment plans of the Bank, and to organize the implementation of such plans upon approval by the Board of Directors; to draft policies and fundamental management rules of the Bank, and to make proposals to the Board of Directors; to draft the Bank's annual financial budget plan and final accounts plan, capital management plan, risk capital allocation plan, profit distribution plan, loss recovery plan, plan for increase or reduction of registered capital, plans for issuance of bonds or other marketable securities, listing plan, share repurchase plan, and to make suggestions to the Board of Directors; to authorize the Vice President and other senior management members, the directors of internal departments of the Head Office, domestic and overseas tier-1 branches, branches and other institutions directly under the Head Office and overseas institutions of the Bank to carry out daily operation and management activities within the scope authorized by the Board of Directors; and other functions and powers to be exercised by the President, as prescribed in laws, administrative regulations, ministerial rules and the Articles of Association or determined by the Shareholders' General Meeting or the Board of Directors.

Division of Responsibilities between the Chairman and the President

Pursuant to former code provision A.2.1 of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules (now code provision C.2.1 of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules) and the Articles of Association, the roles of Chairman and President of the Bank are separate with clear division of responsibilities. The Chairman of the Bank is responsible for material matters relating to overall strategic development. The President of the Bank is responsible for the operation and management of the Bank. The President of the Bank shall be appointed by, and is responsible to, the Board of Directors, and shall perform duties in accordance with the Articles of Association and the authorization of the Board of Directors.

On May 31, 2021, Mr. Liu Jianjun was appointed as the President of the Bank by the Board of the Directors of the Bank. Upon approval by the CBIRC, Mr. Liu Jianjun had served as the President of the Bank since August 1, 2021. Mr. Zhang Xuewen ceased to perform the duties of the President after Mr. Liu Jianjun took office. The Board of Directors believed that such arrangement ensured that the functions of the Board of Directors and the day-to-day operations of the Bank were not affected and did not undermine the balance of responsibilities and mandates between the Board of Directors and the senior management of the Bank.

Securities Transactions by Directors, Supervisors and Senior Management

The Bank has adopted a code of conduct for securities transactions by Directors, Supervisors and senior management on terms no less stringent than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Hong Kong Listing Rules. The Directors, Supervisors and the senior management of the Bank have confirmed that they have complied with such code of conduct during the reporting period.

Appraisal and Incentive Mechanisms for Senior Management

The Bank has established clear standards in relation to the remunerations of Directors, Supervisors and senior management members, and continued to improve the performance appraisal system and incentive and disciplinary mechanism for them. The Bank determines performance-based annual remunerations of Directors, Supervisors and senior management members according to the performance assessment results, and has established the system for deferred payment of performance-based annual remunerations.

Statement on Independence from the Controlling Shareholder

The Bank has independent and complete business and operation capability, and has no relationship with its controlling shareholder in terms of assets, personnel, finance, organization and business that the Bank cannot guarantee its independence or maintain independent operation capability. The controlling shareholder and its related parties have not occupied or controlled any assets of the Bank. The Bank has independent and sound financial, accounting and personnel management policies, and the controlling shareholder and its related parties do not intervene in the financial, accounting and personnel activities of the Bank. The controlling shareholder and its related parties do not intervene in the specific operations of the Bank, nor do they affect the independence of the Bank's operation and management.

In addition, China Post Group, the Bank's controlling shareholder, has entered into a non-competition undertaking, committing that China Post Group and other entities it controls will not engage in any same or similar businesses as those of the Bank.

Auditors' Engagement and Remuneration

As approved by the 2020 Annual General Meeting, the Bank engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the auditors of the Bank for 2021, responsible for providing audit and related services for the financial statements of the Bank prepared in accordance with the China Accounting Standards for Business Enterprises and IFRSs in 2021, respectively. The term of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the auditors of the Bank for 2020 expired after the conclusion of the 2020 Annual General Meeting.

In 2021, the fees payable to Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu for the audit of financial statements provided to the Bank amounted to RMB29.80 million in total (including fees for internal control audit of RMB1.80 million). In 2021, the fees payable to Deloitte Touche Tohmatsu Certified Public Accountants LLP and its member institutions for the audit of financial statements provided to the subsidiaries of the Bank and for other services provided to the bank amounted to RMB0.77 million and RMB5.44 million, respectively.

Sponsors' and Underwriters' Engagement and Remuneration

The Bank engaged China International Capital Corporation Limited and CITIC Securities Co., Ltd. as joint sponsors and joint lead underwriters of the non-public issuance of A shares of the Bank. On March 25, 2021, the Bank completed the non-public issuance of 5,405,405,405 A shares of RMB ordinary shares, and the underwriting fee was RMB2.80 million (value added tax included).

Significant Changes to the Articles of Association during the Reporting Period

On April 29, 2021, the Bank held the First Extraordinary General Meeting of 2021 to consider and approve the Proposal of Amendments to the Articles of Association of Postal Savings Bank of China Co., Ltd. On September 29, 2021, the CBIRC issued the Approval by the CBIRC on the Change of Registered Capital of Postal Savings Bank of China Co., Ltd. (Yin Bao Jian Fu [2021] No. 763), the registered capital was changed to RMB92,383,967,605, and the Bank has made corresponding amendments to the Articles of Association pursuant to such approval and completed the change of registered capital with the market supervision and management authorities.

Self-examination of Special Actions on the Governance of Listed Companies

The Bank has conducted a thorough self-examination by following the Notice of the CSRC on Conducting Special Actions on the Governance of Listed Companies ([2020] No. 69) and other relevant requirements, and it was not aware of any non-compliance of its corporate governance practice with laws, administrative regulations and the CSRC's regulatory documents governing the corporate governance of listed companies nor major issues that require disclosure to investors and may have impact on operation and management of the Bank.

Internal Control and Internal Audit

Internal Control

The Bank continues to enhance its internal control system, improve internal control measures, and strengthen internal control support. It clarifies the responsibilities of the Board of Directors, the Board of Supervisors, senior management, functional departments of internal control management, internal audit departments and business departments, and has established an internal control governance and organizational structure with reasonable division of labor, clear responsibilities, and clear reporting relationships. Considering the purpose of monitoring the above internal control system is to manage rather than eliminate the risk of failing to achieve business objectives, the Board of Directors can only reasonably, not absolutely, assure that the above system and internal control can prevent any material misstatement or loss.

The internal control and compliance departments, as the leading departments for internal control management, take the lead in organizing and carrying out the establishment of the internal control system.

During the reporting period, the Bank steadily advanced the building of the internal control system, continued to implement the three-year plan for improving the quality and efficiency of internal control and compliance, and enhanced the quality of internal control management. In accordance with the requirements of the "Year for Improving Internal Control and Compliance Management" campaign of the CBIRC, the Bank strengthened rigid system management and control, endeavored to make up for the weaknesses in internal control and compliance mechanism, cracked down on the problems that frequently occur after inspection, and continuously improved the ability to prevent and resolve material risks. It implemented the stationing of risk managers at primary-level institutions and strengthened the vertical division of power and horizontal supervision. It also enhanced the effectiveness of internal control of institutions at the primary level and prevented and controlled key risk areas by dual presence of a business supervisor together with a risk manager. The Bank further enhanced the quality control for rectifying problems circulated by regulatory authorities and strengthened the systematic rectification of problems by drawing inferences.

In accordance with the requirements of the Basic Standards for Enterprise Internal Control and its supporting guidelines, the Guidelines for Internal Control of Commercial Banks, and other internal control regulatory requirements, and considering the Bank's basic rules for internal control and assessment methods, the Bank assessed the effectiveness of internal control as at December 31, 2021 (the base date of the internal control assessment report). Based on the Bank's identification criteria for deficiencies in internal control over financial reporting and deficiencies in internal control unrelated to financial reporting, as at the base date of the internal control assessment report, the Bank maintained effective internal control over financial reporting in all material aspects pursuant to the system of standards for enterprise internal control and relevant regulations with no significant internal control deficiencies over financial reporting or unrelated to financial reporting. The Board of Directors of the Bank reviewed and approved the 2021 Annual Internal Control Assessment Report of Postal Savings Bank of China Co., Ltd. Please visit the websites of SSE, Hong Kong Stock Exchange and the Bank for details of the report.

Deloitte Touche Tohmatsu Certified Public Accountants LLP audited the effectiveness of the internal control over financial reporting of the Bank as at December 31, 2021 in accordance with relevant regulations, and issued an unqualified Internal Control Audit Report. For details, please visit the websites of SSE, Hong Kong Stock Exchange and the Bank.

Internal Audit

During the reporting period, the Bank implemented an internal audit system and established a three-tier audit structure consisting of the Audit Department at the Head Office, regional audit offices and audit departments at tier-1 branches, and also set up an internal audit reporting system and reporting lines consistent with such structure. The Audit Department at the Head Office is responsible to the Board of Directors and the Audit Committee under it, regularly reports to the Board of Directors, the Audit Committee thereunder and the Board of Supervisors, and notifies the senior management.

The Audit Department at the Head Office is responsible for the overall audit work and the coordination of audit resources of the Bank, as well as the organization and conduct of audit activities in accordance with the Guidelines for the Internal Audit of Commercial Banks and the audit charter of the Bank. There are 7 regional audit offices under the Audit Department which are key components of the audit force of the Head Office and are mainly responsible for the audit of tier-1 branches and institutions within their authority. The 36 audit departments of tier-1 branches, which are under the dual leadership of The Audit Department at the Head Office and their respective branch presidents, are responsible for the audit at institutions under the management of tier-1 branches.

Centering on the improvement of corporate governance and business management, and enhancement of internal control and risk management, the internal audit team of the Bank upheld the problem-oriented, risk-based and high-quality development audit principles. Focusing on key business lines and key risk areas, it conducted audit supervision on key areas such as implementation of major policies, serving the real economy, risk management, internal control, financial management, information technology, protection of consumer rights and interests and anti-money laundering, put forward recommendations for improvement thereof, followed up the rectification of problems identified in supervision, and focused on improving the quality and efficiency of audit supervision.

The Bank actively responded to the dynamics of development trends, promoted the management structure improvement for internal audit, improved the audit policy system, intensified efforts in building audit teams, deepened the application of big data technology in audit, and accelerated the digital transformation of audit, so as to secure sound operation and high-quality development of the Bank.

Information Disclosure and Investor Relations

Information Disclosure

The Bank strictly abided by laws and regulations, and the local regulatory requirements of the places where its shares are listed, and disclosed information in a true, accurate, complete, timely and fair manner. Adhering to the principle of providing clear, concise and easy-to-understand information, the Bank continued to optimize the content disclosed in reports and innovated in the form of disclosure to improve readers' experience. With no corrections to major accounting errors and no material omission during the reporting period, the Bank was rated A (Excellent) by the Shanghai Stock Exchange in its evaluation on information disclosure work of listed companies of the year. Meanwhile, the Bank expanded the scope and depth of voluntary information disclosure so as to protect the rights and interests of the shareholders, especially the minority shareholders, and improve the transparency of corporate information. Centering on the concerns of the market and investors, the Bank proactively released its strategic plans, core competitiveness, corporate culture, and business features and highlights. Moreover, the Bank continued improving information disclosure management, in line with the latest regulatory requirements, reviewed and revised management measures for information disclosure, internal reporting of important information, preparation of regular reports, insider information and insiders of the Bank. It established and put into use an information disclosure system, standardized the process of information transmission, achieved online preparation of reports and online management of insider information and insiders.

ARC Awards for Annual Reports, Honors for Chairman's/President's Letter (National Banks)

Investor Relations

The Bank has always adhered to the principle of closely following the market, being forward-looking in judgment, professional and efficient, as well as comprehensive and synergistic. By establishing contacts with various entities in the capital market, the Bank has established a multi-channel communication platform, continuously tracked regulatory trends, market focuses and analyst research reports, and developed an effective internal and external coordination mechanism, striving for creating long-term value for investors. The Bank leverages investor communication activities, communication platforms such as results presentations and roadshows, surveys and summits, investors hotline and mailbox, and SSE E-interaction to maintain normal communication with the capital market in a flexible way. It fully displays business development achievements, responds to investors' concerns in a timely manner and actively communicates on hot issues, making it widely recognized by the market. The Bank emphasizes on improving the bank-wide capital market awareness, strengthens research on capital market viewpoints and conveys the viewpoints within the bank, and promotes the integration of investors' concerns into operation and management across the Bank.

During the reporting period, under the great support and guidance of the Board of Directors and the senior management, the Bank held four results presentations through on-site meetings, conference calls and other means. Among them, the 2020 annual and 2021 interim results presentations were held in the form of "online video livestreaming + phone access + live text broadcast" with the attendance of the Chairman and senior management members, conveying the Bank's development strategy and long-term value to capital markets. The 2020 annual results presentation was awarded "Excellent Case of 2020 Annual Report Results Presentations by Listed Companies" by the China Association for Public Companies.

After the release of the 2020 annual results and 2021 interim results, the Chairman and senior management members of the Bank led several teams to carry out online roadshows, conducted in-depth communication with investors and analysts on business development, transformation and innovation, strategic vision and other situations of the Bank with a sincere and open attitude, and actively responded to the concerns of the capital market. Over the year, the Bank organized 46 roadshows online, attended 23 investment forums and summits, and received visits of 56 surveys. It communicated with domestic and overseas investors and analysts by 1,650 person-times through the accumulated 125 meetings, and actively participated in the event of "2021 Collective Reception Day for Investors of Listed Companies in Beijing", during which it communicated with investors online on the platform of SSE Roadshow Center.

The international ratings and domestic ratings of the Bank remained unchanged with a stable outlook, which was still at a leading level in China's banking industry, reflecting the high recognition of the Bank's development ability and potential by the capital market. Moreover, the Bank received the "Best Investor Relations Award" and "Best Investment Value Award" in the selection for "2021 China Financing Awards" organized by the Hong Kong finance magazine *China Financial Market*.

2021 Interim Results Announcement attended by Chairman Zhang Jinliang, President Liu Jianjun, Vice President Zhang Xuewen, Vice President Yao Hong, and Vice President Du Chunye

For investors having questions with the operating results of the Bank, please contact:

The Office of the Board of Directors of Postal Savings Bank of China Co., Ltd.
Address: No. 3 Financial Street, Xicheng District, Beijing
Telephone: 86-10-68858158
Fax: 86-10-68858165
E-mail: psbc.ir@psbcoa.com.cn

Principal Business and Business Review

The Bank and its subsidiaries are mainly engaged in provision of banking and related financial services. The Bank's business operations, information on Directors and Supervisors, and business review as required by Schedule 5 of the Hong Kong Companies Ordinance are set out in relevant sections including "Messages from the Chairman and President", "Discussion and Analysis", "Corporate Governance", "Significant Events", "Financial Statements", this "Report of the Board of Directors", etc.

Profit and Dividend Distribution

For the Bank's profit and financial position during the reporting period, please refer to "Financial Highlights" and "Discussion and Analysis – Analysis of Financial Statements".

With the approval at the 2020 Annual General Meeting held on June 29, 2021, the Bank, based on the total share capital of 92,383,967,605 ordinary shares, distributed cash dividends of RMB2.085 (before tax) per ten ordinary shares, totaling approximately RMB19,262 million (before tax), to all the ordinary shareholders whose names appeared on the share register on the record date. The share register record date for distribution of dividends for A share and H share was July 21, 2021. The dividends for A share in 2020 were distributed on July 22, 2021, and the dividends for H share in 2020 were distributed on August 5, 2021. The Bank did not declare or distribute interim dividends of 2021, nor did it convert any capital reserve to share capital.

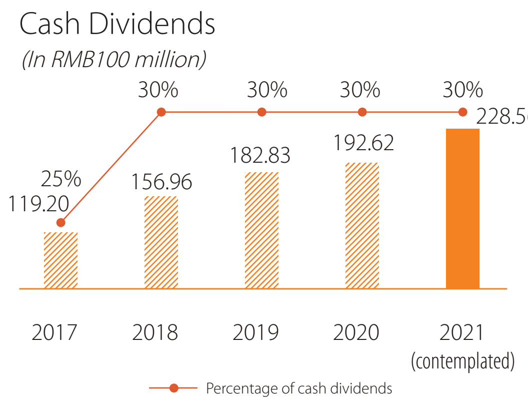
In accordance with the Company Law of the People's Republic of China, the Administrative Measures for Provisioning of Financial Enterprises, the Articles of Association and relevant requirements, statutory surplus reserve of RMB7,417 million and general risk reserve of RMB27.083 billion were appropriated for 2021. On the basis of 92,383,967,605 ordinary shares of the total share capital of the Bank, totaling approximately RMB22,856 million (before tax) of cash dividends were distributed to all the ordinary shareholders whose names appeared on the share register on the record date with RMB2.474 (before tax) per ten ordinary shares. Cash dividends are denominated and declared in Renminbi, and paid to holders of A shares in Renminbi and to holders of H shares in Hong Kong dollars converted at the RMB central parity rate announced by the PBOC on the day of the Bank's 2021 Annual General Meeting. The remaining undistributed profits are carried forward to the next year. The Bank did not convert its capital reserve to share capital in 2021. The aforesaid annual dividend distribution plan for 2021 is still subject to the approval of the 2021 Annual General Meeting of the Bank. The above dividends will be paid to shareholders of A shares and H shares listed on the Bank's register of shareholders after the market closes on July 11, 2022 (Monday), subject to the approval. The Bank will suspend the registration procedures of H share ownership transfer on July 6, 2022 (Wednesday) (inclusive) till July 11, 2022 (Monday) (inclusive). The H shareholders of the Bank who wish to receive the proposed cash dividends must lodge their share certificates together with the share transfer documents with the Bank's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on July 5, 2022 (Tuesday). In accordance with the relevant regulatory requirements and business rules, dividends for A shares are expected to be paid on July 12, 2022, and those for H shares on August 10, 2022.

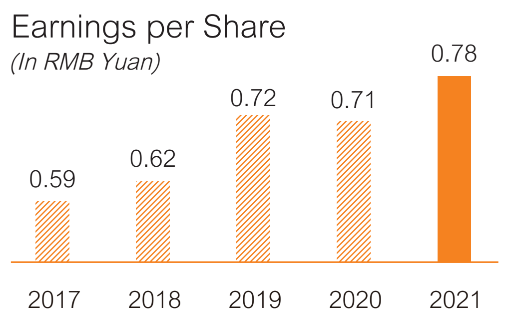
Please refer to the relevant announcement on implementation of dividends issued by the Bank for details of taxes and tax relief related to the dividends.

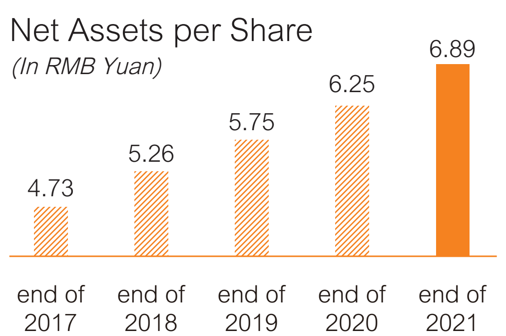
The Bank had no plan for converting capital reserve to share capital in the last three years. The table below sets out the dividend distribution of ordinary shares of the Bank for the last three years:

Items	2021	2020	2019
Distributed dividends per ten shares (before tax, in RMB)	2.474	2.085	2.102
Cash dividends (before tax, in millions of RMB)	22,856	19,262	18,283
Net profit attributable to equity holders of the Bank in the consolidated statements (in millions of RMB)	76,170	64,199	60,933
Percentage of cash dividends(1) (%)	30	30	30

Note (1): Calculated by dividing cash dividends on ordinary shares (before tax) by net profit attributable to equity holders of the Bank for the period.







For details on the distribution of dividends on offshore preference shares, please refer to "Changes in Share Capital and Shareholdings of Shareholders – Offshore Preference Shares".

Formulation and Implementation of Cash Dividend Policy

The Bank attaches importance to ensuring reasonable returns to investors as well as maintaining the continuity and stability of profit distribution policies. It takes into account the overall interests of all shareholders as well as the long-term interests and sustainable development of the Bank. The Bank may distribute dividends in cash or in shares, and priority shall be given to cash dividend distribution. In principle, the Bank distributes its profits once a year.

The formulation and implementation of the Bank's cash dividend policy accords with the provisions stipulated in the Bank's Articles of Association and the requirements provided in the resolutions of the Shareholders' General Meeting. The decision-making procedures and mechanisms are complete and the dividend distribution standards and proportions are clear and explicit. Independent Non-executive Directors have diligently fulfilled their obligations, played their due roles, and expressed their opinions. Minority shareholders have the opportunity to fully express their opinions and demands, and their legitimate rights and interests are fully protected.

Reserves

For details of changes in reserves of the Bank during the reporting period, please refer to "Consolidated Statement of Changes in Equity".

Financial Summary

For the summary of operating results, assets and liabilities for the five years ended December 31, 2021, please refer to "Financial Highlights".

Donations

During the reporting period, the Bank donated RMB36.6768 million (domestically).

Fixed Assets

For details of changes in fixed assets of the Bank during the reporting period, please refer to "Notes to the Consolidated Financial Statements – 23 Property and equipment".

Subsidiaries

For details of the Bank's majority-owned subsidiaries during the reporting period, please refer to "Discussion and Analysis – Majority-owned Subsidiaries" and "Notes to the Consolidated Financial Statements – 22 Investment in subsidiaries".

Share Capital and Public Float

As at the end of the reporting period, the Bank had 92,383,967,605 ordinary shares in total (including 72,527,800,605 A shares and 19,856,167,000 H shares) as its share capital. As of the disclosure date of this report and based on publicly available information, the Bank had maintained sufficient public float in compliance with the minimum requirement of the Hong Kong Listing Rules.

Tax Relief

Shareholders of the Bank are taxed in accordance with the following tax regulations and the amendments thereof from time to time, and may enjoy possible tax relief according to the actual situation. Shareholders should seek professional advice from their tax and legal advisors. The following cited laws, regulations and stipulations are all relevant provisions issued before December 31, 2021.

Holders of A Shares

In accordance with the Notice on Implementing Differentiated Individual Income Tax Policy for Stock Dividends and Bonuses of Listed Companies (Cai Shui [2012] No. 85) and the Notice on Differentiated Individual Income Tax Policy for Stock Dividends and Bonuses of Listed Companies (Cai Shui [2015] No. 101) issued jointly by the MOF, the State Taxation Administration and the CSRC, for shares of listed companies obtained by individuals from public offerings or the transfer market, where the holding period is less than one month (inclusive), the dividends and bonuses shall be counted as taxable income in the full amount; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends and bonuses shall be counted as taxable income on a provisional basis; and where the holding period exceeds one year, the dividends and bonuses shall not be counted as taxable income on a provisional basis. The individual income tax rate of 20% shall be applicable for all incomes mentioned above. The individual income tax levied on dividends and bonuses obtained by equity investment funds from listed companies is also calculated in accordance with the aforementioned rules.

In accordance with Article 26.2 of the Enterprise Income Tax Law of the People's Republic of China, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises shall be tax-free.

In accordance with Article 83 of the Implementation Rules for Enterprise Income Tax Law of the People's Republic of China, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises referred to in Article 26.2 of the Enterprise Income Tax Law of the People's Republic of China mean those investment proceeds obtained from direct investment of resident enterprises in other resident enterprises, excluding those investment proceeds obtained from publicly offered and tradable stocks of resident enterprises held for less than 12 months on a continuing basis.

In accordance with the Enterprise Income Tax Law of the People's Republic of China and the Implementation Rules for the Enterprise Income Tax Law of the People's Republic of China, dividend income obtained by non-resident enterprises shall be levied at a preferential enterprise income tax rate of 10%.

Holders of H Shares

In accordance with Chinese tax laws and regulations, the dividends and bonuses received by overseas resident individual shareholders from stocks issued by domestic non-foreign enterprises in Hong Kong are subject to the payment of individual income tax, which shall be withheld by the withholding agents. However, overseas resident individual shareholders of stocks issued by domestic non-foreign enterprises in Hong Kong can enjoy relevant tax benefits pursuant to provisions in the tax conventions signed between China and the country where they reside or the tax arrangements between the Chinese mainland and Hong Kong (Macao). Accordingly, the Bank generally withholds 10% of the dividends to be distributed to individual H shareholders as individual income tax unless otherwise specified by relevant tax laws, regulations and agreements.

In accordance with the Notice on Issues concerning Withholding the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H-share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) issued by the State Taxation Administration of PRC, the Bank will withhold and pay enterprise income tax at a rate of 10% when distributing annual dividends to H-share holders who are overseas non-resident enterprises from the year of 2008.

In accordance with the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of the dividends on H shares paid by the Bank.

The taxation relating to Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect shall be implemented in accordance with the requirements of the Circular on Tax Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81) and the Circular on Tax Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127) by the MOF, the State Taxation Administration, and the CSRC.

Offshore Preference Shareholders

In accordance with Chinese tax laws and regulations, when distributing dividends to overseas non-resident enterprises on offshore preference shares, the Bank shall withhold enterprise income tax at a rate of 10%.

In accordance with the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of the dividends on offshore preference shares paid by the Bank.

Purchase, Sale or Redemption of Shares

During the reporting period, the Bank and its subsidiaries did not purchase, sell or redeem any of its listed shares.

Pre-emptive Rights

There is no mandatory provision in relation to pre-emptive rights in the Articles of Association of the Bank. According to the Articles of Association, the Bank may increase its registered capital by issuing shares through public or non-public offering, allotting new shares to the existing shareholders, placing new shares to the existing shareholders, converting the capital reserve to share capital and other methods as permitted by laws, regulations and relevant authorities.

Equity-linked Agreement

The Bank issued offshore preference shares through non-public offering in overseas markets with an aggregate amount of USD7.25 billion on September 27, 2017. As at the end of the reporting period, the Bank did not enter into or renew any other equity-linked agreements other than the above preference shares. In accordance with the Capital Rules for Commercial Banks (Trial) and the Administrative Measures on Pilot Program of Preference Shares, commercial banks shall formulate clauses governing the mandatory conversion of preference shares into ordinary shares, namely, upon the occurrence of a trigger event, commercial banks shall convert the preference shares into ordinary shares as stipulated in the contract. Trigger events include the following situations: The Bank's core tier 1 capital adequacy ratio drops to 5.125% or below; the CBIRC concludes that without a conversion or write-off, the Bank would become non-viable, and the relevant authorities concludes that without a public sector injection of capital or equivalent support, the Bank would become non-viable. In accordance with relevant regulations, the Bank has set a trigger event clause for the mandatory conversion of preference shares into ordinary shares. Assuming that such trigger events occur and all the preference shares need to be converted into ordinary shares at the initial conversion price, the number of offshore preference shares to be converted into ordinary H shares shall not exceed 11,658,840,579.

During the reporting period, there were no events that would trigger a mandatory conversion of the Bank's offshore preference shares into ordinary shares.

Major Customers

During the reporting period, the aggregate interest income and other operating income of the Bank's top five customers did not exceed 30% of the interest income and other operating income of the Bank for the year.

Material Relationship with Employees and Suppliers

Due to the nature of its business, the Bank did not have a major supplier.

For details on the Bank's relationship with its employees, please refer to the 2021 Corporate Social Responsibility (Environmental, Social and Governance) Report of Postal Savings Bank of China to be published on the websites of the SSE, the Hong Kong Stock Exchange and the Bank.

Use of Proceeds from Fund-Raising Activities

The funds raised by the Bank have been used in accordance with the purposes as disclosed in the offering prospectuses, which is to consolidate the Bank's capital base to support the continuing growth of the Bank's business.

For the plan of the use of proceeds disclosed in the public disclosure documents such as prospectuses and offering prospectuses previously issued by the Bank, the implementation progresses are in line with the planning as described after verification and analysis.

Directors' and Supervisors' Interests in Contracts of Significance

For the list and biographies of and changes in Directors and Supervisors of the Bank, please refer to "Corporate Governance – Directors, Supervisors and Senior Management". During the reporting period, none of the Directors or Supervisors of the Bank or entities related to such Directors and Supervisors had any direct or indirect material interests in any transaction, arrangement or contract of significance regarding the Bank's business to which the Bank or any of its subsidiaries was a party. None of the Directors or Supervisors of the Bank 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' and Supervisors' Interests in Competing Businesses

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

Directors' and Supervisors' Rights to Acquire Shares or Debentures

During the reporting period, the Bank did not grant any rights to acquire shares or debentures to any of its Directors or Supervisors, nor were any of such rights exercised by any of the Bank's Directors or Supervisors. Neither the Bank nor its subsidiaries entered into any agreement or arrangement which would enable the Directors and Supervisors to benefit from the acquisition of shares or debentures of the Bank or any other companies.

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

As at the end of the reporting period, none of the Directors or Supervisors of the Bank held any interests or short positions (including interests and short positions in which they are deemed to have under such provisions of the SFO) in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the SFO) which are required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or any interests or short positions which have to be recorded in the register under Section 352 of the SFO, or any interests or short positions which have 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 "Changes in Share Capital and Shareholdings of Shareholders – Interests and Short Positions Held by Substantial Shareholders and Other Persons".

Connected Transactions

During the reporting period, the Bank followed laws, regulations and regulatory requirements to promote the management of connected transactions. It refined the management mechanism, improved approval and filing procedures, organized training and continued to cultivate compliance culture to further strengthen the management of connected transactions. The Bank's connected transactions were conducted in compliance with relevant laws, which served the overall interests of the Bank and its minority shareholders.

For further details on the connected transactions of the Bank and the particulars of any contract of significance between the Bank and its controlling shareholder or any of its subsidiaries, please refer to "Connected Transactions and the Implementation of the Management System for Connected Transactions".

For the connected transactions defined under domestic and overseas laws and regulations as well as accounting standards, please refer to "Notes to the Consolidated Financial Statements – 39 Relationship and transactions with related parties".

Remuneration of Directors, Supervisors and Senior Management Members

The remuneration of senior management members of the Bank shall be reviewed and approved by the Board of Directors. The plan for remuneration of Directors of the Bank shall be submitted to the Shareholders' General Meeting of the Bank for further review and approval after it is reviewed and approved by the Board of Directors. The plan for remuneration of Supervisors shall be submitted to the Shareholders' General Meeting of the Bank for further review and approval after it is reviewed and approved by the Board of Supervisors. The annual remuneration of Directors, Supervisors and senior management members shall be determined according to their annual assessment results. For details of the remuneration, please refer to "Corporate Governance – Directors, Supervisors and Senior Management". The Bank did not formulate any share incentive plan for the Bank's Directors, Supervisors and senior management members.

Permitted Indemnity Provision

According to the Articles of Association, unless the Directors, Supervisors or senior management members are proved to have failed in performing their duties and responsibilities honestly or in good faith, the Bank shall bear the civil liability incurred by the Directors, Supervisors and senior management members during their terms of office to the greatest extent permitted by the laws and administrative regulations or so far as it is not prohibited by the laws and administrative regulations. The Bank has purchased liability insurance for its Directors, Supervisors and senior management members for the potential liabilities that may arise from their discharge of duties.

Financial, Business and Family Relations among Directors, Supervisors and Senior Management Members

Save as disclosed in this report, the Directors, Supervisors and senior management members of the Bank are not related to each other with respect to financial, business, family or other material relations.

Management Contracts

Except for the service contracts of its management members, the Bank has not entered into any contract with any person, company or legal entity to manage the whole or any material part of its businesses.

Auditors

The financial statements of the Bank for 2021 prepared in accordance with the PRC GAAP and IFRSs have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu according to the Auditing Standards of China and International Standards on Auditing respectively, and both of them issued unqualified audit opinions.

Compliance with Important Laws, Regulations and Rules

During the reporting period, the Bank complied with the laws and regulations of the place where it operates in all material respects. The Bank, its Directors, Supervisors and senior management members were not subject to investigations, public criticisms from the CSRC or public denunciations from the stock exchanges, nor were they subject to penalties from other regulators for environmental or other issues which had a significant impact on the Bank's operations.

Significant Events

For other matters that are significant for shareholders to understand the Bank's business, please refer to "Significant Events" for details.

Environmental Policy

The Bank vigorously promoted low-carbon operations, implemented green office management requirements. It made full use of telephone conference, television telephone conference, OA office system, and other electronic office methods to minimize the consumption of office paper. It removed old vehicles from the roads so as to reduce additional fuel consumption increased by vehicles with worn-out parts. In case of activities where several staff members need to travel together, carpooling is encouraged. It put up signs around the switches of air-conditioners to indicate the temperature setting standards in winters and summers, and also around water containers to remind people of saving water. In an active response to the government call, the Bank carried out garbage categorization, and promoted resource recycling. It implemented green procurement, used energy-saving and eco-friendly products, reasonably established green access thresholds, requirements of environmental management system certification (ISO14000), and evaluation standards according to the characteristics of procurement projects, and required suppliers to sign and perform the Energy Conservation and Emission Reduction and Green Environmental Protection Development Agreement.

The Bank deepened institutional building for green operations. It issued the Notice on Printing and Issuing the Priorities in Energy Management of the Head Office in 2021, the Notice on Carbon Asset Management of the Head Office, the Notice on Conducting Self-inspection of Energy Utilization Situation in 2020 at the Head Office and other documents, specifying the annual objectives and requirements for energy management. The Bank participated in the 2021 campaign of Beijing for green construction jointly launched by Beijing Social Enterprise Quality Association, Beijing Energy Society, and Beijing Society for Environmental Science. From 2019 to 2021, the Head Office passed the assessment organized by Xicheng District Commission of Development and Reform of Beijing Municipality on the performance in meeting the targets and fulfilling the responsibilities for energy saving for three consecutive years.

The Bank advanced the green bank building. It thoroughly implemented the plans set forth by the CPC Central Committee as well as the regulatory requirements for green finance. Referring to the national standards such as the Technical Regulations for Green Renovation of Existing Buildings and the Evaluation Standards for Green Renovation of Existing Buildings, the Bank carried out building materials conservation in light of local conditions, sped up materials innovation, gave priority to using law-carbon, energy-saving and eco-friendly building materials, and continued to use light boards, energy-saving glass doors and windows, efficient thermal insulation materials and so on. The Head Office first considered purchasing energy-saving lamps, air conditioners and office electrical equipment in the office area and promoted their use, accelerated efforts to upgrade the lighting system to save energy, promoted the use of energy-saving lighting lamps or voice-activated and intelligent devices, and reduced power consumption.

Corporate Social Responsibilities

The Bank adheres to the mission of “delivering accessible financial services in both urban and rural areas” and strategically focuses on supplying financial services to Sannong customers, urban and rural residents and SMEs. It consistently improves social responsibility management level (environmental, social, and governance), and supports national strategies, such as rural revitalization, carbon peaking and neutrality, and common prosperity. We work with our partners to build a first-tier large retail bank that provides “responsible, resilient and caring” financial services, making positive contributions to economic, environmental and social field.

Facilitating rural revitalization

The Bank is determined to implement the strategic decisions concerning Sannong made by the CPC Central Committee and the State Council, and has leveraged its unique advantages as a bank committed to serving Sannong customers. We continuously deepen the reform of the Sannong Finance Department, devise a specialized agriculture-oriented service system, strengthen technology empowerment, accelerate the digital transformation of Sannong finance and continuously improve the integrated online-offline service model, so as to build a digital ecology bank serving the rural revitalization strategy and improve the quality of Sannong financial services. In this way, we effectively support rural revitalization and stimulate high-quality and efficient agricultural development, making the countryside more livable, business-friendly and prosperous.

Developing green finance

The Bank has further implemented the concept of green development, rigorously carried out relevant national policies and regulatory requirements, and supported the United Nations 2030 Sustainable Development Goals (SDGs) and the Paris Climate Agreement. By pushing forward the development of a green bank in terms of corporate governance, policy systems, product innovation, staff incentive mechanism, risk management and information disclosure, we have actively developed sustainable finance, green finance, climate finance, etc., and promoted biodiversity conservation to build into a first-tier green inclusive finance bank, a climate-friendly bank and an eco-friendly bank while seeking to facilitate the fulfillment of the target of carbon emission peaking by 2030 and the carbon neutrality before 2060.

Focusing on inclusive finance

The Bank has practiced an inclusive development concept to deepen the digital transformation of financial services oriented toward micro, small and medium enterprises (MSMEs), set up the "Academy for Small and Medium Enterprises" with partners, and continuously released operation indices for domestic micro and small enterprises (MSEs) to stimulate high-quality MSE finance development with the Bank's own high-quality growth, and vice versa. The bank has unblocked online and offline channels and begun optimizing the customer journey while offering inclusive financial services for residents in urban and rural areas. We have promoted IT application projects and continuously empowered business management and development and customer service operations to foster public well-being.

Serving national strategies

The Bank has duly implemented major national strategies and actively allocated financial resources to drive coordinated regional development, benchmarked against the highest development standards. The bank has consistently increased financial support for advanced manufacturing, strategic emerging industries, specialized and sophisticated enterprises that produce new and unique products to boost industrial upgrading. We have scaled up trade and supply chain finance businesses, focusing on free trade ports, free trade zones, the "Belt and Road" and effectively supported high-level market opening to foreign businesses.

Creating a better life together

Attaching great emphasis to staff career development, the Bank has built an employee career path that encourages vertical promotion and horizontal development, continuously improved a comprehensive control mechanism for consumer protection to effectively safeguard the legitimate rights and interests of financial consumers, continuously engaged in public charity activities, and further developed the PSBC Love Charity platform, where a broad range of charitable initiatives such as student aid, environmental protection and biodiversity conservation are carried out.

绿色让生活更美好
Green world, better life.

Column 25 PSBC Love Charity Foundation

The Bank and China Foundation for Poverty Alleviation jointly set up the PSBC Love Charity Foundation, and launched the PSBC Love Class of Self-Commitment program and other programs in the education field such as the PSBC Love Scholarship, and the special donation to those in Hubei hit by the pandemic. In 2020, the first group of 1,650 senior high school students with financial difficulties receiving grants given by the PSBC Love Class of Self-Commitment program took part in the national college entrance examination. Among them, 931 were admitted to undergraduate programs at universities, more than 450 entering first-tier universities, and some entering China's prestigious universities such as Peking University, Nankai University, China University of Political Science and Law and Beijing Institute of Technology.

In 2021, the PSBC Love Charity Foundation remained committed to improving the quality of education in rural areas and contributing to rural revitalization, made further exploration in the field of education and public welfare, continued the PSBC Love Class of Self-Commitment program, the PSBC Love Scholarship and other programs, and launched some new programs including the PSBC Love Caring Package and PE Classroom Donation program, providing financial aid and other support for the growth and development of students in economically underdeveloped areas. As at the end of the reporting period, the PSBC Love Charity Foundation raised a total of RMB41.0599 million, with RMB20 million donated by the Bank.

Scan the QR code to learn about PSBC Love Charity

Vision of PSBC Love Charity Platform: Uphold the concept of inclusive finance, pool social strength, arouse public welfare awareness, deliver humanistic care, promote the development of public welfare undertakings in China in a normalized, diversified and sustainable manner, and strive to become an innovator and practitioner of public welfare undertakings in China.

Fly, Youth - a short video of PSBC Love Charity

Four graduates of the PSBC Love Class of Self-Commitment tell stories of knowledge changing life.

PSBC Love Charity day on March 20, 2021

Protection of Consumer Rights and Interests

The Bank attached great importance to the protection of consumers' rights and interests. Adhering to the people-oriented development philosophy, it faithfully implemented the regulatory requirements, continuously improved the institutions and mechanisms for consumer protection and enhanced the implementation, established and improved a whole-process control mechanism for consumer protection. It also effectively implemented the requirements for consumer protection in all business links including design and development of products and services, marketing and presentation, as well as aftersales management, and kept standardizing operations to bring the Bank's work concerning consumer protection to a higher level.

The Bank carried out complaint management, reviewed consumer protection mechanisms, organized internal assessment of consumer protection, and constantly consolidated the foundation for consumer protection. It strengthened information disclosure related to consumer protection to ensure the consumers' rights to be informed. It further improved the whole-process customer complaint management and control, carried out rectification by tracing customer complaints, focused on complaints that are of great concern, and gave full play to the positive role of complaint handling in raising the management quality. The Bank strengthened the publicity, implementation and learning of laws and regulations on personal information protection, and organized personal information protection benchmarking and improvement. In accordance with relevant laws and regulations, regulatory requirements and financial standards, the Bank optimized and improved personal information related rules, agreements and systems, and established a whole-process control system for personal information protection to prevent the risk of personal information leakage. It organized and provided special training on consumer protection, built an internal trainer team on consumer protection, and constantly improved the consumer protection awareness and working standards of institutions at all levels. In order to fulfill its social responsibilities, the Bank continued to carry out all-round, multi-perspective, broad-coverage publicity of financial knowledge. Making full use of its strengths based on the large number of outlets with wide coverage and a large base of consumers being served, the Bank expanded the reach of knowledge not only through its owned channels but also through external channels. It also focused on the financial knowledge needs of major groups such as the young and the old, enriched the forms of publicity with innovative content, made publicity activities more targeted and effective, continuously improved consumers' understanding of financial products and services and raised their awareness of risk prevention, helping to create a sound financial consumption environment.

By Order of the Board of Directors

Zhang Jinliang

Chairman

March 30, 2022

Report of the Board of Supervisors

Work of the Board of Supervisors

During the reporting period, the Board of Supervisors of the Bank, in strict accordance with laws, regulations, regulatory requirements, and the Articles of Association of the Bank, fully performed its duty of supervision and balancing, pushed ahead with constant improvements of the corporate governance mechanism, effectively promoted the forestalling and defusing of risks and hazards, and earnestly safeguarded the legitimate rights and interests of the Bank, shareholders, employees, creditors, and other stakeholders, hence providing strong support for the Bank's high-quality development. All Supervisors performed their duties faithfully and diligently, attended and discussed at meetings in compliance with laws and regulations, proposed comments and suggestions independently, professionally, and objectively, and intensively participated in supervision, inspection, and research studies. Their time of duty performance at the Bank complied with regulatory requirements.

Supervision on Strategies

The Board of Supervisors proactively conducted supervision on strategies to help achieve high-quality development across the Bank. Centering on the implementation of major strategic decisions of the CPC Central Committee, the Board of Supervisors heard work reports on bolstering the rural revitalization strategy, supporting micro and small enterprises and implementing inclusive finance policies, and building a green bank, with focus placed on the formulation and implementation of the Bank's 14th Five-Year Plan, IT plan, development plan for internet loans and middle and long-term strategies. Focusing on serving the rural revitalization strategy, it paid attention to the market expansion for business cooperation benefitting farmers as well as corresponding products and services, promoted the steady development of business cooperation benefitting farmers, and facilitated the implementation of the Bank's positioning of serving Sannong customers, urban and rural residents, and SMEs. Focusing on the concept of green development, the Board of Supervisors laid stress on the Bank's green finance development and contributed to accelerating green bank building. Focusing on the Bank's transformation towards "uniqueness, comprehensiveness, lightness, digitalization and intensiveness", it conducted supervision surrounding the Bank's capital management, further raised awareness on saving capital, and improved capabilities for refined capital management.

Supervision on Duty Performance

The Board of Supervisors carried out solid work in performance supervision and evaluation and made sure that bodies of corporate governance shouldered respective responsibilities. It continued to optimize the evaluation plan for annual performance and refine performance evaluation requirements, earnestly carried out the 2020 performance evaluation of the Board of Directors, the senior management and their members, and the self-evaluation of the Board of Supervisors and its members. Assessment reports were promptly submitted to regulatory authorities and the Shareholders' General Meeting, and the assessment results were disclosed in the annual report. Furthermore, the Board of Supervisors continued to analyze performance evaluation results and strengthened the application of performance evaluation scores. According to the Standards for the Corporate Governance of Banking and Insurance Institutions, the Measures for the Evaluation of Duty Performance of Directors and Supervisors of Banking and Insurance Institutions (Trial), and other new regulations, the Board of Supervisors finished amending the Measures for the Supervision and Evaluation of Duty Performance of the Board of Directors, the Senior Management and Their Members by the Board of Supervisors of Postal Savings Bank of China Co., Ltd. and the Measures for the Evaluation of Duty Performance of Supervisors of Postal Savings Bank of China Co., Ltd. Moreover, the Board of Supervisors proactively conducted supervision of routine and special duty performance. Benchmarking with regulatory requirements and advanced practices in the banking industry, it gave special attention to the operations of various corporate governance bodies, and put forward supervision suggestions in time.

Supervision on Risk Management

The Board of Supervisors continued to advance risk supervision and spur the forestalling and defusing of major risks and hazards. It paid constant attention to duty performance in risk management by the Board of Directors and senior management. It regularly heard work reports on comprehensive risk management, liquidity risk management, stress testing, capital management, and audit of the Bank, reviewed the supervision on risk management of the Bank on a quarterly basis, and provided targeted supervision opinions to concretely forestall and defuse potential risks and hazards. Meanwhile, paying close attention to risks and hazards in key industries, key fields, key customers, key products, and information technology, it conducted supervision of corporate customers' credit risk management, banker's acceptances, and real estate risk management, and promoted steady business development in key fields. It also enhanced the supervision of comprehensive risk management, continuously expanded the coverage of risk supervision, and carried out supervision on consolidated management across the Bank Group with emphasis placed on its subsidiaries' risk management. Furthermore, it paid constant attention to changes in supervision indicators such as capital adequacy indicators and liquidity indicators, to promote the Bank's steady operation.

Supervision on Finance

The Board of Supervisors proactively performed duties of supervision on finance and enhanced the Bank's refined financial management. It carefully reviewed periodic reports and proposed audit opinions on the authenticity, accuracy, and completeness of the reports. It earnestly reviewed the profit distribution plan and expressed opinions on the compliance and reasonability of the plan. It also reviewed proposals including supervision on finance, final financial accounts and the use of raised funds conscientiously, paying attention to the implementation progress of the business plan and use of raised funds. It emphasized the decision-making and implementation of significant connected transactions and heard reports on connected transaction management. Focusing on the Bank's operating results, the Board of Supervisors paid attention to intermediary business development, cost-to-income ratio, and the business efficiency of its branches. It enhanced supervision on key areas of finance such as infrastructure investment and outlet management, to improve the Bank's financial management. At the same time, it established a regular communication mechanism with the external auditors to make external audit more independent and effective.

Supervision on Internal Control

The Board of Supervisors made solid efforts to carry out supervision on internal control and compliance and enhance abilities in the management of internal control and compliance. It proactively monitored the internal control governance system and placed focus on the performance of duties and responsibilities of internal control by the Board of Directors and senior management. Besides, it earnestly reviewed the rectification plans and progress concerning problems circulated by regulatory authorities and enhanced rectification implementation requirements for problems. The Board of Supervisors reviewed the Bank's annual reports on internal control assessment, reviewed the supervision on internal control on a quarterly basis and regularly listened to reports on case prevention and control, anti-money laundering, internal control and compliance, consumer protection, audit, etc., facilitating the continuous improvement of the Bank's internal control system. It continued to place focus on compliance in key areas of the Bank such as cases, customer complaints, and accountability. It also strengthened supervision in key areas of internal control and compliance and conducted supervision in areas such as complaints transferred by regulatory authorities, management responsibility identification on non-performing loans, and management of mobile business terminals, thereby improving the Bank's management in internal control and compliance.

Self-building

The Board of Supervisors continued to improve supervision mechanisms and earnestly strengthen supervision capacity building. It completed the election of Employee Supervisors and the adjustment of relevant special committees of the Board of Supervisors, ensuring a science-based personnel structure of the Board of Supervisors and its special committees in compliance with regulatory requirements. It broadened access to information on supervision, with Supervisors actively participating in internal and external training and communications to continuously improve the quality and efficiency of their duty performance and supervision. Through methods such as lessons organized by the Bank and guidance on legal risk study handbook, External Supervisors shared in-depth knowledge in and views on professional fields, and fully leveraged their role as an "external brain trust". The Board of Supervisors enhanced tracking and supervision of the rectification regarding its supervision opinions, regularly reviewed rectification progress of its supervision opinions, and continued to improve the rectification supervision mechanism. Following regulatory requirements and the SSE and Hong Kong listing rules, the Board of Supervisors jointly disclosed timely, complete, and accurate information with domestic and overseas lawyers, including resolutions of its meetings, announcements on changes in supervisors, and its operation.

Work of External Supervisors

During the reporting period, External Supervisors of the Bank acted in strict compliance with the Articles of Association, performed their duties diligently, discussed at meetings in due course, and fully studied and reviewed all proposals. They actively participated in all supervision activities carried out by the Board of Supervisors, earnestly attended meetings of the Board of Supervisors and its special committees, and expressed professional, rigorous and independent opinions and recommendations, playing an active role in improving the corporate governance and the management of the Bank. Time spent by each External Supervisor on supervision for the Bank complied with the regulatory requirements.

Independent Opinions Issued by the Board of Supervisors

Operation According to Law

During the reporting period, the Board of Directors and the senior management of the Bank continued to operate in compliance with applicable laws and regulations and improved internal control policies, with the decision-making procedures complying with laws, regulations, and the Articles of Association. Members of the Board of Directors and the senior management members performed their duties conscientiously. The Board of Supervisors did not find they had any violation of laws and regulations or any act that harmed the interests of the Bank in their performance of duties.

Annual Report

The preparation and review procedures of this annual report of the Bank were in compliance with laws, regulations, and regulatory provisions, and contents of this report reflected the actual conditions of the Bank truly, accurately, and completely.

Use of Raised Funds

During the reporting period, the use of raised funds was in line with the purposes as disclosed in the prospectuses.

Acquisition and Sale of Assets

During the reporting period, there was no insider dealing or any other act that impaired the shareholders' interests or resulted in losses of the Bank's assets in the process of the Bank's acquisition or sale of assets.

Connected Transactions

During the reporting period, the Bank's connected transactions were conducted based on commercial principles. The Board of Supervisors did not find any act that impaired the interests of the Bank. The approval, voting, disclosure, and implementation of connected transactions complied with applicable laws and regulations and the Articles of Association.

Implementation of Resolutions Passed at the Shareholders' General Meeting

During the reporting period, the Board of Supervisors had no objection to the reports or proposals presented by the Board of Directors to the Shareholders' General Meeting for consideration. The Board of Directors earnestly implemented the resolutions approved at the Shareholders' General Meeting.

Internal Control

During the reporting period, the Board of Supervisors reviewed the Bank's annual internal control assessment report and had no objection to the report.

Implementation of Information Disclosure Management Rules

During the reporting period, the Bank performed its duty of information disclosure in strict compliance with the regulatory requirements, implemented the information disclosure management rules earnestly, and disclosed information in a timely and fair manner. Information disclosed during the reporting period was true, accurate, and complete.

Corporate Social Responsibilities

During the reporting period, the Bank earnestly performed its social responsibilities. The Board of Supervisors reviewed the Bank's 2021 Corporate Social Responsibility (Environmental, Social, and Governance) Report and had no objection to the report.

Performance Evaluation of Directors, Supervisors, and Senior Management Members

All the Directors, Supervisors, and senior management members who participated in the 2021 performance assessment were evaluated as competent.

Save as disclosed above, the Board of Supervisors had no objection to other supervision issues during the reporting period.

By Order of the Board of Supervisors

Chen Yuejun
Chairman of the Board of Supervisors
March 30, 2022

Connected Transactions and the Implementation of the Management System for Connected Transactions

Connected Transactions with China Post Group

As at the end of the reporting period, China Post Group directly held approximately 67.38% of the total issued equity shares of the Bank, and was the Bank's controlling shareholder. According to the SSE Listing Rules and the Hong Kong Listing Rules, China Post Group and its associates are the Bank's related parties, and the following transactions constitute connected transactions of the Bank under the SSE Listing Rules and the Hong Kong Listing Rules. During the reporting period, the Bank fully complied with relevant rules for connected transactions under the SSE Listing Rules and the Hong Kong Listing Rules, and entered into the following transactions with China Post Group and its associates in the ordinary course of business on normal or better business terms. Except for the connected transactions between the Bank and China Post Group and its associates disclosed in this section that constitute connected transactions under the Hong Kong Listing Rules, the other connected transactions disclosed in this section do not constitute connected transactions under the Hong Kong Listing Rules, and the Bank has no other connected transactions or continuing connected transactions that shall be disclosed according to relevant provisions on connected transactions in the Hong Kong Listing Rules.

Non-public Issuance of A Shares to China Post Group Constitutes a Major Connected Transaction

On March 8, 2021, the Bank received the Approval Regarding the Non-Public Issuance of Shares by Postal Savings Bank of China Co., Ltd. (Zheng Jian Xu Ke [2021] No. 751) issued by the CSRC. In March 2021, the Bank completed the non-public issuance of 5,405,405,405 ordinary A shares to China Post Group at an issue price of RMB5.55 per share with total proceeds raised of approximately RMB30 billion and the actual net proceeds after deducting the issuance fee amounted to approximately RMB29,985.92 million, all of which were used to replenish the Bank's core tier 1 capital. Please refer to the Bank's announcement dated March 26, 2021 for details.

Agency Banking Businesses

On September 7, 2016, the Bank and China Post Group entered into the Agency Banking Businesses Framework Agreement in relation to the Bank's entrustment of China Post Group (the "Agency Banking Businesses Framework Agreement") to conduct certain commercial banking businesses through agency outlets in accordance with requirements as stipulated in the Notice of the State Council on Issuing the Plan for Reforming the Postal System (Guo Fa [2005] No. 27) and the Notice of the China Banking Regulatory Commission on Issuing the Measures for the Administration of Agency Business Institutions of the Postal Savings Bank of China (Revision) (Yin Jian Fa [2015] No. 49). The Agency Banking Businesses Framework Agreement came into effect from September 7, 2016, with an indefinite term provided that the regulatory requirements are met in places where the Bank's shares are listed or relevant requirements are exempted.

In accordance with the Notice of the State Council on Issuing the Plan for Reforming the Postal System (Guo Fa [2005] No. 27) and the Notice of the China Banking Regulatory Commission on Issuing the Measures for the Administration of Agency Business Institutions of the Postal Savings Bank of China (Revision) (Yin Jian Fa [2015] No. 49), both the Bank and China Post Group are required to follow the exclusive and indefinite operation model consisting of both directly-operated outlets and agency outlets, and neither the Bank nor China Post Group is entitled to terminate the agency arrangement. In the event that national policies are adjusted in the future which allow the termination of the agency arrangement between the Bank and China Post Group, following friendly negotiations between the Bank and China Post Group, where the Bank terminates the Agency Banking Businesses Framework Agreement, all Independent Directors of the Bank shall issue written opinions. Resolutions shall be made by the Board of Directors, and the Bank shall follow the filing and approval procedures (if required) in accordance with relevant laws and regulations.

When the Bank got listed in the H-share market in 2016 and in the A-share market in 2019, due to the particularity of the agency banking businesses, it was not feasible to project the annual cap. According to the relevant provisions of the Hong Kong Listing Rules, requirements to keep the term of the agreement within three years and to project annual caps were exempted. Meanwhile, pursuant to relevant provisions in the SSE Listing Rules, review and disclosure as connected transactions were exempted.

Agency Deposit-Taking Business

Pursuant to the Agency Banking Businesses Framework Agreement, China Post Group provides the Bank with agency Renminbi personal deposit-taking business and agency foreign currency personal deposit-taking business.

Agency Renminbi Deposit-Taking Business

The Bank calculates the deposit agency fees for the agency Renminbi deposit-taking business paid to China Post Group according to the principle of "Fixed Rate, Scaled Fees Based on Deposit Type", i.e., different fee rates are applicable to deposits with different maturities (the "Scaled Fee Rates"), and the actual weighted average deposit agency fee rate (the "Composite Rate") is calculated based on the Scaled Fee Rates and the daily average balance of agency deposits. The Composite Rate is capped at 1.50%.

The formula for calculating the deposit agency fees of the Bank is:

Monthly deposit agency fees at an outlet = Σ (aggregate amount of deposits for each type of deposits at the outlet for the month × the corresponding scaled fee rate/365) – aggregate cash (including that in transit) for the month at the outlet × 1.50%/365

When calculating the actual amount of deposit agency fees payable by the Bank based on the aforesaid formula, the deposit agency fees corresponding to the cash at the relevant outlet, which comprises the reserves held by agency outlets and the agency deposits in transit, is deducted.

During the reporting period, the aggregate amount of deposit agency fees paid by the Bank for the agency Renminbi deposit-taking business was RMB93,376 million with a Composite Rate of 1.29%, lower than the agreed cap of 1.50%.

The table below sets forth the average daily balances, Scaled Fee Rates and the corresponding deposit agency fees for each type of deposits paid to China Post Group by the Bank for the agency Renminbi deposit-taking business during the reporting period:

In millions of RMB, except for percentages

Type	For the year ended December 31, 2021 Average daily balance	Scaled fee rates (%)	Deposit agency fees
Demand deposits	1,934,703	2.30	44,498
Time-demand optional deposits	14,133	1.50	212
Call deposits	44,300	1.70	753
3-month time deposits	140,764	1.25	1,760
6-month time deposits	190,345	1.15	2,189
1-year time deposits	3,640,495	1.08	39,317
2-year time deposits	510,853	0.50	2,554
3-year time deposits	769,341	0.30	2,308
5-year time deposits	4,895	0.20	10
Daily balance of cash (including cash in transit)	14,995	1.50	(225)[1]
Total	7,249,829	1.29	93,376

The adjustment of deposit agency fees is divided into active adjustment and passive adjustment. The Group and the Bank may proactively adjust the Scaled Fee Rates according to factors such as actual operation demands. Meanwhile, according to the agreement of both parties, a passive adjustment mechanism shall be triggered when there is a significant change in the interest rate environment in the future. Since the signing of the Agency Banking Businesses Framework Agreement on September 7, 2016, the Bank and China Post Group have not proactively adjusted the Scaled Fee Rates of deposit agency fees, and no passive adjustment of deposit agency fees was triggered.

To effectively control the funding cost and maintain a steady growth in the size of deposits, the Bank launched relevant mechanisms to boost the increase of deposits, including two arrangements of cost sharing for floating interest rates of deposits and incentives for deposits. The Bank and China Post Group have agreed that the amount of deposit incentive shall not be higher than the payment by China Post Group under the cost sharing mechanism for floating interest rates of deposits in any circumstances. During the reporting period, the net settlement amount of the Bank's deposit-boosting mechanisms was minus RMB4,197 million[2].

Agency Foreign Currency Deposit-Taking Business

As the agency fees for foreign currency deposit-taking business are insignificant, they are not calculated according to the formula of "Fixed Rate, Scaled Fees Based on Deposit Type", but according to the market practice:

For short-term foreign currency deposits (with a term of less than 12 months), the Bank calculates the short-term deposit agency fee rate by deducting the Composite Rate of interest payable to customers on the foreign currency deposits with corresponding term from the composite interest rate calculated based on the interest rate of foreign currency with corresponding term on the PRC interbank foreign currency market quoted on Bloomberg. For long-term foreign currency deposits (with a term of 12 months or more), the Bank calculates the deposit agency fee rate by deducting the Composite Rate of interest payable to customers on the foreign currency deposits with corresponding term from the composite interest rate calculated based on the interest rate of foreign currency with corresponding term in the global interest rate swap market quoted on Bloomberg (adjusted by the difference between overnight interest rate on the PRC interbank foreign exchange market and London Interbank Offered Rate).

1 Pursuant to the Agency Banking Businesses Framework Agreement, 1.50% shall be applied for calculating the deposit agency fee corresponding to cash, which is to be deducted from the total deposit agency fee payable.

2 Pursuant to the agreement between the Bank and China Postal Group, the deposit agency fee and the settlement amount of the deposit-boosting mechanisms were settled on a net basis, and the deposit agency fee and other amounts of Renminbi deposits totaled RMB89,179 million in 2021.

During the reporting period, the amount of deposit agency fees for the Bank's foreign currency deposits was insignificant.

Agency Intermediary Banking Business

Pursuant to the Agency Banking Businesses Framework Agreement, China Post Group provides agency intermediary banking business services to the Bank via agency outlets, which mainly include settlement services, agency financial services and other services. Settlement services primarily include cross-region transactions, interbank transactions, personal remittance, cross-border remittance, SMS business and other settlement businesses, while agency financial services and other services primarily include bancassurance, agency sales of wealth management products, agency sales of funds, agency sales of government bonds, agency sales of assets management plans, agency collection and payment services and other services.

Agency intermediary banking business is one of the core services the Bank provides to its customers. Most customers in agency outlets use their intermediary banking services. Comprehensive services including intermediary banking services available at agency outlets help the Bank attract customers and deposits, enhance their loyalty, promote the cross-selling among business lines, and thereby are significant in boosting the Bank's development and expansion. Since the Bank is the principal of the agency intermediary banking services and pursuant to the requirement of accounting standards, income from the agency intermediary banking business shall initially be recognized by the Bank, and the fees and commissions shall then be paid to postal enterprises following the principle of "fee payable to the entity providing the services".

During the reporting period, fees payable by the Bank for the agency intermediary banking business were RMB17,239 million, of which fees payable for the settlement services provided by agency outlets were RMB7,935 million, and fees payable for the agency financial services and other services by agency outlets were RMB9,304 million.

Land Use Rights and Property Leasing

Pursuant to the Land Use Rights and Property Leasing Framework Agreement between China Post Group Corporation and Postal Savings Bank of China Co., Ltd. entered into between the Bank and China Post Group on September 2, 2016 (the "Land Use Rights and Property Leasing Framework Agreement"), the Bank and China Post Group and its associates leased their properties, ancillary equipment and other assets to each other in the form of operating lease in the ordinary course of business. On the premise that both parties to the agreement raise no objections and regulatory requirements are met in the place where the Bank is listed, the Land Use Rights and Property Leasing Framework Agreement shall be automatically renewed for a further term of three years upon expiry with the period of validity after the extension ended at December 31, 2021. For details of the renewal of the continuing connected transaction, please refer to the Bank's announcement dated October 30, 2018. Due to business development and other reasons, on May 26, 2021, the Bank revised the annual cap of leasing of properties and ancillary equipment by the Bank to China Post Group and/or its associates for the year ended December 31, 2021 and set the annual cap of leasing of properties and ancillary equipment by China Post Group and/or its associates to the Bank under the Land Use Rights and Property Leasing Framework Agreement. For details of the revised annual caps, please refer to the Bank's announcement dated May 26, 2021. Since the term of the Land Use Rights and Property Leasing Framework Agreement expired on December 31, 2021, the Bank renewed the Land Use Rights and Property Leasing Framework Agreement with China Post Group on October 28, 2021, which shall take effect as of January 1, 2022 and be valid until December 31, 2024. For details of the signing of the connected transaction agreement, please refer to the Bank's announcement dated October 28, 2021.

During the reporting period, China Post Group and its associates paid a total of RMB80 million of rental to the Bank for certain of the Bank's land use rights, properties and ancillary equipment for business or office purposes. China Post Group agreed to lease certain assets including land use rights, properties and ancillary equipment to the Bank. The rental of the above-mentioned properties and ancillary equipment by the Bank was mainly for its outlets or office purposes. The aggregate amount of the rental payments to China Post Group and its associates for the properties and ancillary equipment leased by the Bank was RMB1,010 million.

The proportion of the leasing transaction amount provided to related parties by the Bank to the operating income and the proportion of the leasing transaction amount received by the Bank from related parties to the operating expenses were quite small. There was no significant difference between the price of the relevant leases and the market price of similar assets in the same region or adjacent regions.

Comprehensive Services and Other Transactions

Pursuant to the Comprehensive Services Framework Agreement between China Post Group Corporation and Postal Savings Bank of China Co., Ltd. entered into between the Bank and China Post Group on September 6, 2016 (the "Comprehensive Services Framework Agreement"), the Bank and China Post Group and its associates provide a number of comprehensive services to each other and conduct other transactions. If both parties to the agreement raise no objections and regulatory requirements are met in the place where the Bank is listed, the Comprehensive Services Framework Agreement shall be automatically renewed for a further term of three years upon expiry with the period of validity after the extension ended at December 31, 2021. For details of the renewal of the continuing connected transaction, please refer to the Bank's announcement dated October 30, 2018. Due to business development and other reasons, on March 25, 2020, the Bank revised the annual caps of sales of goods other than philatelic items, provision of marketing services for deposit-taking and other businesses, and provision of labor services by China Post Group and/or its associates to the Bank and set the annual caps of provision of agency sales (distribution) services of precious metals by the Bank to China Post Group and/or its associates under the Comprehensive Services Framework Agreement for the two years ended December 31, 2021. For details of the revised annual caps, please refer to the Bank's announcement dated March 25, 2020. Due to business development and other reasons, on May 26, 2021, the Bank revised the annual caps of sale of philatelic items and provision of mailing services, sale of goods other than philatelic items, provision of marketing for deposit-taking and other businesses, and provision of labor services by China Post Group and/or its associates to the Bank as well as the annual caps of agency sales services of insurance products, agency sales (distribution) of precious metals business provided by the Bank to China Post Group and/or its associates, and set the annual caps of sales of production materials and other goods by the Bank to China Post Group and/or its associates and provision of labor services by the Bank to China Post Group and/or its associates for the year ended December 31, 2021 under the Comprehensive Services Framework Agreement. For details of the revised annual caps, please refer to the Bank's announcement dated May 26, 2021. Since the term of the Comprehensive Services Framework Agreement expired on December 31, 2021, the Bank renewed the Comprehensive Services Framework Agreement with China Post Group on October 28, 2021, which shall take effect as of January 1, 2022 and be valid until December 31, 2024. For details of the signing of the connected transaction agreement, please refer to the Bank's announcement dated October 28, 2021.

Rendering other comprehensive services and selling general business materials to China Post Group and its associates

The comprehensive services provided by the Bank to related parties are mainly labor services and agency business services, among which, labor services include cash escort and vaults, equipment maintenance, agency sales of asset management plans, fund trusteeship, custody, cash management, foreign exchange settlement and sale, acquiring and other services, and agency business services include bancassurance, agency sales of funds and agency sales (distribution) of precious metals. The business materials sold from the Bank to the related parties are mainly printed materials such as brochures used in the ordinary and usual course of business. During the reporting period, the total revenue from the comprehensive services and sales of business materials provided by the Bank to China Post Group and its associates was RMB1,282 million.

The comprehensive services provided by and business materials and other goods sold by the Bank to the related parties are priced after arm's length negotiations between parties with reference to terms and market prices comparable to those provided by the Bank to independent third parties.

Receiving comprehensive services and purchasing products from China Post Group and its associates

The comprehensive services received by the Bank from related parties are mainly labor services and marketing services, among which, labor services include cash escort and vaults, equipment maintenance, advertising, properties, training, mail and other services, and marketing services are mainly for deposits and other businesses. The goods purchased by the Bank from related parties are mainly philatelic items and promotional supplies other than philatelic items, and other banking related materials. During the reporting period, the aggregate amount paid for the comprehensive services provided by and purchasing products from China Post Group and its associates by the Bank was RMB2,488 million.

The goods purchased from or comprehensive services provided by related parties to the Bank are determined after arm's length negotiations between parties with reference to terms and market prices comparable to those purchased by or provided to independent third parties from the related parties.

Trademark Licensing

On September 5, 2016, the Bank entered into the Trademark Licensing Agreement between China Post Group Corporation and Postal Savings Bank of China Co., Ltd. (the "Trademark Licensing Agreement") with China Post Group. The agreement is for a term of 20 years commencing from the date of execution. During the term of the Trademark Licensing Agreement, China Post Group licenses the Bank to use trademarks under the agreement, and the Bank is not required to pay any consideration. On October 28, 2021, the Board of Directors of the Bank re-performed relevant decision-making procedures and disclosure obligations every three years for the Trademark Licensing Agreement with a term of more than three years in accordance with relevant provisions of the SSE. For details of the re-performance of relevant reviewing procedures for the Trademark Licensing Agreement, please refer to the Bank's announcement dated October 28, 2021.

Disclosure and Consideration Requirements for Relevant Connected Transactions

The non-public issuance of A shares by the Bank to China Post Group constitutes a connected transaction as defined in the Hong Kong Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The agency banking businesses are connected transactions as defined in the Hong Kong Listing Rules and are subject to the annual reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Hong Kong Stock Exchange has granted the Bank, in respect of the Agency Banking Businesses Framework Agreement, a waiver from strict compliance with the requirement of setting a term of no more than three years under Rule 14A.52 of the Hong Kong Listing Rules; and for agency deposit-taking business and agency intermediary banking business, a waiver from strict compliance with the requirements of setting monetary annual caps under Rule 14A.53(1) of the Hong Kong Listing Rules.

Certain of transactions under land use rights, property leasing and comprehensive services are connected transactions as defined in the Hong Kong Listing Rules and are subject to the annual reporting, announcement and annual review requirements under Chapter 14A of the Hong Kong Listing Rules, but are exempted from the independent shareholders' approval requirements.

In addition to the above-mentioned continuing connected transactions, the Bank's continuing connected transactions also include the transactions under the Trademark Licensing Agreement, leasing of properties and ancillary equipment by China Post Group and/or its associates to the Bank under the Land Use Rights and Property Leasing Framework Agreement, and the sales of production materials and other goods by the Bank to China Post Group and/or its associates under the Comprehensive Services Framework Agreement. Meanwhile, in the ordinary and usual course of business, the Bank also provided related persons with commercial banking services and products, including providing associates with loans and credit facilities, taking deposits from associates and providing associates with other banking services and products. The aforesaid continuing connected transactions are exempted from compliance with the annual reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Implementation of the Caps of Connected Transactions

Pursuant to relevant provisions in the SSE Listing Rules and the Hong Kong Listing Rules, on March 25, 2020, the Bank held the third meeting of the Board of Directors in 2020, at which it reviewed and approved the Proposal on the Forecast Caps of Connected Transactions of Postal Savings Bank of China for 2020-2021. The Bank published the Announcement of Postal Savings Bank of China Co., Ltd. on Routine Connected Transactions and the Announcement of Postal Savings Bank of China Co., Ltd. on Continuing Connected Transactions and Revised Annual Caps from 2020 to 2021 on the websites of the SSE and Hong Kong Stock Exchange, respectively. On May 26, 2021, the Bank held the fifth meeting of the Board of Directors in 2021, at which it reviewed and approved the Proposal on the Forecast Caps of Connected Transactions of Postal Savings Bank of China for 2021, agreed to adjust the annual caps of connected transactions between the Bank and China Post Group and/or its associates for 2021, and published the Announcement of Postal Savings Bank of China Co., Ltd. on Routine Connected Transactions and the Announcement of Postal Savings Bank of China Co., Ltd. on Continuing Connected Transactions and Revised Annual Caps for 2021 on the websites of the SSE and Hong Kong Stock Exchange, respectively. As at the end of the reporting period, the actual amounts of routine connected transactions did not exceed the annual caps. Except for the "connected transactions between the Bank and China Post Group and its associates" disclosed in this section that constitute connected transactions under the Hong Kong Listing Rules, the other connected transactions disclosed in this section do not constitute connected transactions under the Hong Kong Listing Rules, and the Bank has no other connected transactions or continuing connected transactions that shall be disclosed according to relevant provisions on connected transactions in the Hong Kong Listing Rules.

Implementation of the Caps of Connected Transactions with China Post Group and its Associates

Credit Type Connected Transactions

In 2021, pursuant to relevant provisions of the SSE, the caps of routine credit type connected transactions between the Bank and China Post Group and its associates shall be RMB14 billion. As at the end of the reporting period, the balance of credit to China Post Group and its associates by the Bank was RMB3 million. Credit type transactions were conducted on normal or better commercial terms, and were fully exempted in accordance with the Hong Kong Listing Rules.

Non-credit Type Connected Transactions

The implementation progress of the caps of routine non-credit type connected transactions between the Bank and China Post Group and its associates as at the end of the reporting period is shown in the following table:

In RMB100 million

Type of Connected Transactions	Annual caps in 2021	Amount of connected transactions as at December 31, 2021
Leasing of certain properties and ancillary equipment by the Bank to China Post Group and/or its associates	13	10.10
Leasing of certain properties and ancillary equipment by China Post Group and/or its associates to the Bank	2	0.80
Sale of philatelic items and provision of mailing services by China Post Group and/or its associates to the Bank	4	1.66
Sale of goods other than philatelic items by China Post Group and/or its associates to the Bank	10	5.99
Provision of marketing services for corporate deposit-taking and other businesses by China Post Group and/or its associates to the Bank	15	7.28
Provision of labor services by China Post Group and/or its associates to the Bank	13.50	9.95
Provision of agency sales of insurance products and other related services by the Bank to China Post Group and/or its associates	12	8.11
Provision of agency sales (distribution) of precious metals business by the Bank to China Post Group and/or its associates	6	2.38
Sales of production materials and other goods by the Bank to China Post Group and/or its associates	2	0.87
Provision of labor services by the Bank to China Post Group and/or its associates	3	1.14

Implementation of the Caps of Connected Transactions with China State Shipbuilding Corporation Limited and its Associates

In 2021, pursuant to relevant provisions of the SSE, the caps of routine credit type connected transactions between the Bank and China State Shipbuilding Corporation Limited[1] and its associates shall be RMB20 billion. As at the end of the reporting period, the balance of credit to China State Shipbuilding Corporation Limited and its associates by the Bank was RMB968 million.

1. Due to the implementation of joint restructuring between China Shipbuilding Industry Co., Ltd. and China Shipbuilding Industry Corporation alongside the new establishment of China State Shipbuilding Corporation Limited, China Shipbuilding Industry Co., Ltd. and China Shipbuilding Industry Corporation were jointly incorporated into China State Shipbuilding Corporation Limited. By taking into consideration of the above restructuring arrangement as well as the requirements regarding related parties and connected transactions management for commercial banks according to the Interim Measures on Equity Management of Commercial Banks, the Board of Directors of the Bank agreed that the caps of credit type connected transactions (line of credit) of the Bank for 2020-2021 shall cover China State Shipbuilding Corporation Limited and its associates. As at the end of the reporting period, as China Shipbuilding Industry Corporation, the former substantial shareholder of the Bank, was incorporated into China State Shipbuilding Corporation Limited and completed the industrial and commercial change registration, the substantial shareholder of the Bank was changed from China Shipbuilding Industry Corporation to China State Shipbuilding Corporation Limited.

Implementation of the Caps of Connected Transactions with China UnionPay Co., Ltd.

The implementation progress of the caps of routine connected transactions between the Bank and China UnionPay Co., Ltd. as at the end of the reporting period is shown in the following table:

In RMB100 million

Type of Connected Transactions	Annual caps in 2021	Amount of connected transactions as at December 31, 2021
Clearing services between the Bank and China UnionPay Co., Ltd. – Fund paid by the Bank	50	12.76
Clearing services between the Bank and China UnionPay Co., Ltd. – Fund received by the Bank	95	44.49

Confirmation of Connected Transactions

Confirmation from Independent Non-executive Directors

The Independent Non-executive Directors of the Bank have reviewed the above continuing connected transactions in accordance with the Hong Kong Listing Rules and confirmed that the continuing connected transactions under the Hong Kong Listing Rules were entered into:

- in the ordinary and usual course of business of the Bank;
- on normal commercial terms or better; and
- according to the agreement governing them, on terms that are fair and reasonable and in the interests of the Bank's shareholders as a whole.

The Independent Non-executive Directors also confirmed that:

- the methods and procedures established by the Bank were sufficient to ensure that the transactions had been conducted on normal commercial terms and brought no harm to the interests of the Bank and minority shareholders; and
- the Bank had established appropriate management procedures.

Confirmation from Auditor

The Bank has appointed Deloitte Touche Tohmatsu to report continuing connected transactions in accordance with requirements of the Hong Kong Listing Rules. Deloitte Touche Tohmatsu has written to the Board of Directors to confirm that nothing has come to its attention that the continuing connected transactions under the Hong Kong Listing Rules:

- had not been approved by the Board of Directors;
- were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group;
- were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- had exceeded the cap (if applicable).

Implementation of the Management System for Connected Transactions

During the reporting period, the Bank established a sound management system for connected transactions, improved the operating mechanism for connected transactions and enhanced the management of connected transactions in compliance with the regulatory requirements of the CBIRC, the CSRC, the SSE and the Hong Kong Stock Exchange and pursuant to the Measures for the Administration of Related Party Transactions of Postal Savings Bank of China (2019 Revision). Firstly, after studying relevant regulatory requirements, the Bank established the identification standards for related parties, and prepared and constantly updated the list of related parties of the Bank, which laid the foundation for identifying connected transactions effectively. Secondly, the Bank strictly followed requirements of regulatory institutions, made efforts to establish the management and organization system and operating mechanism for connected transactions with "scientific management and effective control", implemented the renewal of connected transactions framework agreements with controlling shareholders and the performance of decision-making procedures to ensure effective control of connected transaction risks, continuously improved the corporate governance system and protected the legitimate rights and interests of minority shareholders according to law. Thirdly, the Bank continued the efforts to establish the management system for connected transactions, fully reviewed the connected transactions of the Bank and promoted the IT application to the connected transaction management.

For more information on the operation of the Related Party Transactions Control Committee of the Board of Directors during the reporting period, please refer to "Corporate Governance".

For more information on related parties and transactions with related parties, please refer to "Notes to the Consolidated Financial Statements – 39 Relationship and transactions with related parties".

Significant Events

Material Legal Proceedings and Arbitration

During the reporting period, there were no legal proceedings or arbitrations with material impact on the business operation of the Bank.

As at the end of the reporting period, the Bank was the defendant or arbitration respondent in certain pending and material legal proceedings or arbitrations each with a claim amount of over RMB10 million, and the aggregate claim amount was approximately RMB870 million. Accruals in respect of these matters have been fully established, and the Bank considers that these pending cases will not have any material adverse impact on the business, financial position or operating results of the Bank.

Major Asset Acquisition, Disposal and Merger

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

Significant Contracts and Their Performance

Material Custody, Subcontracting and Leasing

During the reporting period, there was no significant matter in relation to material arrangements for custody, subcontracting and leasing of assets of other companies by the Bank, or material arrangements for custody, subcontracting and leasing of assets of the Bank by other companies.

Material Guarantees

The provision of guarantees is an off-balance sheet service in the ordinary course of business of the Bank. During the reporting period, the Bank did not have any other material guarantee that needed to be disclosed except for the financial guarantee services within the business scope as approved by the PBOC and the CBIRC.

Specific Explanations and Independent Opinions on the Guarantee Business of the Bank issued by the Independent Non-executive Directors of Postal Savings Bank of China

In accordance with relevant regulations of the CSRC and the SSE, the Independent Non-executive Directors of Postal Savings Bank of China Co., Ltd. (hereinafter referred to as the "Bank"), based on the principles of impartiality, fairness and objectivity, hereby express the specific explanations and opinions on the guarantee business of the Bank as follows:

Upon verification, the Bank carried out the guarantee business mainly by issuing guarantees and letters of guarantee, which was one of the routine banking businesses within the scope of the Bank's daily operation approved by the PBOC and the CBIRC. As of December 31, 2021, the outstanding amount of the guarantees and letters of guarantee issued by the Bank was RMB42.859 billion.

The Bank attaches great importance to the risk management of the guarantee business, has strict rules on the creditworthiness standard of guaranteed companies, the operational processes and the approval procedure of the guarantee business, and conducts relevant business accordingly. In our opinion, the Bank's control over the risks of guarantee business is effective, and there is no case of illegal guarantees.

Independent Non-executive Directors of Postal Savings Bank of China Co., Ltd.
Fu Tingmei, Wen Tiejun, Chung Shui Ming Timpson, Hu Xiang, Pan Yingli

Material Events Concerning Entrusting Other Persons for Cash Management or Entrusted Loans

During the reporting period, no such material matters concerning entrusting other persons for cash management or entrusted loans occurred in the Bank.

Credibility

During the reporting period, there were no cases in which the Bank and its controlling shareholder failed to perform obligations under effective legal judgments of courts in major litigation cases, and there were no cases in which the debts of a relatively large amount were due and unpaid.

Appropriation of Funds by Controlling Shareholder and Other Related Parties

During the reporting period, there was no appropriation of the Bank's funds by controlling shareholder and other related parties. The auditor has issued the Special Explanation about Appropriation of Funds by Controlling Shareholder, De Facto Controller and Other Related Parties of Postal Savings Bank of China Co., Ltd.

Fulfillment of Commitments

Commitments during or carried forward to the reporting period by the de facto controller, shareholders, related parties and acquirers of the Bank, the Bank and other relevant parties are as follows:

Commitment background	Commitment type	Commitment by	Summary of the commitment	Time and term of the commitment	Is there a term for fulfillment	Whether timely and strictly fulfilled
Commitments in relation to initial public offering	Lock up of shares	China Post Group	Commitments in relation to the term of shareholding of shareholders	36 months since the date of listing at A-share market	Yes	Yes
	Others	China Post Group	Commitments in relation to shareholders' intention to hold shares and intention to reduce their holdings	Long-term	Yes	Yes
		China Post Group	Measures in relation to stabilizing the share price	3 years since the date of listing at A-share market	Yes	Yes
		Directors and senior management of the Bank	Measures in relation to stabilizing the share price	3 years since the date of listing at A-share market	Yes	Yes
		The Bank	Measures in relation to stabilizing the share price	3 years since the date of listing at A-share market	Yes	Yes
		Directors and senior management of the Bank	Commitments to take remedial measures for the dilution on immediate return	Long-term	Yes	Yes
		The Bank	Commitments to take remedial measures for the dilution on immediate return	Long-term	Yes	Yes
	Resolving competition amongst peers	China Post Group	Commitment in relation to avoiding competition amongst peers	Long-term	Yes	Yes
	Resolving defective title of lands and other items	China Post Group	Letter of confirmation on matters in relation to land and real estate injected into Postal Savings Bank of China Co., Ltd.	Long-term	Yes	Yes
	Resolving connected transactions	China Post Group	Commitment in relation to decreasing and standardizing connected transactions	Long-term	Yes	Yes
Commitments in relation to non-public issuance of A shares	Subscription and lock up of shares	China Post Group	Commitment in relation to further clarifying the number of intending subscription to shares of A-share non public issuance of Postal Savings Bank of China Co., Ltd.	5 years since the date of non-public issuance of A shares	Yes	Yes
	Others	China Post Group and China Post Securities Co., Ltd.	Declaration and commitment in relation to not reducing the holding number of shares of Postal Savings Bank of China Co., Ltd.	From the issuance date of the commitment letter to 6 months after the date of non-public issuance of A shares	Yes	Yes

Pledge of Assets

For details relating to the pledge of assets of the Bank during the reporting period, please refer to "Notes to the Consolidated Financial Statements – 41.4 Collateral".

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

During the reporting period, neither the Bank nor any of its Directors, Supervisors, senior management members or the controlling shareholder were subject to any investigation, compulsory measures or accusation of criminal responsibilities by relevant authorities or any investigation, administrative punishment or regulatory measures by the CSRC, or had material administrative punishment imposed on them by other administrative authorities, or were publicly reprimanded by any stock exchange.

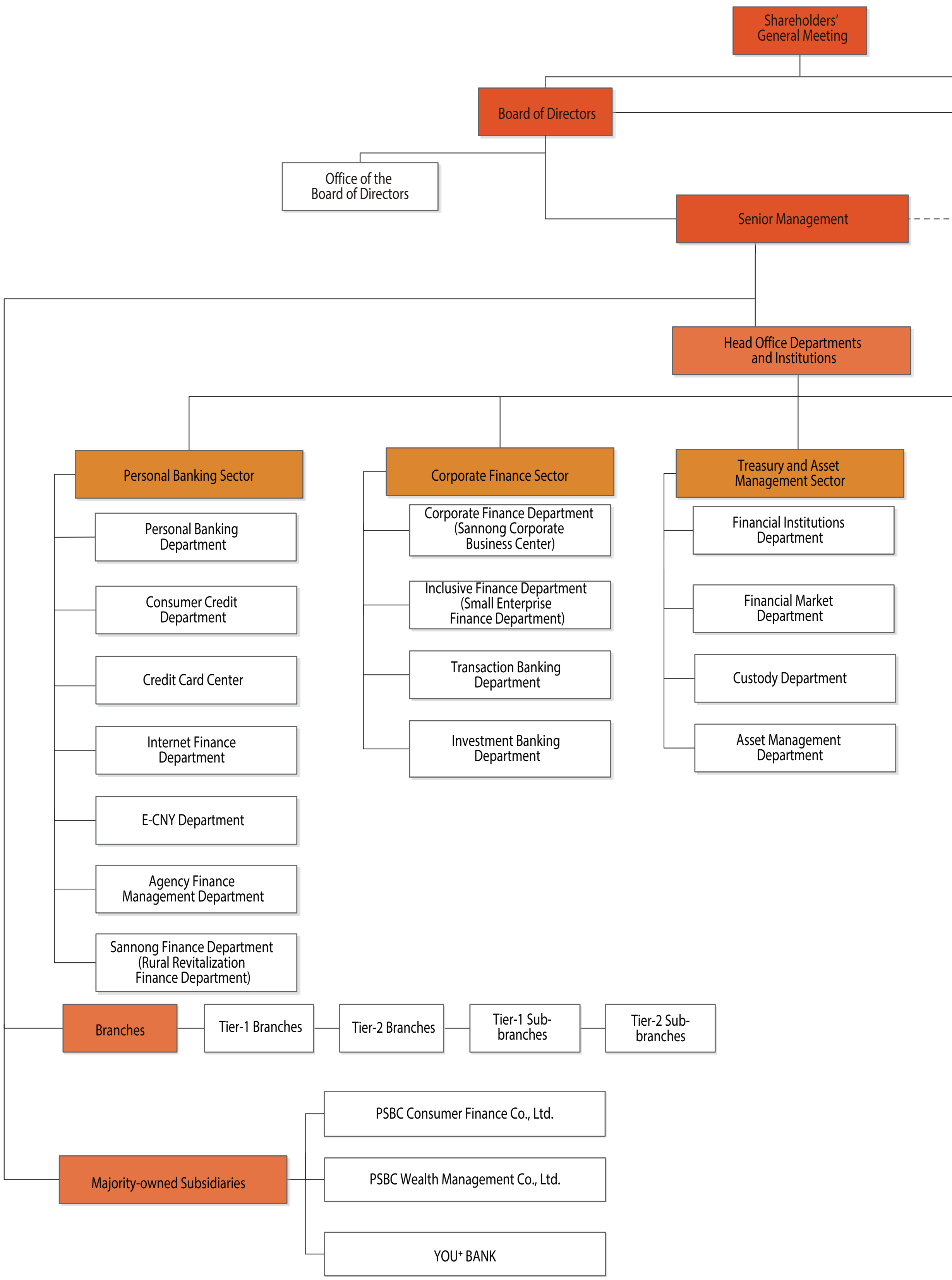
Major Connected Transactions

During the reporting period, the Bank's non-public issuance of A shares to China Post Group constituted a major connected transaction. For details, please refer to "Connected Transactions and the Implementation of the Management System for Connected Transactions".

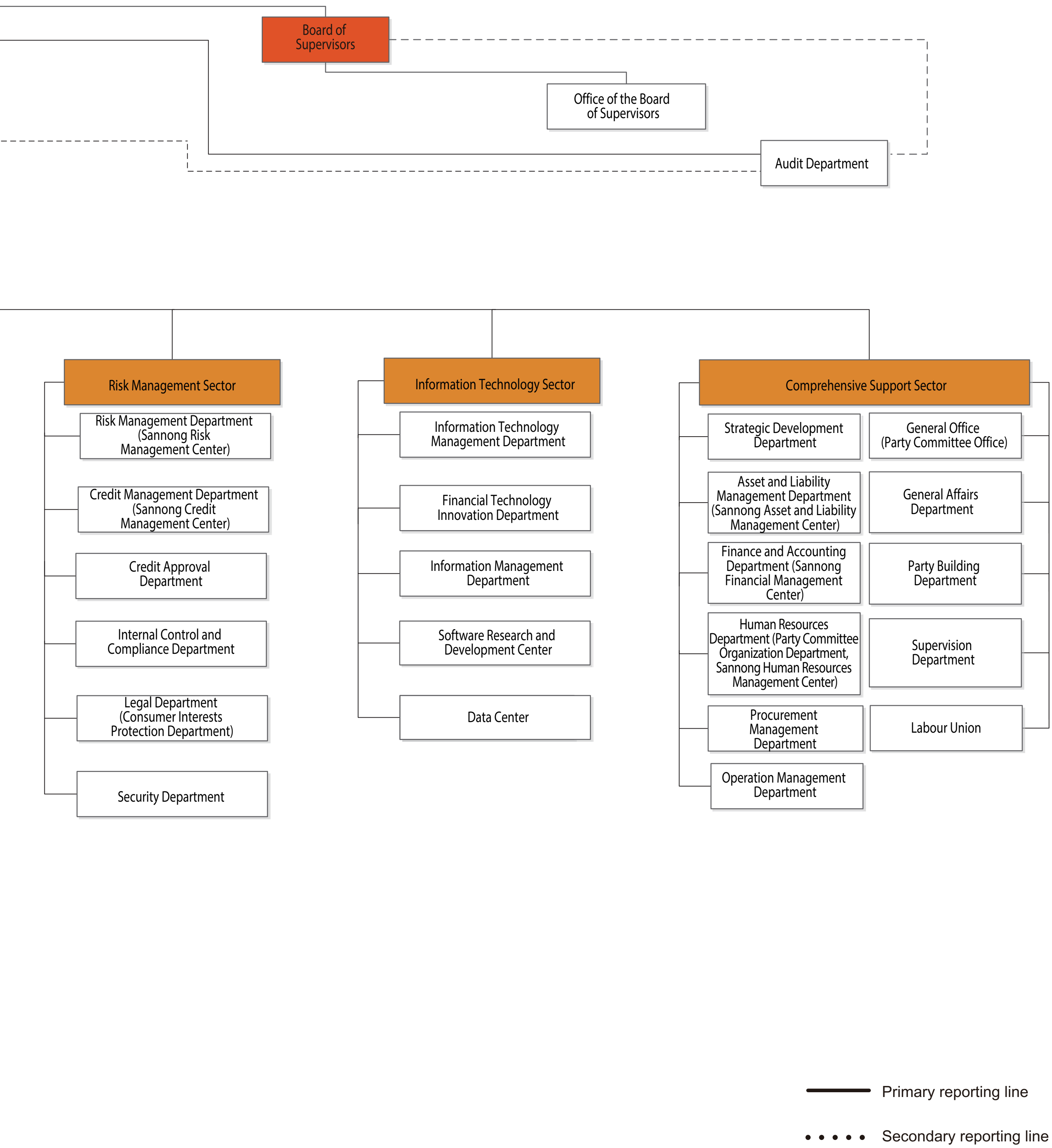
Other Significant Events

In December 2021, the Bank received the Reply of the CBIRC on the Opening of YOU^{+} BANK for Business (Yin Bao Jian Fu [2021] No. 977), under which the CBIRC approved the opening of YOU^{+} BANK, a direct bank subsidiary of the Bank. YOU^{+} BANK has a registered capital of RMB5 billion and is registered in Shanghai, in which the Bank holds 100% equity. The business scope of YOU^{+} BANK is: taking deposits from the public, mainly deposits from individuals and micro and small-sized enterprises; short, medium and long-term loans granted to individuals and micro and small-sized enterprises; domestic and overseas settlement through electronic channels; electronic bill acceptance and discount; issuance of financial bonds; trading of government bonds and financial bonds; inter-bank lending; trading and agency foreign exchange trading; bank card business; agency collection and payment and agency insurance business; other businesses approved by the banking regulatory authority of the State Council.

Organizational Structure



Organizational Structure



Deloitte. 德勤

TO THE SHAREHOLDERS OF POSTAL SAVINGS BANK OF CHINA CO., LTD.
(A joint stock company incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Postal Savings Bank of China Co., Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 251 to 419 which comprise the consolidated statement of financial position as at December 31, 2021 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 December 31, 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"). 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 International Code of Ethics for Professional Accountants (including International Independence Standards) issued by International Ethics Standards Board for Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Measurement of expected credit losses for loans and advances to customers and other debt instruments measured at amortized cost We identified the measurement of expected credit losses for loans and advances to customers and other debt instruments measured at amortized cost as a key audit matter because the measurement of the Group's expected credit losses ("ECL") adopted complex models, used numerous parameters and data inputs, and involved significant management judgements, estimates and assumptions. In addition, the amount of loans and advances to customers and other debt instruments measured at amortized cost and the associated loss allowance are significant to the Group. As at December 31, 2021, the Group's gross amount of loans and advances to customers measured at amortized cost amounted to RMB5,859.69 billion, with a loss allowance of RMB216.90 billion. The amount of loans and advances to customers measured at fair value through other comprehensive income amounted to RMB594.41 billion, with a loss allowance of RMB3.64 billion. The gross amount of other debt instruments measured at amortized cost amounted to RMB51.54 billion, with a loss allowance of RMB17.73 billion. Please refer to Note 3.2.6(3) "Impairment of financial instruments" under "Significant accounting policies", Note 4.1 "Measurement of the expected credit loss allowance" under "Critical accounting judgements and key sources of estimation uncertainty", Note 20 "Loans and advances to customers", Note 21.4 "Financial assets measured at amortized cost" and Note 26 "Movements of allowance for impairment losses" for details.	We understood, evaluated and tested the internal controls relating to the measurement of ECL for loans and advances to customers and other debt instruments measured at amortized cost, mainly including: • Design and operating effectiveness of key internal controls in relation to the ECL models, including the selection, approval and application of modelling methodologies; and the internal controls in relation to the on-going monitoring and optimization of the models; • Design and operating effectiveness of internal controls in relation to significant management judgements, assumptions and estimation involved, including estimation of parameters; assessment of internal credit rating in a timely manner; judgements of significant increase in credit risk or becoming credit-impaired; estimation of future cash flows using discounted cash flow model, review and approval of forward-looking information and management overlay adjustments; • Design and operating effectiveness of internal controls in relation to the accuracy and completeness of key data inputs of ECL measurement. The substantive procedures we performed, mainly included: • We reviewed the modelling methodologies for ECL measurement, and assessed the reasonableness of the model selection, key parameters used, significant judgements, assumptions and estimations involved in relation to the models. We also tested and verified the calculation logic of the models on a sample basis in order to ensure it reflected the management's modelling methodologies.

Key audit matter	How our audit addressed the key audit matter
Measurement of expected credit losses for loans and advances to customers and other debt instruments measured at amortized cost (continued) The balances of loss allowances for loans and advances to customers and other debt instruments measured at amortized cost reflect the management's best estimation of ECL at the end of the reporting period using ECL model designed under "International Financial Reporting Standard 9: Financial Instruments". The Group assesses whether the credit risk of loans and advances to customers and other debt instruments measured at amortized cost has increased significantly since their initial recognition or whether they have become credit-impaired, and applies a three-stage impairment model to measure the ECL. For loans and advances to customers and other debt instruments measured at amortized cost classified into stage 1 and 2, and those portfolios classified into stage 3 which are not considered individually significant, the management assesses loss allowance using the risk parameter modelling approach that incorporates key parameters, mainly including probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). For those loans and advances to customers and other debt instruments measured at amortized cost classified into stage 3 which are considered individually significant, the management assesses loss allowance using discounted cash flow model by estimating their future cash flows.	The substantive procedures we performed, mainly included: (continued) • We tested the accuracy of data inputs for the ECL models on a sample basis, which mainly included: – contractual information in relation to the EAD, such as contract amount, maturity date and interest rate; – supporting documents in relation to evaluate the PD, including borrower's historical financial and non-financial information as well as such information as at the date to evaluate the PD; – supporting documents in relation to estimate the LGD, including background information of borrowers, guarantors and valuation of collaterals. • We also sample tested the numerical calculation of the model to verify its accuracy. • We selected samples adopting a risk-oriented approach to perform credit review. Based on borrower's financial and non-financial information as well as other available information, we evaluated the appropriateness of management's judgement relating to significant increase of credit risk and credit-impaired loans.

Key audit matter	How our audit addressed the key audit matter
Measurement of expected credit losses for loans and advances to customers and other debt instruments measured at amortized cost (continued) The measurement of ECL involves significant management judgements, assumptions and estimations, mainly including: • Segmentation of portfolios sharing similar credit risk characteristics, application of appropriate models and determination of relevant key measurement parameters; • Criteria for determining significant increase in credit risk or becoming credit-impaired; • Application of economic indexes, macroeconomic scenarios and weightings for forward-looking measurement; • Management overlay adjustments for significant uncertain factors not covered in the models; • The forecasted cash flows for loans and advances to customers and other debt instruments measured at amortized cost classified into stage 3 which are considered individually significant.	The substantive procedures we performed, mainly included: (continued) • For forward-looking measurements, we reviewed management's selection of economic indexes and their analysis based on multiple macroeconomic scenarios and weightings. We evaluated the reasonableness of parameters and data inputs used in forward-looking adjustment and macroeconomic scenarios by comparing the available prediction from third-party institutions. In addition, we reviewed the sensitivity analysis of economic indexes. • For those loans and advances to customers and other debt instruments measured at amortized cost classified into stage 3, which were considered individually significant, we examined, on a sample basis, the loss allowance calculated by the Group based on forecasted cash flows derived from the financial information of borrowers and guarantors, the latest valuation of collaterals and other available information using discounted cash flow model. • We assessed the reasonableness of the consideration, selection and application of significant uncertain factors in relation to the management overlay adjustments, and tested the accuracy of the relevant calculations.

Key audit matter	How our audit addressed the key audit matter
Agency Banking Transactions with China Post Group Co., Ltd. The Group operates its business through both directly-operated outlets and agency outlets owned by China Post Group Co., Ltd. ("China Post Group"). In accordance with the Framework Agreement on Entrusted and Agency Banking Services of Agency Outlets ("Framework Agreement") signed between the Group and China Post Group agency outlets can provide deposits taking, financial settlement, financial agency and other services under the name of the Group ("Agency Banking Transactions"), and the Group pays agency fees to China Post Group for these services. We identified the Agency Banking Transactions with China Post Group as a key audit matter because its unique features and the amounts of Agency Banking Transactions with China Post Group are significant to the Group. In 2021, deposit agency fee and others amounted to RMB89.18 billion, representing 46.69% of total operating expenses of the Group; fees for agency savings settlement, and fees for agency sales and other commissions amounted to RMB7.94 billion and RMB9.30 billion, respectively, the aggregated amount representing 84.60% of total fee and commission expense. Please refer to Note 39.3.1(1) "Agency banking services from China Post Group" for details.	Our procedures in relation to agency banking transactions with China Post Group mainly included: • Understood, evaluated and tested the design and operating effectiveness of the internal controls in relation to the Agency Banking Transactions with China Post Group; • Understood, evaluated and tested the information systems and internal controls applied by the Group in capturing data for calculation of agency fees; • Inspected the Framework Agreement, evaluated whether the Agency Banking Transactions and relevant expenditures had been calculated in accordance with specific terms and conditions stipulated by the agreement and appropriately authorized and approved; • On a sample basis, inspected evidence of payments and receipts of transactions, recalculated the settlement amounts based on the Framework Agreement, and sent confirmations to China Post Group to confirm both the transaction amounts and the balances; and • Evaluated if the Agency Banking Transactions with China Post Group were properly disclosed in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Logical access control and change management control of the Bank's information systems related to financial reporting process The Group's business and financial reporting processes heavily rely on the design and operating effectiveness of the Bank's general information system controls. Logical access control is an important component of information system control environment. To make sure that system users have appropriate access rights to the Bank's information systems and also regular monitoring is in place for those access rights, are key controls in mitigating the potential risk for fraud or error as a result of an unauthorized change to an information system or underlying data. The Bank continues to invest in information systems to meet client expectation and business operation needs through transformation and upgrading its information system architecture. In addition to in-house development, the Bank also develops its information systems through cooperation with external suppliers and outsourcing. To ensure the information systems are changed, upgraded and operated in an appropriate manner, the Bank needs to properly design its key controls over information system change and also make sure the operating effectiveness of these controls. Logical access control and change management control constitute the foundation of system configuration, source data, and the automated programmed functionality, which help to support the continuous and consistent operation of system automation controls through the audit period, to support accuracy and completeness of financial reporting process. Therefore, we identified logical access control and change management control of the Bank's information systems related to financial reporting process as a key audit matter.	Our procedures in relation to the logical access control and change management control of the Bank's information systems related to financial reporting process included: • Understood, evaluated, and tested the design and operating effectiveness of internal controls related to logical access to information systems, including system authentication controls, approval of system user account access requests and timely termination of user accounts for those staffs who have resigned or transferred to other departments, privileged user access, periodic review of access rights, and security configurations of information systems. In addition, we tested authorization controls over data modification. • Understood, evaluated and tested the design and operating effectiveness of internal controls related to the change management of the information systems, including management's system change testing process and approval of system change requests, privileged user access control in system change and segregation of duties controls for key information system functions such as development, testing and go-live. For data migration during the process of information system change, we tested the data migration scheme and its data consistency check after approval process as well as the migration. For information system management tools supporting information system change, we tested the logical access control, including user authorization and security configuration.

Other Information

The directors of the Bank are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 skepticism 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, 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 Wu Wei Jun, David.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, China
March 30, 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2021

(All amounts in millions of RMB unless otherwise stated)

	Notes	2021	2020
Interest income	5	**451,567**	416,252
Interest expense	5	**(182,185)**	(162,874)
Net interest income	5	**269,382**	253,378
Fee and commission income	6	**42,383**	32,746
Fee and commission expense	6	**(20,376)**	(16,251)
Net fee and commission income	6	**22,007**	16,495
Net trading gains	7	**3,286**	3,259
Net gains on investment securities	8	**23,081**	15,921
Net gains on derecognition of financial assets measured at amortized cost		**606**	1
Net other operating gains	9	**745**	(2,517)
Operating income		**319,107**	286,537
Operating expenses	10	**(190,995)**	(167,984)
Credit impairment losses	12	**(46,638)**	(50,398)
Impairment losses on other assets		**(20)**	(19)
Profit before income tax		**81,454**	68,136
Income tax expenses	13	**(4,922)**	(3,818)
Net profit		**76,532**	64,318
Net profit attributable to:			
Equity holders of the Bank		**76,170**	64,199
Non-controlling interests		**362**	119

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2021

(All amounts in millions of RMB unless otherwise stated)

	Notes	2021	2020
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement benefit obligations	36.3	**(13)**	(19)
Changes in fair value of equity instrument investments measured at fair value through other comprehensive income	36.3	**4,688**	980
Subtotal		**4,675**	961
Item that may be reclassified subsequently to profit or loss			
Net gains/(losses) on investments in financial assets measured at fair value through other comprehensive income	36.3	**4,654**	(555)
Subtotal		**4,654**	(555)
Total comprehensive income for the year		**85,861**	64,724
Total comprehensive income attributable to:			
Equity holders of the Bank		**85,499**	64,605
Non-controlling interests		**362**	119
Basic and diluted earnings per share (in RMB Yuan)	14	**0.78**	0.71

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

(All amounts in millions of RMB unless otherwise stated)

	Notes	**As at December 31, 2021**	As at December 31, 2020
Assets			
Cash and deposits with central bank	15	**1,189,458**	1,219,862
Deposits with banks and other financial institutions	16	**90,782**	43,682
Placements with banks and other financial institutions	17	**280,093**	248,396
Derivative financial assets	18	**6,053**	11,140
Financial assets held under resale agreements	19	**265,229**	259,956
Loans and advances to customers	20	**6,237,199**	5,512,361
Financial investments			
Financial assets measured at fair value through profit or loss	21.1	**750,597**	419,281
Financial assets measured at fair value through other comprehensive income – debt instruments	21.2	**306,132**	315,922
Financial assets measured at fair value through other comprehensive income – equity instruments	21.3	**11,888**	5,804
Financial assets measured at amortized cost	21.4	**3,280,003**	3,173,643
Property and equipment	23	**54,669**	48,706
Deferred tax assets	24	**56,319**	53,217
Other assets	25	**59,451**	41,293
Total assets		**12,587,873**	11,353,263
Liabilities			
Borrowings from central bank	27	**17,316**	25,288
Deposits from banks and other financial institutions	28	**154,809**	85,912
Placements from banks and other financial institutions	29	**42,565**	30,743
Derivative financial liabilities	18	**5,176**	9,632
Financial assets sold under repurchase agreements	30	**34,643**	25,134
Customer deposits	31	**11,354,073**	10,358,029
Debt securities issued	32	**81,426**	57,974
Deferred tax liabilities	24	**11**	–
Other liabilities	33	**102,305**	87,621
Total liabilities		**11,792,324**	10,680,333

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

(All amounts in millions of RMB unless otherwise stated)

	Notes	**As at December 31, 2021**	As at December 31, 2020
Equity			
Share capital	34.1	**92,384**	86,979
Other equity instruments			
Preference shares	34.2	**47,869**	47,869
Perpetual bonds	34.2	**109,986**	79,989
Capital reserve	35	**125,486**	100,906
Other reserves	36	**219,526**	175,484
Retained earnings		**198,840**	180,572
Equity attributable to equity holders of the Bank		**794,091**	671,799
Non-controlling interests		**1,458**	1,131
Total equity		**795,549**	672,930
Total equity and liabilities		**12,587,873**	11,353,263

The accompanying notes form an integral part of these consolidated financial statements.

Approved and authorized for issue by the Board of Directors on March 30, 2022.

Zhang Jinliang	**Zhang Xuewen**
(On behalf of Board of Directors)	(On behalf of Board of Directors)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2021

(All amounts in millions of RMB unless otherwise stated)

		Attributable to equity holders of the Bank										
			Other equity instruments			Other reserves						
	Notes	Share capital	Preference shares	Perpetual bonds	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Subtotal	Non-controlling interests	Total equity
As at January 1, 2021		86,979	47,869	79,989	100,906	42,688	130,071	2,725	180,572	671,799	1,131	672,930
Net profit for the year		-	-	-	-	-	-	-	76,170	76,170	362	76,532
Other comprehensive income for the year	36.3	-	-	-	-	-	-	10,678	-	10,678	-	10,678
Total comprehensive income for the year		-	-	-	-	-	-	10,678	76,170	86,848	362	87,210
Issuance of ordinary shares	34.1	5,405	-	-	24,580	-	-	-	-	29,985	-	29,985
Issuance of perpetual bonds	34.2	-	-	29,997	-	-	-	-	-	29,997	-	29,997
Appropriation to surplus reserve	36.1	-	-	-	-	7,417	-	-	(7,417)	-	-	-
Appropriation to general reserve	36.2	-	-	-	-	-	27,296	-	(27,296)	-	-	-
Dividends declared and paid to ordinary shareholders	37	-	-	-	-	-	-	-	(19,262)	(19,262)	(35)	(19,297)
Dividends declared and paid to preference shareholders	37	-	-	-	-	-	-	-	(2,324)	(2,324)	-	(2,324)
Distribution to perpetual bonds holders	37	-	-	-	-	-	-	-	(2,952)	(2,952)	-	(2,952)
Realized gain of equity instrument investments measured at fair value through other comprehensive income	21.3	-	-	-	-	-	-	(1,349)	1,349	-	-	-
As at December 31, 2021		92,384	47,869	109,986	125,486	50,105	157,367	12,054	198,840	794,091	1,458	795,549

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2021

(All amounts in millions of RMB unless otherwise stated)

		Attributable to equity holders of the Bank										
			Other equity instruments			Other reserves						
	Notes	Share capital	Preference Shares	Perpetual Bonds	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Subtotal	Non-controlling interests	Total equity
As at January 1, 2020		86,203	47,869	–	97,477	36,439	116,129	2,319	157,431	543,867	1,012	544,879
Net profit for the year		–	–	–	–	–	–	–	64,199	64,199	119	64,318
Other comprehensive income for the year	36.3	–	–	–	–	–	–	406	–	406	–	406
Total comprehensive income for the year		–	–	–	–	–	–	406	64,199	64,605	119	64,724
Capital contribution from shareholders	34.1	776	–	–	3,429	–	–	–	–	4,205	–	4,205
Issuance of perpetual bonds	34.2	–	–	79,989	–	–	–	–	–	79,989	–	79,989
Appropriation to surplus reserve	36.1	–	–	–	–	6,249	–	–	(6,249)	–	–	–
Appropriation to general reserve	36.2	–	–	–	–	–	13,942	–	(13,942)	–	–	–
Dividends declared and paid to ordinary shareholders	37	–	–	–	–	–	–	–	(18,283)	(18,283)	–	(18,283)
Dividends declared and paid to preference shareholders	37	–	–	–	–	–	–	–	(2,584)	(2,584)	–	(2,584)
As at December 31, 2020		86,979	47,869	79,989	100,906	42,688	130,071	2,725	180,572	671,799	1,131	672,930

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

(All amounts in millions of RMB unless otherwise stated)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	**81,454**	68,136
Adjustments for:		
Amortization of intangible assets and other assets	**1,123**	888
Depreciation of property and equipment, investment properties and right-of-use assets	**7,914**	7,190
Impairment loss on assets	**46,658**	50,417
– Credit impairment losses	**46,638**	50,398
– Impairment losses on other assets	**20**	19
Interest income arising from financial investments	**(127,677)**	(126,233)
Interest expense arising from debt securities issued	**2,586**	3,417
Net gains on investment securities	**(23,687)**	(15,922)
Unrealized exchange losses	**2,432**	4,452
Net losses from disposal of property and equipment and other assets	**32**	70
Subtotal	**(9,165)**	(7,585)
NET DECREASE/(INCREASE) IN OPERATING ASSETS		
Deposits with central bank	**14,015**	(73,603)
Deposits with banks and other financial institutions	**(48,997)**	(13,882)
Placements with banks and other financial institutions	**3,161**	413
Financial assets measured at fair value through profit or loss	**(109,877)**	7,870
Financial assets held under resale agreements	**(45,362)**	(19,585)
Loans and advances to customers	**(748,532)**	(754,611)
Other operating assets	**(18,709)**	(4,076)
Subtotal	**(954,301)**	(857,474)
NET (DECREASE)/INCREASE IN OPERATING LIABILITIES		
Borrowings from central bank	**(7,956)**	25,288
Deposits from banks and other financial institutions	**68,891**	38,314
Placements from banks and other financial institutions	**11,644**	4,803
Financial assets sold under repurchase agreements	**9,501**	(73,224)
Customer deposits	**982,026**	1,012,436
Other operating liabilities	**26,260**	27,647
Subtotal	**1,090,366**	1,035,264
NET CASH FLOWS FROM OPERATING ACTIVITIES BEFORE TAX	**126,900**	170,205
Income tax paid	**(17,343)**	(8,433)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**109,557**	161,772
CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	**333,008**	297,518
Interest paid	**(165,405)**	(127,724)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

(All amounts in millions of RMB unless otherwise stated)

	Note	**2021**	2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal/redemption of financial investments		**1,155,566**	984,242
Cash received from income arising from financial investments		**140,266**	129,148
Cash received from disposal of property and equipment, intangible assets and other long-term assets		**150**	274
Cash paid for purchase of financial investments		**(1,465,046)**	(1,228,168)
Cash paid for purchase of property and equipment, intangible assets and other long-term assets		**(13,853)**	(7,571)
NET CASH USED IN INVESTING ACTIVITIES		**(182,917)**	(122,075)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from issuance of ordinary shares		**30,000**	4,203
Cash received from issuance of perpetual bonds		**30,000**	80,000
Cash received from issuance of debt securities		**65,480**	59,103
Cash paid for dividends and interests		**(26,533)**	(23,899)
Cash paid for issuance of ordinary shares		**(15)**	(1)
Cash paid for issuance of perpetual bonds		**(3)**	(11)
Cash paid for issuance of debt securities		**(4)**	–
Cash paid for repayment of debt securities		**(42,650)**	(98,493)
Cash paid to repay principal and interest of lease liabilities		**(4,012)**	(4,155)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**52,263**	16,747
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(665)**	(1,266)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(21,762)**	55,178
Balance of cash and cash equivalents at the beginning of the year		**335,526**	280,348
BALANCE OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	38	**313,764**	335,526

The accompanying notes form an integral part of these consolidated financial statements.

1 General information

Postal Savings Bank of China Co., Ltd. (the “Bank”) is a joint-stock commercial bank controlled by China Post Group Co., Ltd. (“China Post Group”). The Bank, originally known as Postal Savings Bank of China Company Limited (the “Company”), was established on March 6, 2007 through restructuring of the postal savings system.

In 2011, with the approval from the Ministry of Finance (the “MOF”) of the People’s Republic of China (“PRC”) and China Banking and Insurance Regulatory Commission (“CBIRC”), the Bank was restructured into a joint-stock bank.

On September 28, 2016 and December 10, 2019, the Bank was listed on The Stock Exchange of Hong Kong Limited and The Shanghai Stock Exchange respectively. Information regarding the Bank’s share issuance is set out in Note 34.

As at December 31, 2021, the Bank had 92,384 million common shares, at a face value of RMB1.00 per share.

The Bank, as approved by the CBIRC, holds a financial institution license of the PRC (No. B0018H111000001) and approved by and obtained its business license with unified social credit code 9111000071093465XC from the Beijing Administration for Market Regulation. The address of the Bank’s registered office is No. 3 Jinrong Street, Xicheng District, Beijing, the PRC.

The Bank and its subsidiaries (the “Group”) conduct their operating activities in the PRC, and the principal activities include: personal and corporate financial services, treasury operations and other business activities as approved by the CBIRC.

As at December 31, 2021, the Bank had a total of 36 tier-one branches and 324 tier-two branches across China.

The information of the Bank’s subsidiaries is set out in Note 22.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Bank and its subsidiaries.

The consolidated financial statements were authorized for issue by the Board of Directors of the Bank on March 30, 2022.

(All amounts in millions of RMB unless otherwise stated)

2 Application of amendments to International Financial Reporting Standards ("IFRSs")

2.1 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2021 for the preparation of the consolidated financial statements:

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

In addition, the Group has early applied the Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021.

2.1.1 Impacts on application of Amendment to IFRS 16 Covid-19-Related Rent Concessions and early application of Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond June 30, 2021

The Group has applied the Amendment to IFRS 16 Covid-19-Related Rent Concessions for the first time and early applied the Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond June 30, 2021 in the current year retrospectively. The application of these amendments has had no material impact on the Group's financial positions and performance for the current and prior years.

2.1.2 Impacts on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying IFRS 7 Financial Instruments: Disclosures.

As at January 1, 2021, the Group had several financial assets, the interest of which were indexed to benchmark rates that would or might be subject to interest rate benchmark reform. After assessment by the management of the Group, the application of the amendments has had no material impact on the Group's consolidated financial statement.

(All amounts in millions of RMB unless otherwise stated)

2 Application of amendments to International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Standards that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to IAS 8	Definition of Accounting Estimates[2]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020[1]

1 Effective for annual periods beginning on or after January 1, 2022.

2 Effective for annual periods beginning on or after January 1, 2023.

3 Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to IFRSs mentioned below, the directors of the Bank anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2.2.1 Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

2 Application of amendments to International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and amendments to IFRSs in issue but not yet effective (continued)

2.2.1 Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies (continued)

IFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

2.2.2 Amendments to IAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

2.2.3 Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

2 Application of amendments to International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and amendments to IFRSs in issue but not yet effective (continued)

2.2.3 Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (continued)

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. As at December 31, 2021, the carrying amounts of right-of-use assets and lease liabilities which were subject to the amendments amounted to RMB10,664 million and RMB9,683 million respectively. The Group is still in the process of assessing the full impact of the application of the amendments. The cumulative effect of initially applying the amendments will be recognized as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

3 Basis of preparation of consolidated financial statements and significant accounting policies

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the 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 ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. Please refer to Note 44.7(2) for description of fair value hierarchy.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies

3.2.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities (including structured entities, Note 40) controlled by the Bank and its subsidiaries. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries and all structured entities to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.1 Basis of consolidation (continued)

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes:

- restricted activities;
- a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and
- financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

Management applies its judgement to determine whether the Group is acting as agent or principal in relation to the structured entities ("SEs") in which the Group acts as an asset manager. In assessing whether the Group is acting as agent or principal, the Group considers factors such as scope of the asset manager's decision making authority, rights held by other parties, remuneration to which it is entitled, and exposure to variability of returns by other arrangements (such as direct investments).

3.2.2 Income recognition

(1) Interest income

Interest income is calculated and recognized in accordance with relevant policies specified in Note 3.2.6(2).

(2) Fee and commission income

Fee and commission income is recognized when the Group fulfils its performance obligations either over time or at a point in time when a customer obtains the control right of relevant services.

If the revenue is recognized over time, the Group recognizes revenue in accordance with the progress towards complete satisfaction of a performance obligation, mainly including consultants fee, custodian business fee income, etc. If a performance obligation is not satisfied over time, it is satisfied at a point in time. The Group recognizes revenue at a point in time at which a customer obtains control of the promised services, mainly including insurance agency service fee, settlement and clearing fee, bond underwriting income, etc.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.2 Income recognition (continued)

(2) Fee and commission income (continued)

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

When another party is involved in providing services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified services itself (i.e. the Group is a principal) or to arrange for those services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified service before that service is transferred to a customer. The Group is an agent if its performance obligation is to arrange for the provision of the specified service by another party. In this case, the Group does not control the specified service provided by another party before that service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified services to be provided by the other party.

3.2.3 Foreign currencies transactions

Foreign currency transactions are initially recorded in the functional currency using the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the applicable exchange rates prevailing at the end of the reporting period. Exchange differences arising on translating monetary items at period end rates are recognized in profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currency are translated at the rates prevailing on the date when the fair value is determined. The exchange differences are recognized in profit or loss or in other comprehensive income.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.4 Taxation

Income tax expense comprises current and deferred tax.

Current and deferred tax are recognized in profit or loss, except when they 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.

(1) Current tax

Current income tax includes the expected tax payable on the taxable income for the period at applicable tax rates, and any adjustments to tax payable in respect of prior periods.

(2) Deferred tax

Deferred tax is recognized on temporary differences arising 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 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 liabilities are generally recognized for all taxable temporary differences. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 assets and liabilities 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.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.4 Taxation (continued)

(2) Deferred tax (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

3.2.5 Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditures 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, retirement benefits and early retirement benefits.

(1) Short-term employee benefits

Short-term employee benefits include wages, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, as well as labour union fees and employee 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.

(2) Retirement benefits

The Group's retirement benefits include defined contribution plans and defined benefit plans. Under defined contribution plans, 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. All other retirement plans are classified as defined benefit plans.

The Group's retirement benefits are primarily the payments for basic pensions, unemployment insurance, annuity scheme and supplementary retirement benefits, among which, basic pensions, unemployment insurance and annuity scheme are defined contribution plans and supplementary retirement benefits is defined benefit plan. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. Forfeited contributions in respect of unvested benefits of employees leaving the Group's employment cannot be used to reduce ongoing contributions.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.5 Employee benefits (continued)

(2) Retirement benefits (continued)

Basic pension and unemployment insurance

Pursuant to the relevant laws and regulations of the PRC, the Group participated in the social insurance system established and managed by government organizations. The Group makes contributions to basic pension insurance plans and unemployment insurance based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance and unemployment insurance contributions are charged to profit or loss as the related services are rendered by the employees.

Annuity Scheme

In addition to the statutory pension schemes, the Group's employees also participate in the annuity scheme set up by the Group under Annuity Scheme of Postal Savings Bank of China Co., Ltd. (the "Annuity Scheme") in accordance with the corporate annuity regulations stipulated by the government. The annuity contributions are paid by the Group with reference its employees' gross salaries, and are charged to profit or loss as the related services are rendered by the employees. The Group 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.

Supplementary retirement benefits

The Group gives supplementary retirement benefits to retired staffs who are qualified on or before December 31, 2010. The supplementary retirement benefits include supplementary pensions and supplementary medical benefits. The retirement benefits plan attributed to defined benefit plan, and is usually determined by one or several factors such as age, length of service and compensation.

The liabilities recognized in relation to the above defined benefit pension plan in the consolidated statement of financial position are the present values of defined benefit liabilities at the end of reporting period. The present value of defined benefit liability is based on the expected future cash outflow which is discounted with interest yield of government bonds with similar duration. The estimate of future cash outflows is affected by various assumptions, including inflation rate of pension and medical benefits as well as other factors. The actuarial gains or losses arising from supplemental retirement benefit are included in other comprehensive income when incurred.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.5 Employee benefits (continued)

(3) 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 in IAS 19. The liabilities are 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 profit or loss. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognized in the profit or loss when incurred.

3.2.6 Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

(1) Classification of financial instruments

Financial assets are classified into the following three types on the basis of the Group's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets:

- Amortized cost;
- Fair value through other comprehensive income ("FVTOCI") and;
- Fair value through profit or loss ("FVTPL").

The business model reflects how the Group manages the financial assets in order to generate cash flows. The business model determines whether the cash flow of financial assets managed by the Group is derived from contractual cash flows, sales of financial assets or both. Factors considered by the Group in determining the business model of a group of financial assets include how the cash flows for these financial assets were collected in the past, how the asset's performance was assessed and reported to key management personnel, how the risks were assessed and managed, and the way the business managers were 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 on the principal amount outstanding ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets are classified as financial assets measured at FVTPL.

Derivatives embedded in hybrid contracts that contain financial asset hosts are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortized cost or fair value as appropriate.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.6 Financial Instruments (continued)

(1) Classification of financial instruments (continued)

Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

- the assets are managed within a business model whose objective is to collect contractual cash flows;
- the contractual terms of the financial assets specify that cash flows arising on specified dates are solely payments of principal and interest on the outstanding principal.

Financial assets measured at FVTOCI

Financial assets measured at FVTOCI include debt instruments and equity instruments.

Financial assets are classified as debt instruments measured at FVTOCI when they are not designated at FVTPL and both of the following conditions are met:

- the assets are managed within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial assets specify that cash flows arising on specified dates are solely payments of principal and interest on the outstanding principal.

At the date of initial recognition of a financial asset, the Group may designate an equity investment, which is not held for trading, as financial assets measured at FVTOCI, and recognize dividend income in accordance with the relevant policies specified in Note 3.2.6(2). Once the designation is made, it cannot be revoked.

Financial assets measured at FVTPL

Financial assets measured at FVTPL include financial assets designated as at FVTPL and other financial assets mandatorily measured at FVTPL. The Group classifies the financial assets other than those measured at amortized cost and measured at FVTOCI as financial assets measured at FVTPL.

At initial recognition, the Group may designate financial assets as financial assets measured at FVTPL if the designation can eliminate or significantly reduce accounting mismatch. Once the designation is made, it cannot be revoked.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.6 Financial Instruments (continued)

(1) Classification of financial instruments (continued)

Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL include financial liabilities held for trading and other financial liabilities designated as such at initial recognition.

A financial liability is classified as held for trading if it:

- is incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial liabilities are designated at FVTPL upon initial recognition when one of the following conditions is met:

- the designation can eliminate or significantly reduce accounting mismatch; or
- the formal written file of the Group's risk management or investment strategy have clearly stated that the financial liability portfolio, or the portfolio of financial assets and financial liabilities, are managed, evaluated and reported to key management personnel on the basis of fair value. Once the designation is made, it cannot be revoked.

Financial liabilities measured at amortized cost

The Group classifies all financial liabilities as subsequently measured at amortized cost, except for:

- financial liabilities measured at FVTPL;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts and commitments to provide a loan at a below-market interest rate.

Financial liabilities measured at amortized cost comprise borrowings from central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements, customer deposits, debt securities issued and other financial liabilities.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.6 Financial Instruments (continued)

(2) Measurement of financial instruments

Initial recognition

Financial assets purchased or sold in regular ways are recognized on the trade-date, the date on which the Group commits to purchase or sell the assets. Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities measured at FVTPL, any related directly attributable transaction costs are recognized immediately to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

Subsequent measurement

Subsequent measurement of financial instruments depends on the categories:

Financial assets and liabilities measured at amortized cost

The amortized cost of the financial assets or financial liabilities is determined at initial recognition after being adjusted as follow:

- deducting the principal repaid;

- adding or deducting the cumulative amortization of any difference between the amount at initial recognition and the amount at the maturity date using the effective interest rate method;

- deducting any loss allowance (solely for financial assets).

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant periods. The effective interest rate is the interest rate used to discount the estimated future cash flows of financial assets or financial liabilities over the estimated duration to the carrying amount (i.e. the amortized cost before any impairment allowance) of the financial assets or to the amortized cost of the financial liabilities. The expected credit losses are not considered in calculation, while the transaction costs, premiums or discounts, and fees paid or received that are integral to the effective interest rate are covered.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.6 Financial Instruments (continued)

(2) Measurement of financial instruments (continued)

Subsequent measurement (continued)

Financial assets and liabilities measured at amortized cost (continued)

Interest income is calculated by applying the effective interest rate to the carrying amount of a financial asset, with the following exceptions:

- a purchased or originated credit-impaired ("POCI") financial asset, whose interest income is calculated since initial recognition by applying the credit-adjusted effective interest rate to its amortized cost;

- a financial asset that is not a POCI financial asset but has subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to its amortized cost. If, in a subsequent period, the credit quality of the financial asset is improved so that it is no longer credit-impaired and the improvement in credit quality can be related objectively to a certain event occurring after the application of the above-mentioned rule, then the interest income can again be calculated by applying the effective interest rate to its gross carrying amount.

Financial assets measured at FVTOCI

Debt instruments

Interest income calculated using the effective interest rate method, impairment and foreign exchange gains and losses are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income.

Interest income derived from these financial assets is included in and disclosed as "interest income" using the effective interest rate method.

When the financial assets are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from other comprehensive income to profit or loss for the current period.

Equity instruments

Where an equity investment not held for trading is designated as a financial asset measured at FVTOCI, the changes in fair value of the financial asset are recognized in other comprehensive income. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from other comprehensive income to retained earnings. The dividend income on the investment is recognized in profit or loss only when the Group's right to receive payment of the dividends is established.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.6 Financial Instruments (continued)

(2) Measurement of financial instruments (continued)

Subsequent measurement (continued)

Financial assets measured at FVTPL

Financial assets measured at FVTPL are measured at fair value with all gains or losses recognized in the profit or loss for the current period.

Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL are measured at fair value with all gains or losses recognized in the profit or loss for the current period, unless in the case of financial liabilities designated at FVTPL, where gains or losses are treated as follows:

- changes in the fair value of such financial liabilities resulting from the changes in the Group's own credit risk are recognized in other comprehensive income;

- other changes in fair value of such financial liabilities are recognized in profit or loss for the current period. If the accounting of changes in the credit risk of the financial liabilities will create or enlarge accounting mismatches in profit or loss, the Group shall recognize all gains or losses on such financial liabilities (including amounts arising from changes in its own credit risk) in the profit or loss for the current period.

When the liabilities designated at FVTPL are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from other comprehensive income to retained earnings.

Equity instruments

An equity instrument refers to a contract that evidences a residual interest in the assets of the Group after deducting all liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Ordinary shares, preference shares and perpetual bonds issued by the Group, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.6 Financial Instruments (continued)

(3) Impairment of financial instruments

For debt instruments carried at amortized cost and FVTOCI and exposure arising from credit commitments and financial guarantee contract, the Group assesses the expected credit losses of financial assets with the forward-looking information.

ECL are the weighted average of credit losses with the respective risks of 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, i.e., all cash shortfalls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The Group measures ECL of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money;
- 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.

At the reporting date, the Group assesses whether there is a significant increase in the credit risk of its financial instruments since their initial recognition, and calculates the impairment allowance and recognizes the ECL and changes as follows:

- The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition. Irrespective of whether the Group assesses the credit losses of its financial instruments on an individual basis or collectively in a group, any increase or reversal of the allowance for credit losses shall be recognized in the profit or loss for the current period as impairment losses or gains.
- If the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month (or the expected lifetime when it is shorter than 12 months) ECL. Irrespective of whether the Group assesses the credit losses of its financial instruments on an individual basis or collectively in a group, any increase or reversal of the allowance for credit losses shall be recognized in the profit or loss for the current period as impairment losses or gains.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.6 Financial Instruments (continued)

(3) Impairment of financial instruments (continued)

For financial assets that are measured at amortized cost, the loss allowance is recognized in profit or loss by adjusting their carrying amount. For debt instruments that are measured at FVTOCI, the loss allowance is recognized in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments.

If the Group has measured the loss allowance for a financial instrument other than POCI financial assets at an amount equal to lifetime expected credit losses in the previous reporting period, however it is determined that at the current reporting date the credit risk on the financial instruments has no longer increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to 12-month (or the expected lifetime when it is shorter than 12 months) ECL at the current reporting date and the amount of ECL reversed is recognized in profit or loss.

At the reporting date, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for POCI financial assets. At each reporting date, the Group recognizes the amount of the changes in lifetime expected credit losses in profit or loss as an impairment gain or loss.

(4) Modification of financial instruments

In some cases, the Group may renegotiate or otherwise modify the contractual cash flows of financial instruments. When this happens, the Group assesses whether or not 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. 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).

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.6 Financial Instruments (continued)

(5) Derecognition of financial instruments

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the financial asset has been transferred, and the Group transfers substantially all the risks and rewards of the ownership of the financial asset to the transferee; or
- the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but it does not retain control of the transferred asset.

Where the financial asset has been transferred, if the Group neither transfers nor retains substantially all the risks and rewards of the ownership and the Group retains the control over the transferred financial asset, the financial assets and relevant liabilities shall be recognized to the extent of the Group's continuing involvement in the assets.

The Group writes off a financial asset when there is evidence indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. The write-off constitutes a derecognition event.

Financial liabilities

A financial liability (or part of it) is derecognized when the obligation under the liability is discharged, cancelled or expired.

(6) Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.6 Financial Instruments (continued)

(7) Resale and repurchase agreements

Amounts for purchase of financial assets under resale agreements are accounted for under "Financial assets held under resale agreements". Amounts from sale of financial assets under repurchase agreements are accounted for under "Financial assets sold under repurchase agreements".

The financial asset held under resale agreements are presented at their carrying amount, net of allowance for impairment loss. The cash received from financial assets sold under repurchase agreements are accounted for a liability and presented at their carrying amount. Relevant interest income and expense are recognized at accrual basis.

3.2.7 Property and equipment

Property and equipment are recognized by the Group when the economic benefits are expected to be received and their costs can be measured reliably. The purchased or newly-built property and equipment are initial recognized at their cost at the time of addition. Property and equipment injected by China Post Group during the establishment and joint-stock restructuring of the Group are recognized at the value determined by the state-owned assets management department.

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 measured reliably and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property and equipment.

Depreciation is recognized as a component of operating expenses 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, with the effect of any changes in estimate accounted for on a prospective basis.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.7 Property and equipment (continued)

The estimated useful lives, estimated residual value rates and annual depreciation rates of each category of property and equipment are as follow:

Categories	Estimated useful lives	Estimated residual value rates	Annual depreciation rates
Buildings	20 years	5%	4.75%
Electronic equipment	3 years	5%	31.67%
Motor vehicles	4 years	5%	23.75%
Office equipment and other	5 years	5%	19.00%

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. The costs comprise construction cost, installation cost, borrowing costs that are eligible for capitalisation and other costs necessary for preparing the property and equipment for their intended use. 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.

The assets' estimated residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its continuing 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 net other operating gains. Property and equipment's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.8 Land use rights

Land use rights are classified in other assets and amortized over the respective lease periods, which range from 10 to 40 years. The land use right injected by China Post Group during the establishment and joint-stock restructuring of the Group are initially measured at the value determined by the state-owned assets management department.

3.2.9 Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation.

Investment properties are initially measured at acquisition cost. For those injected by China Post Group during the establishment and joint-stock restructuring of the Group, investment properties are initially measured at the value determined by the state-owned assets management department. Subsequent expenditures incurred for the investment properties are included in the cost of the investment properties if they are probable that economic benefits associated with the asset will flow into the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss for the current period in which they are incurred.

Investment properties are subsequently measured at cost. Depreciation is recognized on a straight-line basis based on estimated useful life and net residual rate. The estimated useful life is 20 years and the estimated residual rate is 5% of the investment properties.

If an investment property's use has changed to as an owned-occupied property, the investment property is transferred thereafter to a property at the date of transfer. If an owned-occupied property's use has changed to earn rentals and/or for capital appreciation, the property is transferred thereafter to an investment property. On the date of transferring, the post-transferring carrying amount will be treated as the initial costs of the transferred property.

At the end of the reporting period, the Group reviews the estimated useful life, the estimated residual rate and the depreciation method of its investment properties and make adjustment when necessary.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.10 Intangible assets

Intangible assets include software and other intangible assets, which are initially measured at cost.

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.

Intangible assets with indefinite useful lives are not amortized, but are subject to annual impairment assessment.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal.

Gains or losses arising from derecognition of an intangible asset measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset are recognized in profit or loss when the asset is derecognized.

3.2.11 Impairment of non-financial assets

Property and equipment, investment properties, construction in progress, right-of-used assets and intangible assets with finite useful lives, among others, are tested for impairment if there is any indication that the assets may be impaired as at the end of the reporting period. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate cash inflows that are largely independent of the cash flows from other assets or groups of assets.

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. Any reversal of an impairment loss is recognized immediately in profit or loss.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.12 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, deposits with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements and some of short-term debt securities.

3.2.13 Precious metals

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 profit or loss in the period in which they arise.

The Group records the precious metals received as an asset. A liability to return the amount of precious metals deposited is also recognized. The precious metals deposited from its customers in the Group are measured at fair value both on initial recognition and in subsequent measurement.

3.2.14 Dividend distribution

Dividend distribution of ordinary share to the Bank's shareholders is recognized as a liability in the Bank's financial statements when the dividends are approved by the Bank's shareholders. Dividend distribution of preference share is recognized as a liability when the dividends are approved by the Bank's Board of Directors.

3.2.15 Provisions

Provisions are recognized when the Group has a present legal or constructive 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.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.16 Fiduciary activities

The Group's fiduciary business refers to the management of assets for customers in accordance with custody agreements signed by the Group and securities investment funds, insurance companies, trust companies and other institutions. The Group fulfils its fiduciary duty and receives relevant fees and commissions in accordance with these agreements, and does not take up any risks and rewards related to the assets under custody, which are recorded as off-balance sheet items.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the instructions (including but not limited to the counterparties, purposes, amounts, interest rates and repayment schedules of the entrust loan) 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.

3.2.17 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 payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of expected credit loss under Note 3.2.6(3); and

- The premium received on initial recognition less income recognized in accordance with the principles of IFRS 15.

Loan commitments are commitments provided by the Group to the customers to grant loans under the established contract terms during certain period.

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.

The expected credit losses of loan commitment and financial guarantee contracts are recognized as a provision and presented in other liabilities.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.18 Contingent liabilities

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 but is not recognized because it is not probable that an outflow of economic resources will be required to settle the obligation or the amount of obligation cannot be measured with sufficient reliability.

A contingent liability is not recognized but disclosed. The Group's contingent liabilities are disclosed in Note 41 "Contingent Liabilities and Commitments".

A provision is recognized when it meets the criteria as set forth in Note 3.2.15 "Provisions".

3.2.19 Lease

(1) Identifying a lease

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

- Whether there is an identified asset in a contract. An identified asset is typically identified by being explicitly or implicitly specified in a contract. A capacity or other portion of an asset that is not physically distinct is not an identified asset, unless it represents substantially all of the capacity of the asset. The Group does not have the right to use an identified asset if the lessor has the substantive right to substitute the asset throughout the period of use;

- the right to obtain substantially all of the economic benefits from use of the identified asset;

- the right to direct the use of an identified asset.

For a contract that is, or contains, a lease, the Group does not elect to separate non-lease components from lease components, instead, it accounts for each lease component and any associated non-lease components as a single lease component.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.19 Lease (continued)

(2) The Group as a lessee

At the commencement date, the Group recognizes a right-of-use asset and a lease liability. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date; any initial direct costs incurred by the Group; an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset; less any lease incentives received.

The Group uses the straight-line method to accrue depreciation for the right-of-use assets in the period from the beginning of the lease term to the end of the service life or the lease term, whichever is shorter. The estimated service life of the right-of-use asset is determined based on the same method as the estimated service life of the real estate and equipment. The carrying amount of the right-of-use asset is adjusted for any remeasurement of the lease liability. In addition, the impairment loss (if any) of the right-of-use assets is recognized on a regular basis.

At the commencement date, the Group recognizes and measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments need to be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate of lessee. Generally, the Group uses the incremental borrowing rate as the discount rate.

The lease payments comprise the following:

- fixed payments (including in-substance fixed payments) less any lease incentive receivables;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- the exercise price of a purchase or an extension option if the Group is reasonably certain to exercise that option;
- the payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.19 Lease (continued)

(2) The Group as a lessee (continued)

The Group remeasures the lease liability by discounting the revised lease payments, if there is a change in future lease payments resulting from a change in an index or a rate, or if there is a change in the assessments about whether to exercise an option about purchase, extension or termination.

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

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for leases of low-value assets. The Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

When the lease changes and the following conditions are met at the same time, the Group treats it as a separate lease for accounting treatment:

- The lease change expands the scope of the lease by adding the right to use one or more leased assets;

- The increased consideration is equivalent to the stand-alone price of the expanded part of the lease scope after adjustment according to the contract.

When the lease change is not treated as a separate lease, except for the simplified method adopted for contract changes directly caused by COVID-19, the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate. If the lease modifications decrease the scope or term of the lease, the Group correspondingly decreases the carrying amount of the right-of-use asset and recognizes the relevant gains or losses from the partial or full termination of the lease as the current profit or loss. If other lease changes cause the lease liability to be remeasured, the Group adjusts the carrying amount of the right-of-use asset accordingly.

In relation to rent concessions that occurred as a direct consequence of the Covid-19, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of related conditions are met.

3 Basis of preparation of consolidated financial statements and significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.19 Lease (continued)

(2) The Group as a lessee (continued)

The Group applying the practical expedient accounts for changes only in lease payments originally due on or before June 30, 2022 resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognized in the profit or loss in the period in which the event occurs.

(3) The Group as a lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. All other leases are classified as operating leases.

As a lessor of an operating lease, the Group recognizes lease receivables from operating leases as income on either a straight-line basis or another systematic basis. For the initial direct costs, the Group adds the costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognize those costs as an expense over the lease term on the same basis as the lease income. For the depreciable underlying assets subject to operating leases, the depreciation policy is consistent with the Group's similar assets. For the variable lease payments not including in lease receivables but related to operating lease, the Group recognizes the amount in profit or loss as incurred.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

The sublease is classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

3.2.20 Segment analysis

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Relevant committees led by the President of the Bank (the "President") allocate resources to and assesses the performance of the operating segments based on periodically reviewing this analysis. The Group's reportable segments are determined based on its operating segments while taking full consideration of various factors such as products and services, geographical location and regulatory environment related to the daily operation business of the management. Operating segments meeting the same qualifications are aggregated into a single reportable segment.

The same accounting policies as adopted in preparation of the Group's financial statements are used for segment reporting.

4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and disclosed amounts of assets and liabilities, income and expenses. Actual results in the future may differ from those disclosed as a result of the use of estimates and assumptions about future conditions.

4.1 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets at amortized cost and FVTOCI requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements involved in applying the accounting requirements for measuring ECL, include:

- Segmentation of portfolios sharing similar credit risk characteristics, application of appropriate models and determination of relevant key measurement parameters;
- Criteria for determining significant increase in credit risk or becoming credit-impaired;
- Application of economic indexes, macroeconomic scenarios and weightings for forward-looking measurement;
- Management overlay adjustments for significant uncertain factors not covered in the models;
- The forecasted cash flows for loans and advances to customers and other debt instruments measured at amortized cost classified into stage 3 which are considered individually significant.

Detailed information about the judgements and estimates made by the Group is set out in Note 44.3 Credit Risk.

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

4.2 Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments that are not quoted in an active market. Valuation techniques include the use of recent prices of transaction between knowledgeable, willing parties, observable prices of similar financial instruments, discounted cash flows analysis with risk adjusted, as well as pricing models that are commonly used in the market. To the extent practical, models for the valuation of derivatives and other financial instruments use observable market data, such as interest yield curves and foreign exchange rates. However areas such as credit risk (both own and counterparty's), volatilities and correlations require management to make estimates. Fair values calculated using valuation techniques are verified based on the industry practice and currently observable prices of same or similar financial instruments in the market.

The Group, through regular review and approval procedures, reviews the assumptions and market expectations adopted by the valuation techniques, including the examination of assumptions and pricing factors of models, changes in assumptions of models, properties of market parameters, whether the market is active or not, adjustment factors of fair values which are not covered by models, and the consistency of valuation techniques between periods. Valuation techniques are regularly reviewed through validity tests and updated to reflect the market various at the end of the reporting period where appropriate.

4.3 Income taxes

In the ordinary course of the Group's business, there are certain transactions and activities for which there are uncertainties concerning their ultimate tax treatment. In accordance with the current tax laws and regulations as well as the policies applicable to the Group from competent government authorities in the previous years, the Group makes tax estimates on the implementation of new tax laws and regulations as well as events involving uncertainties in tax treatment. In calculating its income tax liabilities, the Group makes significant judgements. Where the final outcome of these tax matters is different from the amounts initially recorded, such differences will affect the current income tax and deferred income tax provisions in the period during which such a determination is made.

4.4 Control over structured entities

Where the Group acts as asset manager or investor of structured entities, the Group makes judgement on whether it controls the structured entities. The principle of control includes three factors: (i) power over investees; (ii) exposure or right to the variable returns of investees, and (iii) ability to affect those returns through its power over the investees. If evidence shows that the factors of the control change, the Group reassesses whether it has control on the investees. When performing this assessment, the Group considers several factors including, among other things, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remuneration to which it is entitled in accordance with the related agreements for the assets management services, the Group's exposure to variability of returns from other interests (such as direct investment) that it holds in the structured entities.

(All amounts in millions of RMB unless otherwise stated)

5 Net interest income

	2021	2020
Interest income		
Deposits with central bank	**18,902**	17,655
Deposits with banks and other financial institutions	**1,615**	939
Placements with banks and other financial institutions	**10,525**	11,509
Financial assets held under resale agreements	**5,641**	2,961
Loans and advances to customers	**287,207**	256,955
Including: Corporate loans and advances	**98,186**	91,378
Personal loans and advances	**189,021**	165,577
Financial investments		
Financial assets measured at amortized cost	**116,219**	116,468
Financial assets measured at fair value through other comprehensive income – debt instruments	**11,458**	9,765
Subtotal	**451,567**	416,252
Interest expense		
Borrowings from central bank	**(281)**	(239)
Deposits from banks and other financial institutions	**(1,346)**	(1,100)
Placements from banks and other financial institutions	**(1,283)**	(1,237)
Financial assets sold under repurchase agreements	**(1,471)**	(2,088)
Customer deposits	**(175,218)**	(154,793)
Debt securities issued	**(2,586)**	(3,417)
Subtotal	**(182,185)**	(162,874)
Net interest income	**269,382**	253,378
Included in interest income		
Interest income from listed investments	**106,389**	98,758
Interest income from unlisted investments	**21,288**	27,475

(All amounts in millions of RMB unless otherwise stated)

6 Net fee and commission income

		2021	2020
Agency service business	(1)	**12,239**	6,487
Bank cards business		**11,951**	11,516
Settlement and clearing	(2)	**9,626**	8,281
Wealth management		**5,170**	4,198
Investment banking	(3)	**1,366**	949
Custody business		**1,164**	887
Others		**867**	428
Fee and commission income		**42,383**	32,746
Fee and commission expense	(4)	**(20,376)**	(16,251)
Net fee and commission income		**22,007**	16,495

(1) Fee and commission income from agency service mainly includes fee and commission income from bancassurance, distribution of fund products, government bonds underwriting, and collection and payment services.

(2) Fee and commission income from settlement and clearing refers to income derived from settlement and clearing services the Group provided to customers, including fee and commission derived from electronic payment services, corporate settlement services, and personal settlement services.

(3) Fee and commission income from investment banking refers to income derived from underwriting and distributing bonds and securities, asset securitization, syndicated loan, and advisory services.

(4) Fee and commission expense is expense incurred for agency and settlement services, including those paid to China Post Group for agency services (Note 39.3.1(1)).

(All amounts in millions of RMB unless otherwise stated)

7 Net trading gains

	2021	2020
Debt securities	**3,231**	3,220
Derivatives and others	**55**	39
Total	**3,286**	3,259

8 Net gains on investment securities

	2021	2020
Net gain from financial assets measured at FVTPL	**21,763**	15,406
Net gain from financial assets measured at FVTOCI	**1,318**	515
Total	**23,081**	15,921

9 Net other operating gains

	2021	2020
Net losses on foreign exchanges	**(929)**	(3,999)
Government subsidies	**1,067**	809
Leasing income	**143**	143
Other	**464**	530
Total	**745**	(2,517)

10 Operating expenses

		2021	2020
Deposit agency fee and others (Note 39.3.1(1))		**89,182**	82,313
Staff costs (including emoluments of directors, supervisors and senior management)	(1)	**59,228**	51,355
Depreciation and amortization		**9,037**	8,078
Taxes and surcharges	(2)	**2,468**	2,187
Auditor's remuneration		**30**	36
Other expenses	(3)	**31,050**	24,015
Total		**190,995**	167,984

(All amounts in millions of RMB unless otherwise stated)

10 Operating expenses (continued)

(1) Staff costs (including emoluments of directors, supervisors and senior management)

	2021	2020
Short-term employee benefits		
Wages and salaries, bonuses, allowance and subsidies	**41,618**	36,873
Housing funds	**3,878**	3,537
Social insurance	**3,015**	2,453
Including: Medical insurance	**2,874**	2,324
Maternity insurance	**70**	81
Work injury insurance	**71**	48
Staff welfare	**2,519**	2,258
Labour union funds and employee education funds	**1,018**	1,041
Others	**27**	36
Subtotal	**52,075**	46,198
Defined contribution plans		
Basic pensions	**4,703**	3,293
Annuity scheme	**2,300**	1,804
Unemployment insurance	**129**	41
Subtotal	**7,132**	5,138
Supplementary retirement benefits and early retirement benefits	**21**	19
Total	**59,228**	51,355

(2) Taxes and surcharges mainly include urban construction tax, educational surcharges, property tax, land use tax, vehicle and vessel use tax and stamp duty, etc.

(3) For the year ended December 31, 2021, the rental expenses of short-term leases and low value asset leases included in other expenses were RMB742 million (for the year ended December 31, 2020: RMB772 million).

(All amounts in millions of RMB unless otherwise stated)

11 Emoluments of directors and supervisors

11.1 Details of the directors and supervisors' emoluments are as follows:

	2021				
Name	Fees RMB thousand	Remuneration RMB thousand	Contribution to pension scheme RMB thousand	Benefits in kind RMB thousand	Total RMB thousand
Chairman					
Zhang Jinliang (張金良) (i)	–	–	–	–	–
Executive directors					
Liu Jianjun (劉建軍)(ii)	–	–	–	–	–
Zhang Xuewen (張學文)	–	537	148	79	764
Yao Hong (姚紅)	–	510	142	80	732
Non-executive directors					
Han Wenbo (韓文博) (iii)	–	–	–	–	–
Chen Donghao (陳東浩)(iii) (iv)	–	–	–	–	–
Wei Qiang (魏強) (iii) (v)	–	–	–	–	–
Liu Yue (劉悅) (iii)	–	–	–	–	–
Ding Xiangming (丁向明) (iii)	–	–	–	–	–
Independent non-executive directors					
Fu Tingmei (傅廷美)	348	–	–	–	348
Wen Tiejun (溫鐵軍)	348	–	–	–	348
Chung Shui Ming Timpson (鍾瑞明)	348	–	–	–	348
Hu Xiang (胡湘)	348	–	–	–	348
Pan Yingli (潘英麗)	348	–	–	–	348
Supervisors					
Chen Yuejun (陳躍軍)	–	521	148	80	749
Zhao Yongxiang (趙永祥) (vi)	–	–	–	–	–
Wu Yu (吳昱)	300	–	–	–	300
Bai Jianjun (白建軍)	300	–	–	–	300
Chen Shimin (陳世敏)	300	–	–	–	300
Li Yue (李躍) (vii)	–	–	–	–	–
Bu Dongsheng (卜東升) (vii)	–	–	–	–	–
Gu Nannan (谷楠楠) (vii) (viii)	–	–	–	–	–
Directors and supervisors resigned					
Guo Xinshuang (郭新雙)(ix)	–	–	–	–	–
Liu Yaogong (劉堯功)(x)	–	–	–	–	–
Li Yujie (李玉杰) (xi)	–	–	–	–	–
Song Changlin (宋長林)(vii) (xii)	–	–	–	–	–
Total (xiii)	2,640	1,568	438	239	4,885

11 Emoluments of directors and supervisors (continued)

11.1 Details of the directors and supervisors' emoluments are as follows: (continued)

(i) Mr. Zhang Jinliang received emolument from China Post Group, the controlling shareholder of the Bank, and did not receive emolument from the Bank.

(ii) On 31 May 2021, the Board of Directors of Postal Savings Bank of China Co., Ltd. (the "Bank") approved the appointment of Mr. Liu Jianjun as the President of the Bank; on June 29, 2021, Mr. Liu Jianjun was elected at the Bank's 2020 Annual General Meeting as the Executive Director. During the current year, the Bank has received the Reply from CBIRC (Yin Bao Jian Xia (2021) No. 628), stating that it has approved Mr. Liu Jianjun's qualification as the President and Executive Director of the Bank. In accordance with relevant regulations, Mr. Liu Jianjun has, since August 1, 2021, officially held the posts of the President and Executive Director of the Bank and simultaneously served as a member of the Strategic Planning Committee of the Board of Directors, a member of the Nomination and Remuneration Committee of the Board of Directors, and the chairman and member of the Social Responsibility and Consumer Protection Committee of the Board of Directors.

Mr. Liu Jianjun received emolument from China Post Group, the controlling shareholder of the Bank, and did not receive emolument from the Bank.

(iii) Non-executive Directors, Mr. Han Wenbo, Mr. Chen Donghao, Mr. Wei Qiang, Mr. Liu Yue, and Mr. Ding Xiangming, did not receive emolument from the Bank.

(iv) Mr. Chen Donghao was elected as a Non-executive Director of the Bank on July 15, 2021.

(v) Mr. Wei Qiang was elected as a Non-executive Director of the Bank on May 31, 2021.

(vi) Mr. Zhao Yongxiang did not receive emolument from the Bank.

(vii) The employee supervisors were not remunerated for their role as supervisors, and their remuneration from the Bank as employees were not disclosed here.

(viii) Mr. Gu Nannan was elected as a Supervisor of the Bank on June 8, 2021.

(ix) Mr. Guo Xinshuang ceased to be the Executive Director and President of the Bank on January 4, 2021. During the term of office, he received emolument from China Post Group, the controlling shareholder of the Bank, and did not receive emolument from the Bank.

(x) Mr. Liu Yaogong ceased to be the Non-executive Director of the Bank on January 29, 2021. During the term of office, he did not receive emolument from the Bank.

(xi) Mr. Li Yujie ceased to be the Supervisor of the Bank on January 4, 2022. During the term of office, he did not receive emolument from the Bank.

(xii) Mr. Song Changlin ceased to be Supervisor of the Bank on June 8, 2021.

(xiii) The total compensation packages for certain directors and supervisors for the year ended December 31, 2021 have not been finalized at the date of these consolidated financial statements. The compensation not yet accrued is not expected to have a significant impact on the Group's financial statements for the year ended December 31, 2021. The final compensation will be disclosed when determined.

The Executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Bank and the Group. The Independent Non-executive Directors' and the Supervisors' emoluments shown above were for their services as directors and supervisors of the Bank.

(All amounts in millions of RMB unless otherwise stated)

11 Emoluments of directors and supervisors (continued)

11.1 Details of the directors and supervisors' emoluments are as follows: (continued)

	2020				
Name	Fees RMB thousand	Remuneration RMB thousand	Contribution to pension scheme RMB thousand	Benefits in kind RMB thousand	Total RMB thousand
Chairman					
Zhang Jinliang (張金良) (i)	–	–	–	–	–
Executive directors					
Zhang Xuewen (張學文)	–	464	102	74	640
Yao Hong (姚紅)	–	441	99	75	615
Non-executive directors					
Han Wenbo (韓文博)(ii)	–	–	–	–	–
Liu Yue (劉悅)(ii)	–	–	–	–	–
Ding Xiangming (丁向明)(ii)	–	–	–	–	–
Independent non-executive directors					
Fu Tingmei (傅廷美)	348	–	–	–	348
Wen Tiejun (溫鐵軍)	348	–	–	–	348
Chung Shui Ming Timpson (鍾瑞明)	348	–	–	–	348
Hu Xiang (胡湘)	348	–	–	–	348
Pan Yingli (潘英麗)	348	–	–	–	348
Supervisors					
Chen Yuejun (陳躍軍)	–	463	100	74	637
Li Yujie (李玉杰)(iii)	–	–	–	–	–
Zhao Yongxiang (趙永祥)(iii)	–	–	–	–	–
Wu Yu (吳昱)	300	–	–	–	300
Bai Jianjun (白建軍)	300	–	–	–	300
Chen Shimin (陳世敏)	300	–	–	–	300
Li Yue (李躍)(iv)	–	–	–	–	–
Song Changlin (宋長林)(iv)	–	–	–	–	–
Bu Dongsheng (卜東升)(iv)	–	–	–	–	–
Directors and supervisors resigned					
Guo Xinshuang (郭新雙)(v)	–	–	–	–	–
Tang Jian (唐健)(vi)	–	–	–	–	–
Liu Yaogong (劉堯功)(vii)	–	–	–	–	–
Ma Weihua (馬蔚華)(viii)	–	–	–	–	–
Bi Zhonghua (畢仲華)(viii)	–	–	–	–	–
Total	2,640	1,368	301	223	4,532

11 Emoluments of directors and supervisors (continued)

11.1 Details of the directors and supervisors' emoluments are as follows: (continued)

(i) Mr. Zhang Jinliang received emolument from China Post Group, the controlling shareholder of the Bank, and did not receive emolument from the Bank.

(ii) Non-executive Directors, Mr. Han Wenbo, Mr. Liu Yue, and Mr. Ding Xiangming, did not receive emolument from the Bank.

(iii) Mr. Li Yujie and Mr. Zhao Yongxiang did not receive emolument from the Bank.

(iv) The employee supervisors were not remunerated for their role as supervisors, and their remuneration from the Bank as employees were not disclosed here.

(v) Mr. Guo Xinshuang was elected President of the Bank effective on February 14, 2020 and the Executive Director effective on April 23, 2020. On January 4, 2021, Mr. Guo Xinshuang ceased to be the Executive Director and the President of the Bank. During the term of office, Mr. Guo Xinshuang received emolument from China Post Group, the controlling shareholder of the Bank, and did not receive emolument from the Bank.

(vi) Mr. Tang Jian ceased to be the Non-executive Director of the Bank on January 17, 2020. During the term of office, he did not receive emolument from the Bank.

(vii) Mr. Liu Yaogong ceased to be the Non-executive Director of the Bank on January 29, 2021. During the term of office, he did not receive emolument from the Bank.

(viii) Mr. Ma Weihua and Ms. Bi Zhonghua ceased to be Independent Non-executive Directors of the Bank on January 1, 2020.

The Executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Bank and the Group. The Independent Non-executive Directors' and the Supervisors' emoluments shown above were for their services as directors and supervisors of the Bank.

(All amounts in millions of RMB unless otherwise stated)

11 Emoluments of directors and supervisors (continued)

11.2 Five highest paid individuals

For the years ended December 31, 2021 and 2020, the five highest paid individuals did not include any member of the directors or supervisors. The emoluments of the five highest paid individuals in the Group are as follows:

	2021 RMB thousand	2020 RMB thousand
Remunerations paid	**12,062**	12,083
Contribution to pension schemes	**411**	394
Benefits in kind	**317**	387
Total	**12,790**	12,864

The number of these individuals, whose emoluments fell within the following bands, is as follows:

	2021 Number of employees	2020 Number of employees
RMB1,500,001-RMB2,000,000	**–**	2
RMB2,000,001-RMB2,500,000	**2**	2
RMB2,500,001-RMB3,000,000	**3**	–
RMB4,500,001-RMB5,000,000	**–**	1

11.3 Benefits and interests of directors, supervisors and their connected entities

(i) The Group enters into credit transactions with certain directors, supervisors or certain corporates and connected entities controlled by the directors or supervisors in general commercial terms in the ordinary course of business. For the years ended December 31, 2021 and 2020, the balance of loans and advances from the Group to the directors, supervisors or certain controlled corporates and connected entities of the directors or supervisors was not significant. The Group did not provide any guarantee or security to the directors, supervisors or certain controlled corporates and connected entities of the directors or supervisors in respect of their loans, quasi-loans or credit transactions.

(ii) For the years ended December 31, 2021 and 2020, no emolument was paid by the Group to any of the directors, supervisors, senior management or the five highest paid individuals 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, other retirement benefits for directors or supervisors were not significant, and there were no consideration provided to third parties for making available directors' or supervisors' services; and none of the directors or supervisors forfeited fees 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 December 31, 2021 and 2020.

(All amounts in millions of RMB unless otherwise stated)

12 Credit impairment losses

	2021	2020
Deposits with banks and other financial institutions	**87**	24
Placements with banks and other financial institutions	**604**	(776)
Financial assets held under resale agreements	**(210)**	229
Loans and advances to customers	**28,728**	52,377
Financial investments		
Financial assets measured at FVTOCI	**622**	131
Financial assets measured at amortized cost	**11,578**	(4,552)
Credit commitments	**3,733**	2,178
Other financial assets	**1,496**	787
Total	**46,638**	50,398

13 Income tax expenses

	2021	2020
Current income tax	**11,128**	9,941
Deferred income tax (Note 24(1))	**(6,206)**	(6,123)
Total	**4,922**	3,818

Corporate income tax is calculated at 25% of estimated taxable profit. Pre-tax deductible items of corporate income tax are governed by the relevant regulations of the PRC.

Reconciliation of income tax expenses and profits before income tax are as follow:

	2021	2020
Profit before income tax	**81,454**	68,136
Income tax expenses calculated at the statutory tax rate of 25%	**20,364**	17,034
Tax effect of income with non-taxable, tax reduction and deduction of interest for tax purpose	**(16,008)**	(13,670)
Tax effect of expenses not deductible for tax purpose	**566**	454
Income tax expenses	**4,922**	3,818

13 Income tax expenses (continued)

The Group's interest income from central and local government bonds and income from the distribution of securities investment funds are exempted from corporate income tax in accordance with the tax law; and the interest income from bonds issued by Ministry of Railways and micro loans to farmers enjoy reduction in corporate income tax; according to the *Notice of the Ministry of Finance and the State Administration of Taxation on corporate income tax policy of special bond interest income of Postal Savings Bank of China (CS [2015] No. 150)*, the interest income from special bonds issued by China Development Bank and Agricultural Development Bank of China can enjoy reduction in corporate income tax charge.

14 Basic and diluted earnings per share

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

	2021	2020
Net profit attributable to equity holders of the Bank	**76,170**	64,199
Less: Net profit for the year attributable to preference shareholders of the Bank	**(2,324)**	(2,584)
Net profit for the year attributable to perpetual bonds holders of the Bank	**(2,952)**	–
Net profit attributable to ordinary shareholders of the Bank	**70,894**	61,615
Weighted average number of ordinary shares in issue (in millions)	**91,033**	86,914
Basic and diluted earnings per share (in RMB Yuan)	**0.78**	0.71

The Bank issued non-cumulative preference shares in 2017. The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of conversion did not exist for the year ended December 31, 2021 and 2020, respectively. Accordingly, there were no potential dilutive ordinary shares and the diluted earnings per share were the same as the basic earnings per share.

(All amounts in millions of RMB unless otherwise stated)

15 Cash and deposits with central bank

		As at December 31, 2021	As at December 31, 2020
Cash		**48,545**	50,056
Statutory reserve with central bank	(1)	**1,119,203**	1,131,795
Surplus reserve with central bank	(2)	**17,028**	31,899
Fiscal deposits with central bank		**4,682**	6,112
Total		**1,189,458**	1,219,862

(1) Statutory reserve with central bank is the general reserve deposited with the People's Bank of China (hereinafter referred to as the "central bank" or the "PBOC") by the Group in accordance with the relevant regulations, and cannot be used for daily operating activities. As at December 31, 2021, the ratio for RMB deposits statutory reserve was 10.00 % (December 31, 2020: 11.00%), whereas the ratio for foreign currency deposits was 9.00 % (December 31, 2020: 5.00%).

(2) Surplus reserve with central bank represents deposits placed with central bank for settlement and clearing of interbank transactions.

16 Deposits with banks and other financial institutions

	As at December 31, 2021	As at December 31, 2020
Deposits with domestic banks	**87,965**	40,091
Deposits with other domestic financial institutions	**278**	173
Deposits with overseas banks	**2,699**	3,491
Gross amount	**90,942**	43,755
Allowance for impairment loss	**(160)**	(73)
Carrying amount	**90,782**	43,682

(All amounts in millions of RMB unless otherwise stated)

17 Placements with banks and other financial institutions

	As at December 31, 2021	As at December 31, 2020
Placements with domestic banks	**20,091**	8,791
Placements with other domestic financial institutions	**258,935**	240,189
Placements with overseas banks	**2,551**	299
Gross amount	**281,577**	249,279
Allowance for impairment loss	**(1,484)**	(883)
Carrying amount	**280,093**	248,396

18 Derivative financial assets and liabilities

The Group enters into derivative contracts of foreign exchange rate, interest rate and precious metal, which are primarily related to trading, asset and liability management, and customer driven transactions.

The contractual/notional amount and fair value of the derivative financial instruments held by the Group as at the end of the reporting period are set out in the following tables. The contractual/notional amounts of derivative financial instruments provide a basis for comparison with fair value of instruments recognized on the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The fair value of derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates, or market prices of precious metals relative to their terms. The aggregate fair value of derivative financial assets and liabilities can fluctuate significantly over different periods.

(All amounts in millions of RMB unless otherwise stated)

18 Derivative financial assets and liabilities (continued)

	As at December 31, 2021			As at December 31, 2020		
By types of contracts	**Contractual/ Notional amounts**	**Assets**	**Liabilities**	Contractual/ Notional amounts	Assets	Liabilities
Exchange rate contracts	**419,127**	**5,002**	**(4,106)**	433,998	10,438	(8,959)
Interest rate contracts	**214,289**	**1,049**	**(1,052)**	154,117	702	(673)
Precious metal contracts	**3,478**	**2**	**(18)**	–	–	–
Total	**636,894**	**6,053**	**(5,176)**	588,115	11,140	(9,632)

Analyzed by credit risk-weighted amount for counterparty	**As at December 31, 2021**	As at December 31, 2020
Credit risk-weighted amount		
Exchange rate contracts	**4,292**	5,852
Interest rate contracts	**1**	1
Precious metal contracts	**12**	–
Subtotal	**4,305**	5,853
Credit value adjustments	**2,003**	3,800
Central counterparties risk-weighted amount	**298**	239
Total	**6,606**	9,892

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 January 1, 2019, and is dependent on, among other factors, creditworthiness of counterparties and maturity characteristics of each type of contract.

(All amounts in millions of RMB unless otherwise stated)

19 Financial assets held under resale agreements

Analyzed by type of collateral	As at December 31, 2021	As at December 31, 2020
Debt securities	**151,923**	205,824
Bills	**114,216**	55,252
Gross amount	**266,139**	261,076
Allowance for impairment loss	**(910)**	(1,120)
Carrying amount	**265,229**	259,956

The collateral received in connection with the purchase of financial assets under resale agreement is disclosed in "Note 41.4 Contingent liabilities and commitments – Collateral". As at December 31, 2021 and 2020, the Group did not have any netting agreements or similar arrangements with counterparties.

20 Loans and advances to customers

20.1 Loans and advances to customers by type

		As at December 31, 2021	As at December 31, 2020
Loans and advances to customers			
– Measured at amortized cost	(1)	**5,642,792**	4,901,887
– Measured at FVTOCI	(2)	**594,407**	610,474
Total		**6,237,199**	5,512,361

(All amounts in millions of RMB unless otherwise stated)

20 Loans and advances to customers (continued)

20.1 Loans and advances to customers by type (continued)

(1) Loans and advances to customers measured at amortized cost

	As at December 31, 2021	As at December 31, 2020
Corporate loans and advances		
– Loans	**2,080,626**	1,826,416
– Discounted bills	**22,913**	25,475
Subtotal	**2,103,539**	1,851,891
Personal loans and advances		
Consumer loans	**2,665,930**	2,363,000
– Residential mortgage loans	**2,169,309**	1,921,055
– Other consumer loans	**496,621**	441,945
Personal small and micro loans	**915,354**	746,252
Credit cards overdrafts and others	**174,869**	144,641
Subtotal	**3,756,153**	3,253,893
Gross amount of loans and advances to customers measured at amortized cost	**5,859,692**	5,105,784
Less: Allowance for impairment loss of loans and advances to customers at amortized cost		
– Stage 1	**161,623**	148,428
– Stage 2	**7,478**	12,003
– Stage 3	**47,799**	43,466
Carrying amount of loans and advances to customers measured at amortized cost	**5,642,792**	4,901,887

(2) Loans and advances to customers measured at FVTOCI

	As at December 31, 2021	As at December 31, 2020
Corporate loans and advances		
– Loans	**173,310**	151,369
– Discounted bills	**421,097**	459,105
Loans and advances to customers measured at FVTOCI	**594,407**	610,474

(All amounts in millions of RMB unless otherwise stated)

20 Loans and advances to customers (continued)

20.2 Detailed information regarding loans and advances to customers by geographical region, industries, types of collateral and overdue situation is set out in Note 44.3.4.

20.3 Loans and advances to customers by allowance for impairment loss

	As at December 31, 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross amount of loans and advances to customers measured at amortized cost	**5,775,406**	**31,623**	**52,663**	**5,859,692**
Allowance for impairment loss of loans and advances to customers measured at amortized cost	**(161,623)**	**(7,478)**	**(47,799)**	**(216,900)**
Carrying amount of loans and advances to customers measured at amortized cost	**5,613,783**	**24,145**	**4,864**	**5,642,792**
Loans and advances to customers measured at FVTOCI	**593,110**	**1,287**	**10**	**594,407**
Allowance for impairment losses of loans and advances to customers measured at FVTOCI	**(3,477)**	**(156)**	**(10)**	**(3,643)**

	As at December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Gross amount of loans and advances to customers measured at amortized cost	5,022,263	33,148	50,373	5,105,784
Allowance for impairment loss of loans and advances to customers measured at amortized cost	(148,428)	(12,003)	(43,466)	(203,897)
Carrying amount of loans and advances to customers measured at amortized cost	4,873,835	21,145	6,907	4,901,887
Loans and advances to customers measured at FVTOCI	609,857	607	10	610,474
Allowance for impairment losses of loans and advances to customers measured at FVTOCI	(1,609)	(11)	(10)	(1,630)

(All amounts in millions of RMB unless otherwise stated)

20 Loans and advances to customers (continued)

20.4 The following tables illustrate the changes in the gross carrying amount of loans and advances to customers:

(1) Corporate loans and advances to customers measured at amortized cost

	Year ended December 31, 2021			
Corporate loans and advances to customers measured at amortized cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Gross carrying amount as at January 1, 2021	**1,810,474**	**22,768**	**18,649**	**1,851,891**
Transfers:				
Transfer to stage 1	**2,826**	**(2,823)**	**(3)**	**–**
Transfer to stage 2	**(11,717)**	**11,770**	**(53)**	**–**
Transfer to stage 3	**(2,928)**	**(2,270)**	**5,198**	**–**
Financial assets derecognized or settled during the year	**(772,543)**	**(11,792)**	**(3,598)**	**(787,933)**
New financial assets originated or purchased	**1,042,333**	**–**	**–**	**1,042,333**
Write-offs	**–**	**–**	**(2,752)**	**(2,752)**
Gross carrying amount as at December 31, 2021	**2,068,445**	**17,653**	**17,441**	**2,103,539**

	Year ended December 31, 2020			
Corporate loans and advances to customers measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2020	1,691,515	27,824	16,544	1,735,883
Transfers:				
Transfer to stage 1	410	(409)	(1)	–
Transfer to stage 2	(15,255)	15,268	(13)	–
Transfer to stage 3	(4,681)	(7,586)	12,267	–
Financial assets derecognized or settled during the year	(906,422)	(12,329)	(6,789)	(925,540)
New financial assets originated or purchased	1,044,907	–	–	1,044,907
Write-offs	–	–	(3,359)	(3,359)
Gross carrying amount as at December 31, 2020	1,810,474	22,768	18,649	1,851,891

(All amounts in millions of RMB unless otherwise stated)

20 Loans and advances to customers (continued)

20.4 The following tables illustrate the changes in the gross carrying amount of loans and advances to customers (continued)

(2) Personal loans and advances to customers measured at amortized cost

	Year ended December 31, 2021			
Personal loans and advances to customers measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2021	**3,211,789**	**10,380**	**31,724**	**3,253,893**
Transfers:				
Transfer to stage 1	**1,590**	**(1,323)**	**(267)**	**–**
Transfer to stage 2	**(13,380)**	**13,417**	**(37)**	**–**
Transfer to stage 3	**(21,896)**	**(3,034)**	**24,930**	**–**
Financial assets derecognized or settled during the year	**(1,132,393)**	**(5,470)**	**(9,814)**	**(1,147,677)**
New financial assets originated or purchased	**1,661,251**	**–**	**–**	**1,661,251**
Write-offs	**–**	**–**	**(11,314)**	**(11,314)**
Gross carrying amount as at December 31, 2021	**3,706,961**	**13,970**	**35,222**	**3,756,153**

	Year ended December 31, 2020			
Personal loans and advances to customers measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2020	2,713,869	9,587	27,332	2,750,788
Transfers:				
Transfer to stage 1	1,435	(1,098)	(337)	–
Transfer to stage 2	(8,829)	8,859	(30)	–
Transfer to stage 3	(19,705)	(2,896)	22,601	–
Financial assets derecognized or settled during the year	(867,939)	(4,072)	(6,480)	(878,491)
New financial assets originated or purchased	1,392,958	–	–	1,392,958
Write-offs	–	–	(11,362)	(11,362)
Gross carrying amount as at December 31, 2020	3,211,789	10,380	31,724	3,253,893

(All amounts in millions of RMB unless otherwise stated)

20 Loans and advances to customers (continued)

20.4 The following tables illustrate the changes in the gross carrying amount of loans and advances to customers (continued)

(3) Loans and advances to customers measured at FVTOCI

	Year ended December 31, 2021			
Loans and advances to customers measured at FVTOCI	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Carrying amount as at January 1, 2021	**609,857**	**607**	**10**	**610,474**
Transfers:				
Transfer to stage 1	**–**	**–**	**–**	**–**
Transfer to stage 2	**(1,287)**	**1,287**	**–**	**–**
Transfer to stage 3	**–**	**–**	**–**	**–**
Financial assets derecognized or settled during the year	**(609,857)**	**(607)**	**–**	**(610,464)**
New financial assets originated or purchased	**594,397**	**–**	**–**	**594,397**
Write-offs	**–**	**–**	**–**	**–**
Carrying amount as at December 31, 2021	**593,110**	**1,287**	**10**	**594,407**

	Year ended December 31, 2020			
Loans and advances to customers measured at FVTOCI	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Carrying amount as at January 1, 2020	483,981	3,336	198	487,515
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(607)	607	–	–
Transfer to stage 3	–	–	–	–
Financial assets derecognized or settled during the year	(483,981)	(3,336)	(188)	(487,505)
New financial assets originated or purchased	610,464	–	–	610,464
Write-offs	–	–	–	–
Carrying amount as at December 31, 2020	609,857	607	10	610,474

(All amounts in millions of RMB unless otherwise stated)

20 Loans and advances to customers (continued)

20.5 The following tables illustrate the changes in the loss allowance of loans and advances to customers:

(1) Corporate loans and advances to customers measured at amortized cost

	Year ended December 31, 2021			
Corporate loans and advances to customers measured at amortized cost	**Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total**
Loss allowance as at January 1, 2021	**80,519**	**8,052**	**16,946**	**105,517**
Transfers:				
Transfer to stage 1	**1,373**	**(1,371)**	**(2)**	**–**
Transfer to stage 2	**(782)**	**821**	**(39)**	**–**
Transfer to stage 3	**(415)**	**(482)**	**897**	**–**
Changes of ECL arising from transfer of stages	**(1,192)**	**972**	**3,378**	**3,158**
Financial assets derecognized or settled during the year	**(33,085)**	**(4,112)**	**(2,551)**	**(39,748)**
New financial assets originated or purchased	**48,663**	**–**	**–**	**48,663**
Remeasurement	**(6,358)**	**(555)**	**1,420**	**(5,493)**
Write-offs	**–**	**–**	**(2,752)**	**(2,752)**
Loss allowance as at December 31, 2021	**88,723**	**3,325**	**17,297**	**109,345**

	Year ended December 31, 2020			
Corporate loans and advances to customers measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2020	67,105	10,170	15,302	92,577
Transfers:				
Transfer to stage 1	200	(199)	(1)	–
Transfer to stage 2	(2,123)	2,132	(9)	–
Transfer to stage 3	(2,880)	(4,245)	7,125	–
Changes of ECL arising from transfer of stages	(174)	1,230	3,208	4,264
Financial assets derecognized or settled during the year	(22,895)	(1,377)	(5,306)	(29,578)
New financial assets originated or purchased	51,851	–	–	51,851
Remeasurement	(10,565)	341	(14)	(10,238)
Write-offs	–	–	(3,359)	(3,359)
Loss allowance as at December 31, 2020	80,519	8,052	16,946	105,517

(All amounts in millions of RMB unless otherwise stated)

20 Loans and advances to customers (continued)

20.5 The following tables illustrate the changes in the loss allowance of loans and advances to customers: (continued)

(2) Personal loans and advances to customers measured at amortized cost

Personal loans and advances to customers measured at amortized cost	Year ended December 31, 2021 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2021	**67,909**	**3,951**	**26,520**	**98,380**
Transfers:				
Transfer to stage 1	**719**	**(552)**	**(167)**	**–**
Transfer to stage 2	**(2,070)**	**2,095**	**(25)**	**–**
Transfer to stage 3	**(4,499)**	**(1,372)**	**5,871**	**–**
Changes of ECL arising from transfer of stage	**(629)**	**1,720**	**13,851**	**14,942**
Financial assets derecognized or settled during the year	**(28,838)**	**(1,684)**	**(5,332)**	**(35,854)**
New financial assets originated or purchased	**49,257**	**–**	**–**	**49,257**
Remeasurement	**(8,949)**	**(5)**	**1,098**	**(7,856)**
Write-offs	**–**	**–**	**(11,314)**	**(11,314)**
Loss allowance as at December 31, 2021	**72,900**	**4,153**	**30,502**	**107,555**

Personal loans and advances to customers measured at amortized cost	Year ended December 31, 2020 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2020	47,593	2,931	23,023	73,547
Transfers:				
Transfer to stage 1	661	(431)	(230)	–
Transfer to stage 2	(1,405)	1,429	(24)	–
Transfer to stage 3	(3,623)	(1,242)	4,865	–
Changes of ECL arising from transfer of stage	(625)	2,184	11,788	13,347
Financial assets derecognized or settled during the year	(14,818)	(867)	(3,235)	(18,920)
New financial assets originated or purchased	37,423	–	–	37,423
Remeasurement	2,703	(53)	1,695	4,345
Write-offs	–	–	(11,362)	(11,362)
Loss allowance as at December 31, 2020	67,909	3,951	26,520	98,380

(All amounts in millions of RMB unless otherwise stated)

20 Loans and advances to customers (continued)

20.5 The following tables illustrate the changes in the loss allowance of loans and advances to customers: (continued)

(3) Loans and advances to customers measured at FVTOCI

	Year ended December 31, 2021			
Loans and advances to customers measured at FVTOCI	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at January 1, 2021	**1,609**	**11**	**10**	**1,630**
Transfers:				
Transfer to stage 1	**–**	**–**	**–**	**–**
Transfer to stage 2	**(156)**	**156**	**–**	**–**
Transfer to stage 3	**–**	**–**	**–**	**–**
Changes of ECL arising from transfer of stage	**–**	**–**	**–**	**–**
Financial assets derecognized or settled during the year	**(1,609)**	**(11)**	**–**	**(1,620)**
New financial assets originated or purchased	**3,633**	**–**	**–**	**3,633**
Remeasurement	**–**	**–**	**–**	**–**
Write-offs	**–**	**–**	**–**	**–**
Loss allowance as at December 31, 2021	**3,477**	**156**	**10**	**3,643**

	Year ended December 31, 2020			
Loans and advances to customers measured at FVTOCI	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2020	646	44	40	730
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(11)	11	–	–
Transfer to stage 3	–	–	–	–
Changes of ECL arising from transfer of stage	–	–	–	–
Financial assets derecognized or settled during the year	(646)	(44)	(30)	(720)
New financial assets originated or purchased	847	–	–	847
Remeasurement	773	–	–	773
Write-offs	–	–	–	–
Loss allowance as at December 31, 2020	1,609	11	10	1,630

(All amounts in millions of RMB unless otherwise stated)

21 Financial investments

21.1 Financial assets measured at fair value through profit or loss

	As at December 31, 2021	As at December 31, 2020
Debt securities		
– Listed in Hong Kong	**566**	823
– Listed outside Hong Kong	**61,633**	75,530
– Unlisted	**5,111**	–
Subtotal	**67,310**	76,353
Interbank certificates of deposits		
– Listed outside Hong Kong	**106,244**	46,948
– Unlisted	**76,419**	7,055
Subtotal	**182,663**	54,003
Asset-backed securities		
– Listed outside Hong Kong	**45**	301
Fund investments		
– Unlisted	**441,238**	236,389
Trust investment plans and asset management plans		
– Unlisted	**57,541**	50,693
Wealth management products issued by financial institutions		
– Unlisted	**–**	493
Equity instruments		
– Listed outside Hong Kong	**637**	12
– Unlisted	**1,163**	1,037
Subtotal	**1,800**	1,049
Total	**750,597**	419,281

The above investments listed outside Hong Kong Special Administrative Region ("SAR") are mainly traded in the Domestic Interbank Bond Market.

(All amounts in millions of RMB unless otherwise stated)

21 Financial investments (continued)

21.1 Financial assets measured at fair value through profit or loss (continued)

Analyzed by types of issuers	**As at December 31, 2021**	As at December 31, 2020
Debt securities		
– Government	**5,265**	1,189
– Financial institutions	**48,983**	46,578
– Corporates	**13,062**	28,586
Subtotal	**67,310**	76,353
Interbank certificates of deposits		
– Financial institutions	**182,663**	54,003
Asset-backed securities		
– Financial institutions	**45**	301
Fund investments		
– Financial institutions	**441,238**	236,389
Trust investment plans and asset management plans		
– Financial institutions	**57,541**	50,693
Wealth management products issued by financial institutions		
– Financial institutions	**–**	493
Equity instruments		
– Financial institutions	**14**	14
– Corporates	**1,786**	1,035
Subtotal	**1,800**	1,049
Total	**750,597**	419,281

(All amounts in millions of RMB unless otherwise stated)

21 Financial investments (continued)

21.2 Financial assets measured at fair value through other comprehensive income – debt instruments

	As at December 31, 2021	As at December 31, 2020
Debt securities		
– Listed in Hong Kong	**4,437**	6,064
– Listed outside Hong Kong	**297,807**	305,200
Subtotal	**302,244**	311,264
Interbank certificates of deposits		
– Listed outside Hong Kong	**391**	719
Debt financing plans		
– Unlisted	**3,497**	3,939
Total	**306,132**	315,922

The above debt instruments listed outside Hong Kong SAR are mainly traded in the Domestic Interbank Bond Market.

(All amounts in millions of RMB unless otherwise stated)

21 Financial investments (continued)

21.2 Financial assets measured at fair value through other comprehensive income – debt instruments (continued)

Analyzed by types of issuers	**As at December 31, 2021**	As at December 31, 2020
Debt securities		
– Government	**59,968**	59,577
– Financial institutions	**185,805**	203,253
– Corporates	**56,471**	48,434
Subtotal	**302,244**	311,264
Interbank certificates of deposits		
– Financial institutions	**391**	719
Debt financing plans		
– Financial institutions	**300**	–
– Corporates	**3,197**	3,939
Subtotal	**3,497**	3,939
Total	**306,132**	315,922

For the years ended December 31, 2021 and 2020, there was no significant change of loss allowance arising from transfer of stages for the Group's financial assets measured at FVTOCI – debt instruments. The main reasons for the movement in the loss allowance are originates or purchases, derecognition or settlement. As at December 31, 2021, the allowance for impairment losses of the Group's financial assets measured at FVTOCI – debt instruments was RMB1,148 million (As at December 31, 2020: RMB526 million), which mainly represented the loss allowance for the financial assets measured at FVTOCI at stage 1.

(All amounts in millions of RMB unless otherwise stated)

21 Financial investments (continued)

21.3 Financial assets measured at fair value through other comprehensive income – equity instruments

	As at December 31, 2021	As at December 31, 2020
Equity instruments		
– Listed outside Hong Kong	**9,491**	4,251
– Unlisted	**2,397**	1,553
Total	**11,888**	5,804

Analyzed by types of issuers	As at December 31, 2021	As at December 31, 2020
Equity instruments		
– Financial institutions	**2,397**	1,553
– Corporates	**9,491**	4,251
Total	**11,888**	5,804

The Group designates part of non-trading equity investments as financial assets measured at FVTOCI – equity instruments. During the year ended December 31, 2021, the Group recognized 5 million dividend income for such equity investments (2020: RMB3 million).

In the current year, the Group disposed part of the listed equity instruments after group restructuring carried out by the investee, at a consideration of RMB2,552 million. A cumulative gain on disposal, net of tax, of RMB1,349 million has been transferred to retained earnings. During the year ended December 31, 2020, the Group did not dispose any such equity investments.

(All amounts in millions of RMB unless otherwise stated)

21 Financial investments (continued)

21.4 Financial assets measured at amortized cost

		As at December 31, 2021	As at December 31, 2020
Debt securities			
– Listed in Hong Kong		**39,508**	38,395
– Listed outside Hong Kong		**2,339,662**	2,076,861
– Unlisted	(1)	**499,906**	661,376
Subtotal		**2,879,076**	2,776,632
Interbank certificates of deposits			
– Listed outside Hong Kong		**225,896**	179,904
– Unlisted		**3,188**	–
Subtotal		**229,084**	179,904
Asset-backed securities			
– Listed outside Hong Kong		**130,102**	119,803
– Unlisted		**14,975**	25,360
Subtotal		**145,077**	145,163
Debt financing plans			
– Unlisted		**7,264**	406
Other debt instruments			
– Unlisted	(2)	**51,543**	92,025
Gross amount		**3,312,044**	3,194,130
Allowance for impairment losses		**(32,041)**	(20,487)
Carrying amount		**3,280,003**	3,173,643

(All amounts in millions of RMB unless otherwise stated)

21 Financial investments (continued)

21.4 Financial assets measured at amortized cost (continued)

The above investments listed outside Hong Kong SAR are mainly traded in the Domestic Interbank Bond Market.

(1) Unlisted debt securities included long term special financial bonds issued by China Development Bank and Agricultural Development Bank of China in 2015, with maturity of 7 to 20 years. As at December 31, 2021, the carrying amount of these special financial bonds was RMB475,285 million (December 31, 2020: RMB514,475 million).

(2) Other debt instruments mainly include trust investment plans and asset management plans, etc.

Analyzed by types of issuers	**As at December 31, 2021**	As at December 31, 2020
Debt securities		
– Government	**1,246,558**	1,069,157
– Financial institutions	**1,517,591**	1,586,139
– Corporates	**114,927**	121,336
Subtotal	**2,879,076**	2,776,632
Interbank certificates of deposits		
– Financial institutions	**229,084**	179,904
Asset-backed securities		
– Financial institutions	**145,077**	145,163
Debt financing plans		
– Corporates	**7,264**	406
Other debt instruments		
– Financial institutions	**51,543**	92,025
Gross amount	**3,312,044**	3,194,130
Allowance for impairment losses	**(32,041)**	(20,487)
Carrying amount	**3,280,003**	3,173,643

(All amounts in millions of RMB unless otherwise stated)

21 Financial investments (continued)

21.4 Financial assets measured at amortized cost (continued)

The following tables illustrate the changes in the gross carrying amount of financial assets measured at amortized cost:

	Year ended December 31, 2021			
Financial assets measured at amortized cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Gross carrying amount as at January 1, 2021	**3,162,676**	**18,440**	**13,014**	**3,194,130**
Transfers:				
Transfer to stage 1	**–**	**–**	**–**	**–**
Transfer to stage 2	**(2,093)**	**2,093**	**–**	**–**
Transfer to stage 3	**–**	**–**	**–**	**–**
Financial assets derecognized or settled during the year	**(691,751)**	**(11,492)**	**(503)**	**(703,746)**
New financial assets originated or purchased	**812,254**	**–**	**9,406**	**821,660**
Gross carrying amount as at December 31, 2021	**3,281,086**	**9,041**	**21,917**	**3,312,044**

	Year ended December 31, 2020			
Financial assets measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2020	3,119,753	27,050	13,341	3,160,144
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(2,758)	2,758	–	–
Transfer to stage 3	–	–	–	–
Financial assets derecognized or settled during the year	(562,900)	(11,368)	(327)	(574,595)
New financial assets originated or purchased	608,581	–	–	608,581
Gross carrying amount as at December 31, 2020	3,162,676	18,440	13,014	3,194,130

(All amounts in millions of RMB unless otherwise stated)

21 Financial investments (continued)

21.4 Financial assets measured at amortized cost (continued)

The following tables explain the changes in the loss allowance of financial assets measured at amortized cost:

	Year ended December 31, 2021			
Financial assets measured at amortized cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at January 1, 2021	**3,784**	**3,723**	**12,980**	**20,487**
Transfers:				
Transfer to stage 1	**–**	**–**	**–**	**–**
Transfer to stage 2	**(512)**	**512**	**–**	**–**
Transfer to stage 3	**–**	**–**	**–**	**–**
Changes of ECL arising from transfer of stage	**–**	**338**	**–**	**338**
Financial assets derecognized or settled during the year	**(2,648)**	**(1,397)**	**(503)**	**(4,548)**
New financial assets originated or purchased	**3,446**	**–**	**9,388**	**12,834**
Remeasurement	**1,839**	**1,081**	**34**	**2,954**
Exchange rate changes and other	**(24)**	**–**	**–**	**(24)**
Loss allowance as at December 31, 2021	**5,885**	**4,257**	**21,899**	**32,041**

	Year ended December 31, 2020			
Financial assets measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2020	2,616	9,486	12,898	25,000
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(46)	46	–	–
Transfer to stage 3	–	–	–	–
Changes of ECL arising from transfer of stage	–	89	–	89
Financial assets derecognized or settled during the year	(1,465)	(2,539)	(26)	(4,030)
New financial assets originated or purchased	2,706	–	–	2,706
Remeasurement	(18)	(3,359)	60	(3,317)
Exchange rate changes and other	(9)	–	48	39
Loss allowance as at December 31, 2020	3,784	3,723	12,980	20,487

(All amounts in millions of RMB unless otherwise stated)

22 Investment in subsidiaries

The entities in consolidation scope are mainly subsidiaries established by the Bank.

The Bank	As at December 31, 2021	As at December 31, 2020
Investment cost	**10,115**	10,115

Name of entities	Place of incorporation/ registration and operations	Authorized/ paid-in capital RMB	Nature of business	Percentage of equity interest	Proportion of voting rights	Year of establishment
PSBC Consumer Finance Co., Ltd.*	Guangzhou, Guangdong Province, PRC	3 billion	Consumer finance	70.50%	70.50%	2015
PSBC Wealth Management Co., Ltd.*	Beijing, PRC	8 billion	Wealth management	100.00%	100.00%	2019

* These subsidiaries incorporated in PRC are all limited liability companies.

(1) On November 19, 2015, the Bank, together with other investors, jointly sponsored the establishment of PSBC Consumer Finance Co., Ltd. ("PSBC Consumer Finance"). PSBC Consumer Finance mainly engages in following RMB business: granting personal consumer loans; accepting deposits from domestic shareholders and their domestic subsidiaries; borrowing from domestic financial institutions; authorized issuance of financial bonds; placements with/from domestic banks and other financial institutions; consumer financing advisory and agency services; agency sales of consumer loans related insurance products, investments in fixed income securities and other businesses as approved by CBIRC.

As at December 31, 2021, the Bank owned 70.50% in the equity interest and voting rights of PSBC Consumer Finance (December 31, 2020: 70.50%).

22 Investment in subsidiaries (continued)

(2) On December 18, 2019, the Bank established PSBC Wealth Management Co., Ltd. ("PSBC Wealth Management"), which is wholly-owned by the Bank, according to the CBIRC's approval issued on December 3, 2019. The business scope of PSBC Wealth Management are: public issuing of wealth management products to unspecified general investors, carrying out investment and management of properties entrusted by investors; non-public issuing of wealth management products to eligible investors, carrying out investment and management of assets entrusted by investors; financial advising and consulting services in relation to wealth management; and other businesses as approved by CBIRC.

As at December 31, 2021, the Bank owned 100.00% in the equity interest and voting rights of PSBC Wealth Management (December 31, 2020: 100.00%).

(3) On July 9, 2020, under the approval of the Board of Directors, the Bank decided to establish a wholly owned direct banking subsidiary, YOU+ BANK. The Bank received the approval issued by CBIRC《關於籌建中郵郵惠萬家銀行有限責任公司的批覆》on December 18, 2020 for the establishment of the subsidiary. On January 22, 2021, the Bank transferred RMB5 billion to YOU+ BANK (equivalent to paid-in capital). The Bank obtained formal approval issued by CBIRC《關於中郵郵惠萬家銀行有限責任公司開業的批覆》on December 16, 2021 for the commencement of business operation. As at December 31, 2021, the YOU+ BANK had not yet been officially incorporated and thus the capital injection from the Bank was presented in other assets (Note 25). On January 7, 2022, YOU+ Bank was officially incorporated.

(4) None of the subsidiaries had issued any debt securities at the December 31, 2021 and 2020, respectively.

(All amounts in millions of RMB unless otherwise stated)

23 Property and equipment

	Buildings	Electronic equipment	Motor vehicles	Office equipment and other	Construction in progress	Total
Cost						
As at January 1, 2021	53,413	9,944	1,206	4,433	11,628	80,624
Additions	332	459	223	326	9,121	10,461
Transfer from investment properties	23	–	–	–	–	23
Transfer from construction in progress	4,484	744	8	52	(5,288)	–
Disposals	(120)	(881)	(129)	(421)	(269)	(1,820)
As at December 31, 2021	58,132	10,266	1,308	4,390	15,192	89,288
Accumulated depreciation						
As at January 1, 2021	(19,339)	(8,436)	(949)	(3,194)	–	(31,918)
Charge for the year	(2,726)	(928)	(96)	(312)	–	(4,062)
Transfer from investment properties	(11)	–	–	–	–	(11)
Disposals	45	806	123	398	–	1,372
As at December 31, 2021	(22,031)	(8,558)	(922)	(3,108)	–	(34,619)
Carrying amount						
As at January 1, 2021	34,074	1,508	257	1,239	11,628	48,706
As at December 31, 2021	36,101	1,708	386	1,282	15,192	54,669

(All amounts in millions of RMB unless otherwise stated)

23 Property and equipment (continued)

	Buildings	Electronic equipment	Motor vehicles	Office equipment and other	Construction in progress	Total
Cost						
As at January 1, 2020	48,191	10,493	1,243	4,597	11,765	76,289
Additions	285	638	179	298	4,924	6,324
Transfer from investment properties	1,083	–	–	–	–	1,083
Transfer from construction in progress	4,175	81	–	59	(4,315)	–
Disposals	(321)	(1,268)	(216)	(521)	(746)	(3,072)
As at December 31, 2020	53,413	9,944	1,206	4,433	11,628	80,624
Accumulated depreciation						
As at January 1, 2020	(16,393)	(8,914)	(1,112)	(3,380)	–	(29,799)
Charge for the year	(2,503)	(618)	(44)	(302)	–	(3,467)
Transfer from investment properties	(636)	–	–	–	–	(636)
Disposals	193	1,096	207	488	–	1,984
As at December 31, 2020	(19,339)	(8,436)	(949)	(3,194)	–	(31,918)
Carrying amount						
As at January 1, 2020	31,798	1,579	131	1,217	11,765	46,490
As at December 31, 2020	34,074	1,508	257	1,239	11,628	48,706

Upon the Bank's establishment and restructuring, China Post Group injected certain property and equipment to the Bank as its capital contribution. Part of the properties are still in the process of renewing ownership certificates, with cost amounted to RMB998 million as at December 31, 2021 (December 31, 2020: RMB1,026 million), while carrying amount was RMB347 million as at December 31, 2021 (December 31, 2020: RMB415 million).

As at December 31, 2021, the Group was still in the process of obtaining ownership certificates of certain properties other than those contributed from China Post Group, with cost amounted to RMB2,865 million (December 31, 2020: RMB3,889 million), while carrying amount was RMB2,555 million (December 31, 2020: RMB3,366 million).

The management of the Group believed the above mentioned properties did not have any material adverse effect on the Group's business operations, operating performance and financial position.

All buildings of the Group were located outside Hong Kong SAR.

(All amounts in millions of RMB unless otherwise stated)

24 Deferred taxes

For the purpose of presentation in the consolidated statements 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 taxation authority. The following is the analysis of the deferred tax balances.

	As at December 31, 2021	As at December 31, 2020
Deferred tax assets	**56,319**	53,217
Deferred tax liabilities	**(11)**	–
Total	**56,308**	53,217

(1) The following are the movements and major deferred tax assets and liabilities recognized:

	Allowance for impairment loss	Staff cost accrued but not paid	Fair value changes of financial instruments	Provisions	Contract liabilities and others	Total
As at January 1, 2021	**49,327**	**1,645**	**(3)**	**1,765**	**483**	**53,217**
Credit/(Charge) to profit or loss (Note 13)	**7,817**	**854**	**(2,554)**	**6**	**83**	**6,206**
Charge to other comprehensive income (Note 36.3)	**(659)**	**–**	**(2,456)**	**–**	**–**	**(3,115)**
As at December 31, 2021	**56,485**	**2,499**	**(5,013)**	**1,771**	**566**	**56,308**
As at January 1, 2020	41,390	1,244	2,362	1,850	391	47,237
Credit/(Charge) to profit or loss (Note 13)	8,196	401	(2,481)	(85)	92	6,123
(Charge)/Credit to other comprehensive Income (Note 36.3)	(259)	–	116	–	–	(143)
As at December 31, 2020	49,327	1,645	(3)	1,765	483	53,217

(All amounts in millions of RMB unless otherwise stated)

24 Deferred taxes (continued)

(2) Deferred tax assets and liabilities and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

	As at December 31, 2021		As at December 31, 2020	
	Deductible/ (Taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (Taxable) temporary difference	Deferred tax assets/ (liabilities)
Deferred tax assets				
Allowance for impairment loss	**225,941**	**56,485**	197,308	49,327
Staff cost accrued but not paid	**9,997**	**2,499**	6,580	1,645
Provisions	**7,083**	**1,771**	7,060	1,765
Contract liabilities and others	**2,686**	**672**	2,256	564
Fair value changes of financial instruments	**14**	**4**	3,520	880
Total	**245,721**	**61,431**	216,724	54,181
Deferred tax liabilities				
Fair value changes of financial instruments	**(20,065)**	**(5,017)**	(3,532)	(883)
Others	**(424)**	**(106)**	(324)	(81)
Total	**(20,489)**	**(5,123)**	(3,856)	(964)
Net value	**225,232**	**56,308**	212,868	53,217

(All amounts in millions of RMB unless otherwise stated)

25 Other assets

		As at December 31, 2021	As at December 31, 2020
Amounts pending for settlement and clearing		**14,044**	9,039
Right-of-use assets	(1)	**12,569**	12,325
Prepaid investment (Note 22(3))		**5,000**	–
Interest receivable		**4,832**	3,582
Continuing involvement assets (Note 42.2)		**4,070**	2,871
Precious metals		**3,984**	442
Other accounts receivable		**3,862**	1,687
Receivable of fee and commission		**3,298**	3,679
Deferred expenses	(2)	**2,569**	1,289
Intangible assets	(3)	**2,162**	2,307
Prepaid expenses		**1,279**	2,058
Low-value consumables		**457**	431
Foreclosed assets		**211**	234
Investment properties		**28**	45
Others		**2,845**	2,193
Gross amount		**61,210**	42,182
Allowance for impairment loss		**(1,759)**	(889)
Net value		**59,451**	41,293

(All amounts in millions of RMB unless otherwise stated)

25 Other assets (continued)

(1) Right-of-use assets

	Properties	**Land use rights**	**Total**
Cost			
As at January 1, 2021	**15,971**	**2,613**	**18,584**
Additions	**4,749**	**1**	**4,750**
Disposals	**(2,888)**	**–**	**(2,888)**
As at December 31, 2021	**17,832**	**2,614**	**20,446**
Accumulated depreciation/amortization			
As at January 1, 2021	**(5,611)**	**(648)**	**(6,259)**
Provided for the year	**(3,790)**	**(61)**	**(3,851)**
Disposals	**2,233**	**–**	**2,233**
As at December 31, 2021	**(7,168)**	**(709)**	**(7,877)**
Carrying value			
As at January 1, 2021	**10,360**	**1,965**	**12,325**
As at December 31, 2021	**10,664**	**1,905**	**12,569**

	Properties	Land use rights	Total
Cost			
As at January 1, 2020	12,259	2,270	14,529
Additions	5,055	343	5,398
Disposals	(1,343)	–	(1,343)
As at December 31, 2020	15,971	2,613	18,584
Accumulated depreciation/amortization			
As at January 1, 2020	(2,799)	(585)	(3,384)
Provided for the year	(3,659)	(63)	(3,722)
Disposals	847	–	847
As at December 31, 2020	(5,611)	(648)	(6,259)
Carrying value			
As at January 1, 2020	9,460	1,685	11,145
As at December 31, 2020	10,360	1,965	12,325

(2) Deferred expenses mainly represent costs for improvement of property and equipment under operating leases.

(3) Intangible assets of the Group mainly include computer software which is amortized within 10 years.

(All amounts in millions of RMB unless otherwise stated)

26 Movements of allowance for impairment losses

		Year ended December 31, 2021					
	Notes	Beginning balance	Current year accrual/ (reversal)	Current year recoveries	Write-off and transfer-out/ disposal	Exchange rate changes and others	Year end balance
Deposits with banks and other financial institutions	16	**73**	**87**	**–**	**–**	**–**	**160**
Placements with banks and other financial institutions	17	**883**	**604**	**–**	**–**	**(3)**	**1,484**
Financial assets held under resale agreements	19	**1,120**	**(210)**	**–**	**–**	**–**	**910**
Loans and advances to customers	20	**205,527**	**28,728**	**4,016**	**(17,623)**	**(105)**	**220,543**
Financial assets measured at fair value through other comprehensive income – debt instruments	21.2	**526**	**622**	**–**	**–**	**–**	**1,148**
Financial assets measured at amortized cost	21.4	**20,487**	**11,578**	**–**	**–**	**(24)**	**32,041**
Foreclosed assets	25	**39**	**20**	**–**	**(17)**	**–**	**42**
Other financial assets	25	**850**	**1,496**	**130**	**(759)**	**–**	**1,717**
Total		**229,505**	**42,925**	**4,146**	**(18,399)**	**(132)**	**258,045**

		Year ended December 31, 2020					
	Notes	Beginning balance	Current year accrual/ (reversal)	Current year recoveries	Write-off and transfer-out/ disposal	Exchange rate changes and others	Year end balance
Deposits with banks and other financial institutions	16	49	24	–	–	–	73
Placements with banks and other financial institutions	17	1,659	(776)	–	–	–	883
Financial assets held under resale agreements	19	891	229	–	–	–	1,120
Loans and advances to customers	20	166,854	52,377	3,738	(16,410)	(1,032)	205,527
Financial assets measured at fair value through other comprehensive income – debt instruments	21.2	395	131	–	–	–	526
Financial assets measured at amortized cost	21.4	25,000	(4,552)	–	–	39	20,487
Foreclosed assets	25	29	19	–	(9)	–	39
Other financial assets	25	634	787	65	(636)	–	850
Total		195,511	48,239	3,803	(17,055)	(993)	229,505

(All amounts in millions of RMB unless otherwise stated)

27 Borrowings from central bank

	As at December 31, 2021	As at December 31, 2020
Borrowings from central bank	**17,316**	25,288

As at December 31, 2021 and 2020, borrowings from central bank were special central bank lendings issued by PBOC.

28 Deposits from banks and other financial institutions

	As at December 31, 2021	As at December 31, 2020
Deposits from domestic banks	**85,404**	21,099
Deposits from other domestic financial institutions	**69,405**	64,813
Total	**154,809**	85,912

29 Placements from banks and other financial institutions

	As at December 31, 2021	As at December 31, 2020
Placements from domestic banks	**29,720**	26,723
Placements from overseas banks	**12,845**	4,020
Total	**42,565**	30,743

(All amounts in millions of RMB unless otherwise stated)

30 Financial assets sold under repurchase agreements

	As at December 31, 2021	As at December 31, 2020
Analyzed by type of collateral:		
Debt securities	**9,270**	2,573
Bills	**25,373**	22,561
Total	**34,643**	25,134

The collateral pledged under repurchase agreement is disclosed in "Note 41.4 Contingent liabilities and commitments – Collateral".

31 Customer deposits

	As at December 31, 2021	As at December 31, 2020
Demand deposits		
Corporates	**898,371**	874,155
Personal	**3,008,998**	2,893,163
Subtotal	**3,907,369**	3,767,318
Time deposits		
Corporates	**407,065**	385,694
Personal	**7,036,637**	6,202,401
Subtotal	**7,443,702**	6,588,095
Other deposits	**3,002**	2,616
Total	**11,354,073**	10,358,029

As at December 31, 2021, customer deposits received by the Group included pledged deposits of RMB40,819 million (December 31, 2020: RMB39,020 million).

(All amounts in millions of RMB unless otherwise stated)

32 Debt securities issued

		As at December 31, 2021	As at December 31, 2020
Debt securities issued		**81,426**	50,835
Including: 10-year tier-2 capital bonds at a fixed interest rate (issued in October, 2016)	(1)	**–**	30,154
10-year tier-2 capital bonds at a fixed interest rate (issued in March, 2017)	(2)	**20,683**	20,681
10-year tier-2 capital bonds at a fixed interest rate (issued in August, 2021)	(3)	**50,610**	–
15-year tier-2 capital bonds at a fixed interest rate (issued in August, 2021)	(4)	**10,133**	–
Interbank certificates of deposits	(5)	**–**	7,139
Total		**81,426**	57,974

(1) In October 2016, upon the approval from CBIRC and PBOC, the Group issued RMB30 billion of 10-year tier-2 capital bonds at a fixed coupon rate of 3.30%, with interests paid annually. The Group had an option to redeem part or all of the bonds at face value in October 2021 if specified redemption conditions as stipulated in the offering documents were met, subject to approval of CBIRC. The Group has redeemed the bonds in October 2021.

(2) In March 2017, upon the approval from CBIRC and PBOC, the Group issued RMB20 billion of 10-year tier-2 capital bonds at a fixed coupon rate of 4.50%, with interests paid annually. The Group has an option to redeem part or all of the bonds at face value in March 2022 if specified redemption conditions as stipulated in the offering documents are met, subject to approval of CBIRC. If the Group does not exercise this redemption right, the annual coupon rate would remain at 4.50% from March 2022 onward.

(3) In August 2021, upon the approval from CBIRC and PBOC, the Group issued RMB50 billion of 10-year tier-2 capital bonds at a fixed coupon rate of 3.44%, with interests paid annually. The Group has an option to redeem part or all of the bonds at face value in August 2026 if specified redemption conditions as stipulated in the offering documents are met, subject to approval of CBIRC. If the Group does not exercise this redemption right, the annual coupon rate would remain at 3.44% from August 2026 onward.

(4) In August 2021, upon the approval from CBIRC and PBOC, the Group issued RMB10 billion of 15-year tier-2 capital bonds at a fixed coupon rate of 3.75%, with interests paid annually. The Group has an option to redeem part or all of the bonds at face value in August 2031 if specified redemption conditions as stipulated in the offering documents are met, subject to approval of CBIRC. If the Group does not exercise this redemption right, the annual coupon rate would remain at 3.75% from August 2031 onward.

The above-mentioned tier-2 capital bonds contain a write-down feature, which allows the Group to write down the entire principal of the bonds when a regulatory triggering event occurs as stipulated in the offering documents and not to pay any outstanding interests payable that have been accumulated. These tier-2 capital bonds meet the relevant criteria of CBIRC and are qualified as tier-2 capital instruments.

(5) During the year ended December 31, 2021, the Group issued interbank certificates of deposit with the total carrying amount of RMB5.48 billion (2020: RMB59.47 billion) with an original maturity of 6 months, with interest rate of 2.60% (2020: with original maturity of 1 to 12 months, with interest rates ranging from 1.33% to 3.05%). As at December 31, 2021, no outstanding interbank certificates of deposit remained (As at December 31, 2020: RMB7.17 billion).

(All amounts in millions of RMB unless otherwise stated)

33 Other liabilities

		As at December 31, 2021	As at December 31, 2020
Employee benefits payable	(1)	**19,071**	15,615
Provisions	(2)	**15,254**	11,498
Payables for agency services		**14,904**	15,704
Lease liabilities	(3)	**9,683**	9,278
Amount pending for settlement and clearing		**8,785**	1,457
VAT and other taxes payable		**4,454**	4,153
Income taxes payable		**4,267**	10,482
Continuing involved liabilities (Note 42.2)		**4,070**	2,871
Dormant accounts		**2,066**	1,998
Payables to China Post Group and other related parties (Note 39.3.1(9))		**1,999**	2,118
Contract liabilities		**1,937**	1,746
Payable for construction cost		**1,032**	1,151
Exchange transaction payables		**878**	939
Others		**13,905**	8,611
Total		**102,305**	87,621

(1) Employee benefits payable

		2021			
		Balance at the beginning of the year	Increase in current year	Decrease in current year	Balance at at the end of the year
Wages and salaries, bonus, allowance and subsidies		12,697	41,735	(38,290)	16,142
Staff welfare		–	2,519	(2,519)	–
Social security contributions		133	3,015	(2,986)	162
Including: Medical insurance		124	2,874	(2,839)	159
Maternity insurance		8	70	(76)	2
Work injury insurance		1	71	(71)	1
Housing funds		14	3,878	(3,874)	18
Labour union funds and employee education funds		1,495	1,018	(1,160)	1,353
Defined contribution benefits		640	7,132	(7,014)	758
Including: Basic pensions		103	4,703	(4,688)	118
Unemployment insurance		5	129	(129)	5
Annuity scheme		532	2,300	(2,197)	635
Supplementary retirement benefits and early retirement benefits	(i)	636	34	(32)	638
Others		–	27	(27)	–
Total		15,615	59,358	(55,902)	19,071

(All amounts in millions of RMB unless otherwise stated)

33 Other liabilities (continued)

(1) Employee benefits payable (continued)

		2020			
		Balance at the beginning of the year	Charge for the current year	Payment in current year	Balance at at the end of the year
Wages and salaries, bonus, allowance and subsidies		10,459	36,873	(34,635)	12,697
Staff welfare		–	2,258	(2,258)	–
Social security contributions		91	2,453	(2,411)	133
Including: Medical insurance		88	2,324	(2,288)	124
Maternity insurance		2	81	(75)	8
Work injury insurance		1	48	(48)	1
Housing funds		14	3,537	(3,537)	14
Labour union funds and employee education funds		1,543	1,041	(1,089)	1,495
Defined contribution benefits		1,309	5,138	(5,807)	640
Including: Basic pensions		95	3,293	(3,285)	103
Unemployment insurance		4	41	(40)	5
Annuity scheme		1,210	1,804	(2,482)	532
Supplementary retirement benefits and early retirement benefits	(i)	630	38	(32)	636
Others		–	36	(36)	–
Total		14,046	51,374	(49,805)	15,615

(i) Supplementary retirement benefits and early retirement benefits

The retirement benefit obligations of the Group refer to supplementary benefits for retirees and early-retirees recognized in the consolidated statement of financial position using the projected unit credit method as follows:

	2021	2020
Balance at the beginning of year	**636**	630
Interest expenses	**22**	21
Gain or loss from actuarial calculation	**12**	17
– Credit to profit or loss	**(1)**	(2)
– Charge to other comprehensive income (Note 36.3)	**13**	19
Benefits paid	**(32)**	(32)
Balance at the end of year	**638**	636

(All amounts in millions of RMB unless otherwise stated)

33 Other liabilities (continued)

(1) Employee benefits payable (continued)

(i) Supplementary retirement benefits and early retirement benefits (continued)

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	As at December 31, 2021	As at December 31, 2020
Discount rate used for retirement benefit plan	**3.50%**	3.50%
Discount rate used for early retirement benefit plan	**2.75%**	3.00%
Annual growth rates of average medical expenses	**8.00%**	8.00%
Annual growth rates of retiree expenses	**3% and 0%**	3% and 0%
Annual growth rates of early-retiree expenses	**6%, 3% and 0%**	6%, 3% and 0%
Normal retirement age		
– Male	**60**	60
– Female	**55, 50**	55, 50

As at December 31, 2021 and 2020, the future mortality rate assumption was based on the China Life Insurance Mortality Table (2010-2013) issued on December 28, 2016, which was the statistical information publicly available in China.

(2) Provisions

		January 1, 2021	**Current year accrual**	**Current year payment**	**December 31, 2021**
ECL provisions on guarantee and commitments	(i)	**4,438**	**3,733**	**–**	**8,171**
Litigation and others	(ii)	**7,060**	**49**	**(26)**	**7,083**
Total		**11,498**	**3,782**	**(26)**	**15,254**

		January 1, 2020	Current year accrual/ (reversal)	Current year payment	December 31, 2020
ECL provisions on guarantee and commitments	(i)	2,260	2,178	–	4,438
Litigation and others	(ii)	7,398	(338)	–	7,060
Total		9,658	1,840	–	11,498

(All amounts in millions of RMB unless otherwise stated)

33 Other liabilities (continued)

(2) Provisions (continued)

(i) ECL provisions on guarantee and commitments

	As at December 31, 2021			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Provision as at December 31, 2021	**7,991**	**63**	**117**	**8,171**

	As at December 31, 2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Provision as at December 31, 2020	4,396	24	18	4,438

(ii) As at December 31, 2021 and 2020, the Group established accruals for unsettled litigations according to the best estimation for a variety of risk events and outflow of economic benefits.

(3) Lease liabilities

Analyzed by residual maturity	**As at December 31, 2021**	As at December 31, 2020
Within 1 month	**363**	271
1 to 3 months	**391**	474
3 to 12 months	**2,389**	2,270
1 to 5 years	**5,720**	5,511
Over 5 years	**1,277**	1,158
Contractual undiscounted cash flows of lease liabilities	**10,140**	9,684
Carrying amount of lease liabilities	**9,683**	9,278

(All amounts in millions of RMB unless otherwise stated)

34 Share capital and other equity instruments

34.1 Share capital

	As at December 31, 2021		As at December 31, 2020	
	Number of shares (million shares)	**Face value**	Number of shares (million shares)	Face value
Domestically listed (A shares)	**72,528**	**72,528**	67,123	67,123
Listed overseas (H shares)	**19,856**	**19,856**	19,856	19,856
Total	**92,384**	**92,384**	86,979	86,979

A shares refer to ordinary shares that are subscribed and traded in RMB, and H shares are shares that are approved to be listed in Hong Kong and denominated in RMB, but subscribed and traded in Hong Kong dollars. All H shares and A shares issued by the Bank are ordinary shares with a face value of RMB1.00 per share and enjoy equal rights.

On December 23, 2011, in accordance with the Approval by the MOF on the *State-owned Equity Management Plan of Postal Savings Bank Co., Ltd. (Finance (2011) No. 181)*, China Post Group was the exclusive promoter of the Bank. 45 billion promoter's shares were established and paid-in capital of the Bank amounted to RMB45 billion. In December 2013 and December 2014, China Post Group increased the capital of the Bank by RMB2 billion and RMB10 billion respectively.

On December 8, 2015, in accordance with the Approval of the CBIRC on Capital Increase and the Introduction of Strategic Investors by the Postal Savings Bank of China, the CBIRC agreed the Bank's non-public offering of no more than 11,604 million shares to 10 institutional investors, including UBS Limited, China Life Insurance Company Ltd., China Telecommunications Corporation, Canada Pension Fund Investment Corporation, Zhejiang Ant Small and Micro Financial Services Group Co., Ltd., JPMorgan Bank China Investment Second Investment, Futun Management, International Finance Corporation, DBS Bank Co., Ltd. and Shenzhen Tencent Domain Calculator Network (hereinafter referred to as "Strategic Investors"). After the capital increase, the Bank's total shares increased to 68,604 million.

On September 28, 2016, the Bank was listed on The Stock Exchange of Hong Kong Limited. In the same year, the over-allotment option was exercised and the total shares of the Bank increased to 81,031 million.

34 Share capital and other equity instruments (continued)

34.1 Share capital (continued)

Approved by the CBIRC through the *Initial Public Offering of A Shares by the Postal Savings Bank of China Co., Ltd and amendment of the Articles of Association (Yinbaojianfu [2019] No.565)*《中國銀保監會關於郵儲銀行首次公開發行A股股票並上市和修改公司章程的批覆》(銀保監覆[2019]565 號) and approved by the China Securities Regulatory Commission through the *Approval of Postal Savings Bank of China Co., Ltd.'s Initial Public Offering (CSRC License [2019] No. 1991)*《關於核准中國郵政儲蓄銀行股份有限公司首次公開發行股票的批覆》(證監許可[2019]1991 號文). The Bank completed the initial public offering of 5,172 million A shares (excluding over-allotment) in December 2019. The face value of A shares was RMB1.00 per share, and the issue price was RMB5.50 per share. The net proceeds raised were RMB28,001 million, of which the share capital was RMB5,172 million and the capital reserve was RMB22,829 million. After initial public offering of A shares, the total shares of the Bank increased to 86,203 million.

The joint lead underwriters exercised the over-allotment option in January 2020. The over-allotment issued 776 million A shares at a face value of RMB1.00 and the issue price was RMB5.50 per share. The net proceeds raised were RMB4,205 million, of which the share capital was RMB776 million and the capital reserve was RMB3,429 million. After execution of the over-allotment, the total shares of the Bank increased to 86,979 million.

The Bank completed the private offering of 5,405 million of A shares in March 2021 to its controlling shareholders. The face value of A shares was RMB1.00, and the issue price was RMB5.55 per share. The net proceeds raised were RMB29,985 million, of which the share capital was RMB5,405 million and capital reserve was of RMB24,580 million. After the private offering of A shares, the total shares of the Bank increased to 92,384 million.

As at December 31, 2021, the total number of ordinary shares of the Bank was 92,384 million of which 61,253 million shares were restricted for sales and 31,131 million shares were unrestricted shares (As at December 31, 2020: 55,848 million shares were restricted).

(All amounts in millions of RMB unless otherwise stated)

34 Share capital and other equity instruments (continued)

34.2 Other equity instruments

(1) Preference shares outstanding as at the end of year

Outstanding financial instruments	Classification	Total amount: Original currency (USD million)	Total amount: Equivalent (RMB million)	Conversion condition	Maturity date	Conversion
Offshore preference shares	Equity instruments	7,250	47,989	Mandatory	No maturity date	No
Issuance costs			(120)			
Carrying amount			47,869			

On September 27, 2017, the Group completed the issuance of 362.5 million of offshore preference shares at price of USD20 per share with 4.50% of initial dividend rate per annum. The total issuance amount was USD7,250 million equivalent to RMB47,989 million. As at December 31, 2021, the balance of preference shares issued by the Group less the direct issuance costs was RMB47,869 million (December 31, 2020: RMB47,869 million).

The key terms are set out below:

(a) Dividend

Fixed rate is applied before the first reset date after the issuance of the offshore preference shares. Dividend rate is reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread. The fixed spread is equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The fixed spread remains unchanged throughout the term of the preference shares. Dividends are paid annually.

(b) Conditions to distribution of dividends

The Bank could pay dividends to offshore preference shareholders while the Bank still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends. The Bank may elect to cancel all or part of dividends to be distributed at the interest payment date. Such cancellation requires a shareholder's resolution to be passed, and is not considered as an event of default.

34 Share capital and other equity instruments (continued)

34.2 Other equity instruments (continued)

(1) Preference shares outstanding as at the end of year (continued)

The key terms are set out below: (continued)

(c) Dividend stopper

If the Bank cancels all or part of the dividends to the preference shareholders, the Bank shall not make any dividend distribution to ordinary shareholders until the Bank pays the dividends for the current dividend period to the preference shareholders in full.

(d) Mandatory conversion trigger events

Upon the occurrence of an additional tier 1 capital instrument trigger event (core tier 1 capital adequacy ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert all or part of the issued and outstanding offshore preference shares into H shares and not subject to the approval of offshore preference shareholders, in order to restore the core tier 1 capital adequacy ratio of the Bank to above 5.125%; if the offshore preference shares were converted to H shares, they could not be converted to preference shares again.

Upon the occurrence of a tier 2 capital instrument trigger event (earlier of the two situations: (1) CBIRC has determined that the Bank would become non-viable if there is no conversion or write-down of shares; (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable), the Bank shall have the right to convert all issued and outstanding offshore preference shares into H shares. Approval from offshore preference shareholders is not required. If offshore preference shares were converted to H shares, they could not be converted to preference shares again.

(e) Order of distribution and liquidation method

Upon the winding-up of the Bank, the rights and claims in respect of the offshore preference shareholders shall rank: subordinated to holders of all liabilities of the Bank including any tier 2 capital instruments and obligations issued or guaranteed by the Bank that rank, or are expressed to rank, senior to the offshore preference shares; equally in all respects with each other and without preference among themselves and with the holders of parity obligations; and in priority to the ordinary shareholders.

34 Share capital and other equity instruments (continued)

34.2 Other equity instruments (continued)

(1) Preference shares outstanding as at the end of year (continued)

The key terms are set out below: (continued)

(f) Redemption

The offshore preference shares are perpetual with no maturity date. Under the premise of obtaining the approval of the CBIRC and condition of redemption, the Bank has the right to redeem all or part of the offshore preference shares at the first redemption date and any subsequent dividend payment date until all offshore preference shares are redeemed or converted. Redemption price of offshore preference shares is equal to issue price plus accrued dividend in current period.

The first redemption date of the USD preference shares is five years after the issuance.

(g) Dividend setting mechanism

Non-cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, offshore preference shareholders of the Bank will not participate in the distribution of residual profits with ordinary shareholders. Offshore preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends.

The Bank shall distribute dividends for the offshore preference shares in cash, based on the total amount of the issued and outstanding offshore preference shares on corresponding times (i.e. the product of the issue price of offshore preference shares and the number of the issued and outstanding offshore preference shares).

(2) Changes in outstanding preference shares

There were no changes in both quantity and carrying amount of the preference shares for the year ended December 31, 2021 and 2020.

(All amounts in millions of RMB unless otherwise stated)

34 Share capital and other equity instruments (continued)

34.2 Other equity instruments (continued)

(3) Perpetual bonds outstanding as at the end of the year

Outstanding financial instruments	Issue date	Classification	Initial interest rate	Issue price	Quantity (million)	Currency	Amount (million)	Maturity date	Redemption/ impairment
Undated additional tier 1 capital bonds	March 16, 2020	Equity instrument	3.69%	100	800	RMB	80,000	No maturity date	No
Undated additional tier 1 capital bonds	March 19, 2021	Equity instrument	4.42%	100	300	RMB	30,000	No maturity date	No
Issuance costs							(14)		
Carrying amount							109,986		

The key terms are set out below:

(a) Conditional redemption rights

From the fifth anniversary since the issuance of the undated additional tier 1 capital bonds (the "Bonds"), the Bank may redeem full or part of the Bonds on each distribution payment date (including the fifth distribution payment date since the issuance). After the issuance, if the event that the Bonds no longer qualify as additional tier 1 capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the full but not part of the Bonds.

The exercise of the Bank's redemption right shall be subject to the consent of the CBIRC and the satisfaction of the following preconditions: (1) the Bank shall use capital instruments of the same or better quality to replace the instruments to be redeemed, and such replacement shall only be carried out at conditions which are sustainable for the income capacity; (2) or the capital position of the Bank after the redemption right is exercised will remain well above the regulatory capital requirements of the CBIRC.

34 Share capital and other equity instruments (continued)

34.2 Other equity instruments (continued)

(3) Perpetual bonds outstanding as at the end of the year (continued)

The key terms are set out below: (continued)

(b) Subordination

The claims in respect of the Bonds will be subordinated to the claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Bonds; will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable to the subordination, such relevant laws and regulations shall prevail.

(c) Write-down/write-off clauses

Upon the occurrence of a non-viability trigger event, the Bank has the right to write down/write off in full or in part, without the need for consent from the holders of the Bonds, the principal amount of the Bonds. The amount of the write-down/write-off shall be determined by the ratio of the outstanding principal amount of the Bonds to the aggregate principal amount of all additional tier 1 capital instruments with the identical trigger event. A non-viability trigger event refers to the earlier of the following events: (1) the CBIRC having decided that the Bank would become non-viable without a write-down/write-off; (2) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. The write-down/write-off will not be restored.

The trigger event occurrence date refers to the date on which the CBIRC or the relevant authority has decided a trigger event occurs, and has informed the Bank together with a public announcement of such trigger event.

Within two business days after the occurrence of the trigger event, the Bank shall make a public announcement and give notice to the holders of the Bonds on the amount, the calculation method thereof, together with the implementation date and procedures, of such write-down/write-off.

(d) Distribution rate

The distribution rate of the Bonds will be adjusted at defined intervals, with a distribution rate adjustment period every 5 years since the payment settlement date. In any distribution rate adjusted period, the distribution payments on the Bonds will be made at a prescribed fixed distribution rate. The distribution rate at the time of issuance will be determined by book keeping and centralized allocation. The distribution rate is determined by a benchmark rate plus a fixed spread.

34 Share capital and other equity instruments (continued)

34.2 Other equity instruments (continued)

(3) Perpetual bonds outstanding as at the end of the year (continued)

The key terms are set out below: (continued)

(e) Distribution payment

The Bank shall have the right to cancel, in full or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Bank will take into full consideration the interest of the holders of the Bonds. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the Bonds regardless in full or in part, will not impose any restrictions on the Bank, except in relation to dividend distributions on ordinary shares. Any cancellation of distributions on the Bonds regardless in full or in part, will require the deliberation by and approval from the general shareholders meeting. The Bank shall give notice to the investors on such cancellation in a timely manner.

In the event a distribution cancellation of the Bonds, regardless in full or in part, the Bank shall not make any distribution to the ordinary shareholders from the next date following the resolution being approved in the general shareholders meeting, until its decision to resume the distribution payments in full to the holders of the Bonds. The dividend stopper on ordinary shares will not compromise the Bank's discretion to cancel distributions, and will not impede the Bank from replenishing its capital.

Distributions on the Bonds shall only be paid out of distributable items, and will not be affected by the rating of the Bank, nor reset based on any change to such rating. The distributions on the Bonds are non-cumulative, namely, upon cancellation, any amount of distribution unpaid to the holders of the Bonds in the applicable period will not accumulate or compound to the subsequent distribution period thereafter. The Bonds do not have any step-up mechanism or any other incentive to redeem.

(All amounts in millions of RMB unless otherwise stated)

34 Share capital and other equity instruments (continued)

34.2 Other equity instruments (continued)

(4) Changes in outstanding perpetual bonds

Outstanding financial Instruments	January 1, 2021		Increase in current year		December 31, 2021	
	Units of the Bonds (million)	Carrying amount (RMB million)	Units of the Bonds (million)	Carrying amount (RMB million)	Units of the Bonds (million)	Carrying amount (RMB million)
Undated additional tier 1 capital bonds	**800**	**79,989**	**300**	**29,997**	**1,100**	**109,986**

(5) Equity attributable to the holders of equity instruments

Items	**As at December 31, 2021**	As at December 31, 2020
1. Total equity attributable to equity holders of the Bank	**794,091**	671,799
(1) Equity attributable to ordinary shareholders of the Bank	**636,236**	543,941
(2) Equity attributable to other equity holders of the Bank	**157,855**	127,858
Including: Net profit	**5,276**	2,584
Dividends/interests declared	**(5,276)**	(2,584)
2. Total equity attributable to non-controlling interests	**1,458**	1,131
(1) Equity attributable to non-controlling interests of ordinary shares	**1,458**	1,131
(2) Equity attributable to non-controlling interests of preference shares	**–**	–

(All amounts in millions of RMB unless otherwise stated)

35 Capital reserve

	As at December 31, 2021	As at December 31, 2020
Net asset revaluation appreciation from the Bank's joint stock restructuring	**3,448**	3,448
Share premium arising from strategic investors	**33,536**	33,536
Share premium arising from the Bank's initial public offering of H shares	**37,675**	37,675
Change of equity interest in a subsidiary	**(11)**	(11)
Share premium arising from the Bank's initial public offering of A shares	**26,258**	26,258
Share premium arising from the Bank's private offering of A shares (Note 34.1)	**24,580**	–
Total	**125,486**	100,906

36 Other reserves

36.1 Surplus reserve

	2021	2020
At the beginning of year	**42,688**	36,439
Appropriations in current year	**7,417**	6,249
At the end of year	**50,105**	42,688

In accordance with *The Company Law of the People's Republic of China* (中華人民共和國公司法), and the Bank's Articles of Association, the Bank shall appropriate 10% of its net profit under Accounting Standards for Business Enterprises and relevant requirements for the current year to the statutory surplus reserve, and can cease appropriation when the statutory surplus reserve accumulates to more than 50% of the registered capital of the Bank.

(All amounts in millions of RMB unless otherwise stated)

36 Other reserves (continued)

36.2 General reserve

	2021	2020
At the beginning of year	**130,071**	116,129
Appropriations in current year	**27,296**	13,942
At the end of year	**157,367**	130,071

In accordance with *the Administrative Measures for Provisioning of Financial Enterprises* (金融企業準備金計提管理辦法) (Cai Kuai [2012] No.20) issued by the MOF on March 30, 2012, the Bank shall appropriate general reserve from its net profit for the purpose to recover any unidentified potential losses. The balance of general reserve shall be no less than 1.5% of risk assets at the end of each year.

Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiaries also appropriate a certain amount of net profit as general reserve.

(All amounts in millions of RMB unless otherwise stated)

36 Other reserves (continued)

36.3 Other comprehensive income

	Before-tax amount	**Taxation effect**	**Net amount**
January 1, 2021	**3,726**	**(1,001)**	**2,725**
Remeasurement of retirement benefit obligations (Note 33(1)(i))	**(13)**	**–**	**(13)**
Changes in fair value of equity instrument investments measured at FVTOCI	**6,251**	**(1,563)**	**4,688**
Gains arising from changes in fair value of financial assets measured at FVTOCI	**3,571**	**(893)**	**2,678**
Changes in impairment provision of financial assets measured at FVTOCI	**2,635**	**(659)**	**1,976**
December 31, 2021	**16,170**	**(4,116)**	**12,054**

	Before-tax amount	Taxation effect	Net amount
January 1, 2020	3,177	(858)	2,319
Remeasurement of retirement benefit obligations (Note 33(1)(i))	(19)	–	(19)
Changes in fair value of equity instrument investments measured at FVTOCI	1,307	(327)	980
Losses arising from changes in fair value of financial assets measured at FVTOCI	(1,772)	443	(1,329)
Changes in impairment provision of financial assets measured at FVTOCI	1,033	(259)	774
December 31, 2020	3,726	(1,001)	2,725

37 Dividends and interests distribution

Upon the approval obtained in the 2020 Annual General Meeting, the Bank distributed RMB19,262 million (tax inclusive) of cash dividends for the year ended December 31, 2020 to all the ordinary shareholders whose names appeared on the register with RMB2.085 per ten shares (tax inclusive). The Bank distributed the A shares cash dividends on July 22, 2021 and the H shares cash dividends on August 5, 2021 respectively.

Upon the approval obtained in the 2019 Annual General Meeting, the Bank distributed RMB18,283 million (tax inclusive) of cash dividends for the year ended December 31, 2019 to all the ordinary shareholders whose names appeared on the register with RMB2.102 per ten shares (tax inclusive). The Bank distributed the A shares cash dividends on June 10, 2020 and the H shares cash dividends on July 17, 2020 respectively.

In the Board of Directors' meeting held in May 2021, the directors approved the payment of dividends to offshore preference shareholders. Calculated by the initial dividend rate before the first reset date which was determined in accordance with the terms and conditions of the offshore preference shares and equalled to 4.50% (after tax), the dividends payments amounted to RMB2,324 million (tax inclusive). The Bank distributed the cash dividends on September 27, 2021.

In the Board of Directors' meeting held in May 2020, the directors approved the payment of dividends to offshore preference shareholders. Calculated by the initial dividend rate before the first reset date which was determined in accordance with the terms and conditions of the offshore preference shares and equalled to 4.50% (after tax), the dividends payments amounted to RMB2,584 million (tax inclusive). The Bank distributed the cash dividends on September 27, 2020.

In March 2021, the Bank paid RMB2,952 million interests to perpetual bonds holders. The interest rate equalled to 3.69%, which was calculated by the initial interest rate before the first reset date which was determined in accordance with the terms and conditions of the perpetual bonds.

(All amounts in millions of RMB unless otherwise stated)

38 Cash and cash equivalents

For the purpose of presentation of the consolidated cash flow statements, cash and cash equivalents include the following balances with an original maturity within 3 months:

	As at December 31, 2021	As at December 31, 2020
Cash	**48,545**	50,056
Surplus reserve with central bank	**17,027**	31,897
Deposits with banks and other financial institutions	**9,008**	9,958
Placements with banks and other financial institutions	**43,732**	8,888
Financial assets held under resale agreements	**193,502**	233,979
Short-term debt securities	**1,950**	748
Total	**313,764**	335,526

39 Relationship and transactions with related parties

39.1 Information of the parent company

	Place of registration	Nature of business
China Post Group	Beijing, PRC	Domestic and international mail delivery, distribution of publications such as newspapers and journals, stamp issuance, postal remittance, operation of postal savings business in accordance with laws and regulations, confidential correspondence, postal related financial business, emerging business such as postal logistics and e-mail, e-commerce, agency business and other businesses as stipulated by the government.

China Post Group is managed and supervised by the MOF on behalf of the State Council.

As at December 31, 2021 and 2020, the registered capital of China Post Group were RMB137,600 million.

In March 2021, the Bank completed the private offering of 5,405 million of A shares to China Post Group and thus the equity share of the Bank held by China Post Group increased to 67.38%. As at December 31, 2021, China Post Group directly held 67.38% of both the equity shares and voting rights in the Bank (As at December 31, 2020: 65.34%). As at December 31, 2020, China Post Group held 0.01% of the equity shares and voting rights in the Bank through its subsidiary China Post Securities Co., Ltd. During the year 2021, China Post Securities Co., Ltd disposed its equity share. As at December 31, 2021, China Post Group did not have any equity shares and voting rights hold through its subsidiary.

39 Relationship and transactions with related parties (continued)

39.2 Information of major related parties

Name of enterprise	Relationship with the Bank
Shanghai International Port (Group) Co., Ltd.	Major shareholder of the Bank
China State Shipbuilding Corporation Limited[1]	Major shareholder of the Bank
China Postal Express & Logistics Co., Ltd.	Company under the common control of China Post Group
China Post Life Insurance Co., Ltd.	Company under the common control of China Post Group
China Post Securities Co., Ltd.	Company under the common control of China Post Group
Shanghai Ule Network Technology Co., Ltd.	Company under the common control of China Post Group
China Post Technology Co., Ltd.	Company under the common control of China Post Group
Ningxia China Post Logistics Co., Ltd.	Company under the common control of China Post Group
Jiangsu Post and Telecommunication Printing Co., Ltd.	Company under the common control of China Post Group
China Post & Capital Fund Management Co., Ltd.	An associate of China Post Group
Mulei Tongyuan Hongshen New Energy Development Co., Ltd.	Related party arising from the major shareholder of the Bank
CSSC (Tianjin) Offshore Wind Power Eng. & Tech. Co., Ltd.	Related party arising from the major shareholder of the Bank
China National Shipbuilding Equipment & Materials (South China) Company Limited	Related party arising from the major shareholder of the Bank
China Ship-building Industry Corporation Finance Co., Ltd.	Related party arising from the major shareholder of the Bank
China UnionPay Co., Ltd.	Related party arising from connected persons of the Bank
Anhui Ltech Information Technology Co., Ltd.	Related party arising from connected persons of the Bank
Baotou City Strong and Light Plate Industry Co., Ltd.	Related party arising from connected persons of the Bank
Tianjin Zhongwang Communication Engineering Supervision Co., Ltd.	Related party arising from connected persons of the Bank

(1) As at December 31, 2021, the Bank's former substantial shareholder China Shipbuilding Industry Corporation ("CSIC") was incorporated into China State Shipbuilding Corporation Limited ("CSSC") and completed the changes to the industrial and commercial registration. Therefore, the Bank's substantial shareholder CSIC was replaced by CSSC.

The Group's connected person include the Bank's directors, supervisors, senior executives and their direct relatives, as well as the Bank's controlling shareholders' directors, supervisors, senior executives and their direct relatives and other connected persons. The Group's other related parties include other related parties of China Post Group, other related parties of major shareholders of the Bank and other related parties arising from connected persons.

39 Relationship and transactions with related parties (continued)

39.3 Related party transactions

For transactions between the Group and related parties in accordance with general commercial terms during normal business operations, the pricing principle is the same as that of independent third party transactions. For transactions other than normal banking business between the Group and related parties, the pricing principle shall be determined by both parties through negotiation in accordance with general commercial terms.

39.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates

(1) Agency banking services from China Post Group

In addition to conducting commercial banking services at its owned business locations, the Bank also engages China Post Group and its provincial branches as agents to provide certain commercial banking services at China Post Group's business locations where financial service licenses have been obtained. These commercial banking services mainly include: deposits taking; bank card (debit card) services, credit cards repayment processing services; electronic banking business, agency issuance, underwriting and redemption of government bonds; certification of personal deposits; agency sales of fund products and personal wealth management products, and other agency services.

In accordance with *the Interim Administrative Measures for Institutional Agency of Postal Savings Bank of China Co., Ltd* (中國郵政儲蓄銀行代理營業機構管理暫行辦法) issued by CBIRC, all agency operations were provided by China Post Group under bases of fees determined in accordance with *the Framework Agreement on Entrusted and Agency Banking Services of Agency Outlets* (代理營業機構委託代理銀行業務框架協定，the "Framework Agreement") entered into between the Bank and China Post Group and its provincial branches.

For RMB deposit-taking services, the basis is computed based on the principle of "Fixed Rate, Scaled Fees Based on Deposit Types (固定費率、分檔計費)", i.e. different deposit agency fee rates are applicable to savings deposits with different maturities. The formula of calculating the scaled fees is as follows:

Monthly deposit agency fee costs at the relevant branch =Σ(aggregate amount of deposit for each type of deposit at the branch for the month multiplied by the number of days of deposit × the respective deposit agency fee rate of the relevant type of deposit/365) - aggregate cash (including that in transit) multiplied by the number of days at the relevant branch for the month× 1.5%/365.

(All amounts in millions of RMB unless otherwise stated)

39 Relationship and transactions with related parties (continued)

39.3 Related party transactions (continued)

39.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(1) Agency banking services from China Post Group (continued)

The Bank pays deposit agency fee for agency RMB savings deposits received, net of cash reserves held by agency outlets and deposits in transit. The agency fee rates range from 0.2% to 2.3%.

To effectively manage the interest expenses and maintain a stable growth in deposit scale, the Bank has established relevant mechanisms to boost the deposit-taking, including the arrangements of cost sharing for floating interest rates of deposits as well as incentives for deposit-taking. The Bank and China Post Group have agreed that the amount of deposit incentive shall not be higher than the payment by China Post Group under the cost sharing mechanism for floating interest rates of deposits in any circumstances.

The agency foreign currency deposit-taking business is insignificant, as such the Bank and China Post Group apply market rates such as the composite interest rate of the China Interbank Foreign Currency Market to determine the agency fee.

For intermediary business services performed by agency outlets such as settlement and sales services, the agency fees are determined based on the income from agency services net of all direct taxes and expenses.

		2021	2020
Deposit agency fee and others	(i)	**89,182**	82,313
Fees for agency savings settlement		**7,935**	8,170
Fees for agency sales and other commissions	(ii)	**9,304**	5,531
Total		**106,421**	96,014

(i) For the year ended December 31, 2021, deposit agency fee (including RMB and foreign currency deposit-taking business) cost amounted to RMB93.38 billion (2020: RMB85.21 billion). The offsetting settlement amount of the Bank's relevant mechanisms to boost deposit-taking was RMB -4.20 billion (2020: RMB -2.90 billion). According to the netting arrangement between the Bank and China Post Group, deposit agency fee and other are settled and disclosed on a net basis.

(ii) Fees for agency sales and other commissions include agency income generated from sales of insurance products of China Post Life Insurance Co., Ltd. by agency outlets. The Bank firstly recognizes relevant fee and commission income (Note 6) in the consolidated statement of profit or loss and other comprehensive income, and the same amount of the fee and commission will be payable by the Bank to China Post Group following the principle of "fee payable to the entity providing the service (誰辦理誰受益)". The remaining agency income generated from sales for other insurance companies are directly settled with China Post Group according to the contracts.

(All amounts in millions of RMB unless otherwise stated)

39 Relationship and transactions with related parties (continued)

39.3 Related party transactions (continued)

39.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(2) Operating lease with China Post Group and its related parties

(a) Lease buildings, ancillary equipment and other properties

As lessor	2021	2020
Buildings and other	**80**	82

As lessee	2021	2020
Buildings and other	**1,010**	1,000

(b) Right-of-use assets and lease liabilities recognized by accepting leases provided by China Post Group and its subsidiaries.

	As at December 31, 2021	As at December 31, 2020
Right-of-use assets	**1,029**	718
Lease liabilities	**989**	685

(3) Other comprehensive services and transactions with China Post Group and its related parties

(a) Revenue from rendering other comprehensive services to China Post Group and its related parties

		2021	2020
Agency sales of insurance products	(i)	**811**	347
General office materials sold		**87**	83
Comprehensive services rendered	(ii)	**57**	61
Custody business		**37**	37
Agency sales of fund products		**32**	72
Agency sales of precious metals		**17**	10
Agency sales of collective asset management plans		**13**	13
Treasury depository business		**1**	1
Total		**1,055**	624

(i) Agency sales of insurance products are income generated from agency service for China Post Life Insurance Co., Ltd. by directly-operated outlets of the Bank.

(ii) Comprehensive services rendered to China Post Group and its related parties include cash escort, equipment maintenance and other services.

(All amounts in millions of RMB unless otherwise stated)

39 Relationship and transactions with related parties (continued)

39.3 Related party transactions (continued)

39.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(3) Other comprehensive services and transactions with China Post Group and its related parties (continued)

(b) Expenditure from receiving other comprehensive services from China Post Group and its related parties

		2021	2020
Comprehensive services received	(i)	**1,109**	999
Marketing services received		**728**	569
Goods purchased		**620**	422
Payment of precious metals		**221**	251
Underwriting and sponsoring service received	(ii)	**–**	54
Total		**2,678**	2,295

(i) Comprehensive services received from China Post Group and its related parties include cash escort, equipment maintenance, advertisement, mailing and other services.

(ii) Underwriting and sponsoring service received from China Post Securities Co., Ltd. for A shares initial public offering issuance and perpetual bonds issuance of the Group.

(4) Loans, discounted bills and letters of guarantee

	As at December 31, 2021	As at December 31, 2020
Other related parties	**3**	18

As at December 31, 2021, the amounts were mainly arising from China Postal Express & Logistics Co., Ltd. (As at December 31, 2020: mainly arising from Ningxia China Post Logistics Co., Ltd., China Postal Express & Logistics Co., Ltd. and Jiangsu Post and Telecommunication Printing Co., Ltd. (formerly referred to as "Jiangsu Post and Telecommunication Printing Factory")).

(All amounts in millions of RMB unless otherwise stated)

39 Relationship and transactions with related parties (continued)

39.3 Related party transactions (continued)

39.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(5) Deposits from related parties

	As at December 31, 2021	As at December 31, 2020
China Post Group	**7,157**	6,247
Other related parties	**3,318**	3,176
Total	**10,475**	9,423
Interest rates per annum	**0.30%-2.75%**	0.30%-2.94%

Other related parties include China Postal Express & Logistics Co., Ltd. and its subsidiaries, Shanghai Ule Network Technology Co., Ltd. and China Post Technology Co., Ltd.

(6) Deposits from banks and other financial institutions

	As at December 31, 2021	As at December 31, 2020
Other related parties	**1,799**	6,369

The amounts are mainly from China Post Life Insurance Co., Ltd. and China Post Securities Co., Ltd.

(All amounts in millions of RMB unless otherwise stated)

39 Relationship and transactions with related parties (continued)

39.3 Related party transactions (continued)

39.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(7) Financial investments

	As at December 31, 2021	As at December 31, 2020
Financial assets measured at FVTPL		
China Post Group	–	2,011
China Post & Capital Fund Management Co., Ltd.	**4,015**	1,139
Total	**4,015**	3,150
Financial assets measured at amortized cost		
China Post Group	**346**	399
Financial assets measured at FVTOCI – debt instruments		
China Post Group	**2,039**	2,934

(8) Other receivables

	As at December 31, 2021	As at December 31, 2020
China Post Group and other related parties	**218**	254

(9) Other payables

	As at December 31, 2021	As at December 31, 2020
China Post Group and other related parties (Note 33)	**1,999**	2,118

(All amounts in millions of RMB unless otherwise stated)

39 Relationship and transactions with related parties (continued)

39.3 Related party transactions (continued)

39.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(10) Interest income, interest expense, fee and commission income, fee and commission expense and operating expenses

	2021	2020
Interest income	**156**	148
Fee and commission income	**31**	27
Interest expense	**218**	147
Fee and commission expense	**23**	21
Operating expenses	**32**	5

39.3.2 Transactions with major shareholders of the Bank and their related parties

Balances	**As at December 31, 2021**	As at December 31, 2020
Assets		
Loans and advances to customers	**968**	704
Liabilities		
Customer deposits	**62**	35
Other liabilities	**1**	–

Transactions	**2021**	2020
Interest income	**33**	10

As at December 31, 2021, loans and advances to customers were mainly with Mulei Tongyuan Hongshen New Energy Development Co., Ltd., CSSC (Tianjin) Offshore Wind Power Eng. & Tech. Co., Ltd. (formerly referred to as: "CSIC (Tianjin) Offshore Wind Power Eng. & Tech. Co., Ltd.") and China National Shipbuilding Equipment & Materials (South China) Company Limited. As at December 31, 2020, loans and advances to customers were mainly with Mulei Tongyuan Hongshen New Energy Development Co., Ltd., CSSC (Tianjin) Offshore Wind Power Eng. & Tech. Co., Ltd. (formerly referred to as: "CSIC (Tianjin) Offshore Wind Power Eng. & Tech. Co., Ltd."), China National Shipbuilding Equipment & Materials (South China) Company Limited and China Ship-building Industry Corporation Finance Co., Ltd.

(All amounts in millions of RMB unless otherwise stated)

39 Relationship and transactions with related parties (continued)

39.3 Related party transactions (continued)

39.3.3 Transactions with related parties arising from the connected persons of the Bank

Balances		As at December 31, 2021	As at December 31, 2020
Assets			
Loans and advances to customers	(1)	**4**	1,361
Financial assets measured at fair value through profit or loss	(2)	**–**	505
Financial assets measured at amortized cost	(2)	**–**	710
Financial assets measured at fair value through other comprehensive income – debt instruments	(2)	**–**	796
Financial assets measured at fair value through other comprehensive income – equity instruments	(3)	**397**	53
Right-of-use assets		**–**	15
Other assets		**23**	8
Liabilities			
Customer deposits		**4,714**	4,182
Lease liabilities		**–**	15
Other liabilities		**8**	8

Transactions		2021	2020
Interest income		**–**	118
Fee and commission income	(4)	**4,449**	4,039
Interest expense		**119**	80
Fee and commission expense	(4)	**1,276**	1,158

(1) As at December 31, 2021, loans and advances to customers were mainly with Baotou City Strong and Light Plate Industry Co., Ltd. and Tianjin Zhongwang Communication Engineering Supervision Co., Ltd. As at December 31, 2020, loans and advances to customers were mainly with Shenzhen Investment Holdings Co., Ltd., Anhui Ltech Information Technology Co., Ltd. and Ant Group Co., Ltd. As at December 31, 2021, Shenzhen Investment Holdings Co., Ltd. and Ant Group Co., Ltd. were no longer related parties of the Group.

(2) As at December 31, 2020, financial assets measured at FVTPL, financial assets measured at amortized cost and financial assets measured at FVTOCI – debt instruments were mainly arising from the transactions with Shenzhen Investment Holdings Co., Ltd. As at December 31, 2021, Shenzhen Investment Holdings Co., Ltd. was no longer a related party of the Group.

(3) As at December 31, 2021 and 2020, financial assets measured at FVTOCI – equity instruments were mainly with China UnionPay Co., Ltd.

(4) The net fee and commission income was mainly arising from the settlement and clearing with China UnionPay Co., Ltd. both during the year ended December 31, 2021 and 2020.

(All amounts in millions of RMB unless otherwise stated)

39 Relationship and transactions with related parties (continued)

39.3 Related party transactions (continued)

39.3.4 Transactions with connected persons of the Bank

Balances	As at December 31, 2021	As at December 31, 2020
Assets		
Loans and advances to customers	**121**	120
Liabilities		
Customer deposits	**276**	239

Transactions	2021	2020
Interest income	**5**	5
Interest expense	**3**	3

39.3.5 The Group and other government related entities

Other than related party transactions disclosed above and also in other relevant notes, a significant part of the Group's banking transactions are entered into with government authorities, agencies, subsidiaries and other entities under control of state. These transactions are entered into under normal commercial terms and conditions and mainly include provision of credit and guarantee, deposits, foreign exchange transactions, derivative product transactions, agency services, underwriting and distribution of bonds issued by government authorities, purchase, sales and redemption of securities issued by government authorities.

The Group 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, subsidiaries and other entities under control of state.

(All amounts in millions of RMB unless otherwise stated)

39 Relationship and transactions with related parties (continued)

39.4 Key management personnel compensation

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives.

	2021	2020
Key management personnel compensation	**10**	9

Part of the remuneration for key management personnel for the year ended December 31, 2021 and 2020 is subject to strategic performance assessment after the end of the reporting period and has not yet been paid.

40 Structured entities

40.1 Unconsolidated structured entities managed by the Group

Unconsolidated structured entities managed by the Group consist primarily of collective investment vehicles ("WMP vehicles") formed to issue and distribute wealth management products ("non-principal guaranteed WMPs") which are not subject to any guarantee by the Group in respect of the principal invested or yield to be paid. The WMP vehicles invest in a range of fixed-yield assets, including money market instruments, debt securities and loan assets. As the manager of the WMPs, the Group invests, on behalf of its customers, the funds raised in the assets as described in the investment scheme related to each WMP and distributes the yield to investors based on product operation. The variable return earned by the Group under the non-principal guaranteed WMPs is not significant, and therefore, these WMPs are not consolidated by the Group.

As at December 31, 2021 and 2020, the non-principal guaranteed WMPs issued and managed by the Group amounted to RMB915,255 million and RMB865,319 million, respectively. The net fee and commission income from such activities was disclosed in Note 6.

As at December 31, 2021 and 2020, the Group did not hold any non-principal guaranteed WMP issued and managed by the Group and did not provide any financial support to such WMPs. For the year ended December 31, 2021 and 2020, the Group did not enter into any repurchase agreements or placements with banks and other financial institutions agreements with such WMPs.

During the year ended December 31, 2021, certain financial assets amounting to RMB19,180 million of WMPs sponsored by the Group were transferred to the Group which were presented under financial assets measured at amortized cost (2020: Nil).

(All amounts in millions of RMB unless otherwise stated)

40 Structured entities (continued)

40.2 Unconsolidated structured entities invested by the Group

The Group invests in unconsolidated structured entities issued and managed by other institutions, and records trading gains or losses and interest income therefrom. These structured entities mainly comprise trust investment plans, fund investments, asset-backed securities, asset management plans and wealth management products, etc. The nature and purpose of the structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issuance of investment products to investors.

As at December 31, 2021 and 2020, the Group's maximum exposure to these unconsolidated structured entities was summarized in the table below:

	As at December 31, 2021		
	Financial assets measured at FVTPL	**Financial assets measured at amortized cost**	**Total**
Fund investments	**441,238**	**–**	**441,238**
Trust investment plans and asset management plans	**57,541**	**–**	**57,541**
Asset-backed securities	**45**	**142,791**	**142,836**
Other debt instruments	**–**	**31,927**	**31,927**
Total	**498,824**	**174,718**	**673,542**

	As at December 31, 2020		
	Financial assets measured at FVTPL	Financial assets measured at amortized cost	Total
Fund investments	236,389	–	236,389
Trust investment plans and asset management plans	50,693	–	50,693
Wealth management products issued by financial institutions	493	–	493
Asset-backed securities	301	143,220	143,521
Other debt instruments	–	37,793	37,793
Total	287,876	181,013	468,889

No open market information was readily available for the overall scale of those unconsolidated structured entities mentioned above.

(All amounts in millions of RMB unless otherwise stated)

40 Structured entities (continued)

40.2 Unconsolidated structured entities invested by the Group (continued)

For the year ended December 31, 2021 and 2020, the income from these unconsolidated structured entities earned by the Group was as follows:

	2021	2020
Interest income	**7,860**	5,683
Net gains on investment securities	**19,249**	15,209
Other comprehensive income	**–**	2
Net trading gains	**1**	–
Net gains on derecognition of financial assets measured at amortized cost	**18**	–
Total	**27,128**	20,894

40.3 Consolidated structured entities held by the Group

The consolidated structured entities issued and managed by the Group consist of special purpose trusts founded by third party trust companies for conducting asset securitization business by the Group. For the year ended December 31, 2021 and 2020, the Group did not provide any financial support to these special purpose trusts.

(All amounts in millions of RMB unless otherwise stated)

41 Contingent liabilities and commitments

41.1 Lawsuits and claims

The Group was involved in a number of lawsuits and claims during its normal course of business. Provisions for losses from cases and lawsuits are disclosed in Note 33(2).

41.2 Capital commitments

	As at December 31, 2021	As at December 31, 2020
Contracts signed but not executed	**5,395**	2,828

The Group's capital commitments are contracts signed but not executed, which mainly include purchase of property and equipment, and decoration projects.

41.3 Credit commitments

	As at December 31, 2021	As at December 31, 2020
Loan commitments		
– With an original maturity of less than 1 year	**202**	3,986
– With an original maturity of 1 year or above	**152,421**	273,806
Subtotal	**152,623**	277,792
Bank acceptances	**36,158**	38,652
Guarantees and letters of guarantee	**42,859**	40,226
Letters of credit	**32,209**	30,383
Unused credit card commitments	**367,441**	330,260
Total	**631,290**	717,313

Credit commitments of the Group mainly include unused limits for credit cards issued to customers and general credit facilities. These general credit facilities may be drawn in the form of loans or through the issuance of letters of credit, guarantees and letters of guarantee or bank acceptances.

As at December 31, 2021 and 2020, the credit risk exposure of the credit commitments was mainly in Stage 1.

(All amounts in millions of RMB unless otherwise stated)

41 Contingent liabilities and commitments (continued)

41.4 Collateral

Assets pledged as collaterals

The carrying amounts of assets pledged as collaterals under repurchase agreements are as follows:

	As at December 31, 2021	As at December 31, 2020
Debt securities	**9,781**	420
Bills	**25,463**	22,639
Total	**35,244**	23,059

In addition, due to other business needs, some of the debt securities held by the Group were pledged as collaterals. As at December 31, 2021, the carrying amount of debt securities pledged as collaterals amounted to RMB86,901 million (December 31, 2020: RMB73,536 million).

Collaterals received

Collaterals under loans and advances to customers mainly include land use rights and buildings. The Group has not resold or re-pledged these collaterals which the owners of the pledged properties have not breached the contracts. As at December 31, 2021, the Group's exposure to credit-impaired loans and advances to customers covered by corresponding collateral was RMB29,402 million (December 31, 2020: RMB30,916 million).

The Group obtains debt securities from counterparts which could be resold or re-pledged as collaterals during the business operation of financial assets held under resale agreements from banks. As at December 31, 2021, the Group obtained the above-mentioned collaterals from counterparts with a fair value of RMB1,048 million (December 31, 2020: RMB2,150 million).

41.5 Redemption commitment for government bonds

The Group is entrusted by the MOF to underwrite certain treasury bonds. The investors of the treasury bonds have the right to redeem the bonds at any time prior to maturity and the Group is committed to honor such redemption requests. The MOF will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity or regular settlement. The redemption price is the face value of the treasury bonds underwritten and sold plus unpaid interest in accordance with the terms of the early redemption arrangement.

As at December 31, 2021, the nominal value of treasury bonds the Group was obligated to redeem was RMB125,676 million (December 31, 2020: RMB118,605 million). The original maturities of these bonds range from 1 to 5 years. Management of the Group expects the amount of redemption before the maturity dates of these bonds will not be material.

(All amounts in millions of RMB unless otherwise stated)

41 Contingent liabilities and commitments (continued)

41.6 Credit risk-weighted amounts for financial guarantees and credit commitments

	As at December 31, 2021	As at December 31, 2020
Financial guarantees and credit commitments	**205,696**	267,884

The credit risk-weighted figures are amounts calculated in accordance with the CBIRC's guidance, and also based on positions of the counterparties and the specifics of remaining maturities.

42 Transfers of financial assets

The Group enters into transactions during the normal course of business by which it transfers recognized financial assets to third parties or to special purpose trusts. 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 has retained substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

42.1 Outright repurchase agreements

The Group has entered into the following repurchase agreements, and the recourse rights of the counterparties are not limited to the transferred assets. The Group does not derecognize financial assets transferred as collateral in connection with repurchase agreements.

	As at December 31, 2021		As at December 31, 2020	
	Financial assets measured at amortized cost	**Financial assets measured at FVTOCI**	Financial assets measured at amortized cost	Financial assets measured at FVTOCI
Carrying amount of the collateral	**307**	–	2,122	30
Financial assets sold under repurchase agreements	**(300)**	–	(2,142)	(29)

42 Transfers of financial assets (continued)

42.2 Credit assets securitization transactions

The Group enters into securitization transactions during the normal course of business by which it transfers credit assets to special purpose trusts which in turn issues asset-backed securities to investors. The Group may acquire some asset-backed securities and fund shares at the senior and subordinated tranche level. Accordingly, the Group may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognize the associated credit assets by evaluating the extent to which it transfers the risks and rewards of the assets.

With respect to the credit assets that are securitized and qualified for derecognition, the Group derecognizes the transferred credit assets in their entirety. For the year ended December 31, 2021, the face value at the date of transfer of the original credit assets was RMB4,033 million (2020: nil). As the Bank substantially transferred all the risks and rewards of these credit assets, the full amount of such securitized credit assets were derecognized.

In the cases that the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and for which the Group retains control, the Group recognizes an asset in the consolidated statement of financial position to the extent of the Group's continuing involvement in the transferred assets. The extent of the Group's continuing involvement is the extent of the risks and rewards exposed by the Group to the value changes of the transferred assets. For the year ended December 31, 2021, the face value at the date of transfer of the original credit assets, which the Group determined that it has continuing involvement through acquiring the subordinated tranches, was RMB10,294 million (2020: RMB5,019 million). The carrying amount of the continuing involvement assets and the corresponding continuing involvement liabilities, which were recognized in other assets and other liabilities in the consolidated statement of financial position, were both RMB4,070 million as at December 31, 2021 (December 31, 2020: RMB2,871 million).

The Group acts as a credit service provider of the special purpose trusts, manages the credit assets transferred to the special purpose trusts, and collects the corresponding fee as the loan asset manager. For the year ended December 31, 2021 and 2020, the Group did not provide any financial support to these the special purpose trusts.

43 Segment analysis

43.1 Operating segment

The Group manages the business from both a business and geographic perspective. From the business perspective, the Group provides services through four main operating segments listed below:

Personal banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include savings deposit-taking, personal loans, credit cards and debit cards, payments and settlements, wealth management products and funds, insurance agency services, etc.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include current accounts, deposits, overdrafts, loans, trade related products and other credit facilities, foreign currency, and wealth management products, etc.

Treasury

This segment covers businesses including deposits and placements with banks and other financial institutions, interbank borrowings and lendings, repurchase and resale transactions, various debt instrument investments and equity instrument investment, etc. The issuance of bond securities also falls into this range.

Others

This segment include items that are not attributed to the above segments or cannot be allocated on a reasonable basis.

The management of the Group monitors operating results of each segment for the purposes of resource allocation and assessment of segment performance. The accounting policies of the operating segments are the same as the Group's accounting policies when preparing segment financial information.

(All amounts in millions of RMB unless otherwise stated)

43 Segment analysis (continued)

43.1 Operating segment (continued)

	Year ended December 31, 2021				
	Personal banking	Corporate banking	Treasury	Others	Total
Interest income from external customers	195,163	102,544	153,860	–	451,567
Interest expense to external customers	(160,320)	(14,898)	(6,967)	–	(182,185)
Intersegment net interest income/(expense)	169,863	(30,048)	(139,815)	–	–
Net interest income	204,706	57,598	7,078	–	269,382
Net fee and commission income	16,129	1,400	4,478	–	22,007
Net trading gains	–	–	3,286	–	3,286
Net gains on investment securities	–	–	23,081	–	23,081
Net gains on derecognition of financial assets measured at amortized cost	–	–	606	–	606
Net other operating gains	1,048	107	(823)	413	745
Operating expenses	(152,807)	(20,123)	(17,640)	(425)	(190,995)
Credit impairment losses	(23,424)	(9,750)	(13,464)	–	(46,638)
Impairment losses on other assets	(20)	–	–	–	(20)
Profit before income tax	45,632	29,232	6,602	(12)	81,454
Supplementary information					
Depreciation and amortization	7,379	1,466	192	–	9,037
Capital expenditures	11,421	2,283	149	–	13,853

	As at December 31, 2021				
	Personal banking	Corporate banking	Treasury	Others	Total
Segment assets	4,156,619	2,867,717	5,507,218	–	12,531,554
Deferred tax assets					56,319
Total assets					12,587,873
Segment liabilities	(10,137,672)	(1,326,313)	(328,328)	–	(11,792,313)
Deferred tax liabilities					(11)
Total liabilities					(11,792,324)
Supplementary information					
Credit commitments	367,441	263,849	–	–	631,290

(All amounts in millions of RMB unless otherwise stated)

43 Segment analysis (continued)

43.1 Operating segment (continued)

	Year ended December 31, 2020				
	Personal banking	Corporate banking	Treasury	Others	Total
Interest income from external customers	171,154	95,543	149,555	–	416,252
Interest expense to external customers	(140,117)	(14,676)	(8,081)	–	(162,874)
Intersegment net interest income/(expense)	154,730	(25,020)	(129,710)	–	–
Net interest income	185,767	55,847	11,764	–	253,378
Net fee and commission income	12,485	955	3,055	–	16,495
Net trading gains	–	–	3,259	–	3,259
Net gains on investment securities	–	–	15,921	–	15,921
Net gains on derecognition of financial assets measured at amortized cost	–	–	1	–	1
Net other operating gains	(125)	(903)	(1,897)	408	(2,517)
Operating expenses	(135,119)	(16,358)	(16,366)	(141)	(167,984)
Credit impairment losses	(33,676)	(21,341)	4,619	–	(50,398)
Impairment losses on other assets	(19)	–	–	–	(19)
Profit before income tax	29,313	18,200	20,356	267	68,136
Supplementary information					
Depreciation and amortization	6,726	1,244	108	–	8,078
Capital expenditures	6,304	1,166	101	–	7,571

	As at December 31, 2020				
	Personal banking	Corporate banking	Treasury	Other	Total
Segment assets	3,647,977	2,644,587	5,007,482	–	11,300,046
Deferred tax assets					53,217
Total assets					11,353,263
Segment liabilities	(9,176,091)	(1,278,929)	(225,313)	–	(10,680,333)
Supplementary information					
Credit commitments	330,260	387,053	–	–	717,313

43 Segment analysis (continued)

43.2 Geographical segment

Geographical segments, as defined for management reporting purposes, are as follows:

– Head Office

– "Yangtze River Delta": Shanghai Municipality, Jiangsu Province, Zhejiang Province and Ningbo;

– "Pearl River Delta": Guangdong Province, Shenzhen, Fujian Province and Xiamen;

– "Bohai Rim": Beijing Municipality, Tianjin Municipality, Hebei Province, Shandong Province and Qingdao;

– "Central China" region: Shanxi Province, Henan Province, Hubei Province, Hunan Province, Anhui Province, Jiangxi Province and Hainan Province;

– "Western China" region: Inner Mongolia Autonomous Region, Guangxi Zhuang Autonomous Region, Chongqing Municipality, Sichuan Province, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region;

– "Northeastern China" region: Liaoning Province, Heilongjiang Province, Jilin Province and Dalian.

(All amounts in millions of RMB unless otherwise stated)

43 Segment analysis (continued)

43.2 Geographical segment (continued)

	Year ended December 31, 2021							
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Total
Interest income from external customers	183,262	54,941	38,482	39,463	70,402	49,982	15,035	451,567
Interest expense to external customers	(14,990)	(28,099)	(14,243)	(26,024)	(51,834)	(34,938)	(12,057)	(182,185)
Intersegment net interest (expense)/ income	(170,222)	17,809	10,943	27,312	58,830	40,523	14,805	–
Net interest income	(1,950)	44,651	35,182	40,751	77,398	55,567	17,783	269,382
Net fee and commission income	389	3,333	3,905	4,646	4,745	3,804	1,185	22,007
Net trading gains	3,283	1	–	1	1	–	–	3,286
Net gains on investment securities	21,925	387	133	158	295	115	68	23,081
Net gains on derecognition of financial assets measured at amortized cost	305	9	24	84	62	90	32	606
Net other operating gains	(860)	149	331	171	193	721	40	745
Operating expenses	(18,099)	(24,649)	(20,493)	(25,534)	(49,005)	(38,789)	(14,426)	(190,995)
Credit impairment losses	(12,088)	(6,592)	(5,937)	(4,393)	(8,641)	(7,202)	(1,785)	(46,638)
Impairment losses on other assets	–	–	–	(9)	(1)	(8)	(2)	(20)
Profit before income tax	(7,095)	17,289	13,145	15,875	25,047	14,298	2,895	81,454
Supplementary information								
Depreciation and amortization	1,172	1,318	1,011	1,394	1,636	1,874	632	9,037
Capital expenditures	4,220	1,126	652	4,347	1,535	1,444	529	13,853

	As at December 31, 2021								
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Eliminations	Total
Segment assets	7,231,952	1,935,220	1,261,322	2,063,215	3,803,982	2,651,428	909,048	(7,324,613)	12,531,554
Deferred tax assets									56,319
Total assets									12,587,873
Segment liabilities	(6,605,154)	(1,917,144)	(1,245,103)	(2,037,294)	(3,776,717)	(2,628,676)	(906,838)	7,324,613	(11,792,313)
Deferred tax liabilities									(11)
Total liabilities									(11,792,324)
Supplementary information									
Credit commitments	367,441	47,251	59,895	65,856	35,679	46,521	8,647	–	631,290

(All amounts in millions of RMB unless otherwise stated)

43 Segment analysis (continued)

43.2 Geographical segment (continued)

	Year ended December 31, 2020							
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Total
Interest income from external customers	176,876	47,468	33,978	36,231	63,180	44,635	13,884	416,252
Interest expense to external customers	(15,311)	(24,768)	(12,361)	(22,957)	(45,423)	(31,418)	(10,636)	(162,874)
Intersegment net interest (expense)/income	(153,196)	15,541	10,052	23,088	53,288	37,677	13,550	–
Net interest income	8,369	38,241	31,669	36,362	71,045	50,894	16,798	253,378
Net fee and commission income	(3,404)	3,002	3,549	4,153	4,285	3,749	1,161	16,495
Net trading gains	3,256	(1)	–	6	(1)	(1)	–	3,259
Net gains on investment securities	15,245	251	45	86	135	71	88	15,921
Net gains on derecognition of financial assets measured at amortized cost	1	–	–	–	–	–	–	1
Net other operating gains	(3,831)	143	269	163	182	539	18	(2,517)
Operating expenses	(9,121)	(22,452)	(18,527)	(23,304)	(45,216)	(35,916)	(13,448)	(167,984)
Credit impairment losses	1,475	(11,415)	(8,561)	(5,894)	(14,184)	(9,455)	(2,364)	(50,398)
Impairment losses on other assets	–	–	–	(11)	(1)	(4)	(3)	(19)
Profit before income tax	11,990	7,769	8,444	11,561	16,245	9,877	2,250	68,136
Supplementary information								
Depreciation and amortization	759	1,231	928	1,272	1,518	1,768	602	8,078
Capital expenditures	2,688	585	509	911	1,340	963	575	7,571

	As at December 31, 2020								
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Eliminations	Total
Segment assets	4,723,307	1,728,335	1,134,851	1,836,351	3,424,621	2,402,606	843,684	(4,793,709)	11,300,046
Deferred tax assets									53,217
Total assets									11,353,263
Segment liabilities	(3,681,078)	(1,714,679)	(1,121,574)	(1,814,651)	(3,402,708)	(2,387,698)	(840,866)	4,282,921	(10,680,333)
Supplementary information									
Credit commitments	330,261	66,040	81,584	81,054	67,157	73,924	17,293	–	717,313

44 Financial risk management

44.1 Overview

To ensure an appropriate level of risk-adjusted return and sufficient capital adequacy, the Group adheres to a prudent risk management strategy, and achieves a decent return through appropriate risk-taking with consideration of size, growth and quality of its businesses.

The Group is mainly exposed to credit risk, market risk, liquidity risk and operational risk. Market risk includes interest rate risk and exchange rate risk (including gold).

This section describes the Group's position with respect to the above risk exposures, and the Group's objectives, policies and procedures in managing those risk exposures, as well as the Group's capital management.

44.2 Framework of financial risk management

The Group's Board of Directors assumes the ultimate responsibilities for comprehensive risk management, which include establishing risk culture, formulating and approving risk management strategies, setting and approving risk appetites and ensuring the establishment of risk limits, reviewing and approving major risk management policies and procedures, monitoring comprehensive risk management implemented by the senior management, reviewing comprehensive risk management reports, examining and approving disclosure of comprehensive risks and various significant risks, appointment of Chief Risk Officer, and other duties related to risk management.

The Group's Board of Supervisors assumes the supervisory responsibilities for comprehensive risk management, and is responsible for supervising the Board of Directors and the senior management in fulfilling their duties of risk management and urging them for any rectifications.

The Group's senior management assumes the responsibilities for implementation of comprehensive risk management and carrying out decisions of the Board of Directors, which includes setting up the operation and management structure in line with comprehensive risk management framework, clarifying division of responsibilities among functional departments, business departments and other departments under comprehensive risk management framework, establishing coordination mechanism with effective balance of power across departments, formulating clear implementation and accountability mechanism to ensure adequate communication and effective implementation of risk management strategies, risk appetites and risk limits, setting up risk limits according to risk appetite determined by the Board of Directors, including but not limited to levels such as industry, region, customer, and product. The Group's senior management is also responsible for formulating risk management policies and procedures, regular assessments, with adjustments when necessary, and assessing conditions of comprehensive risks and various important risk management with reports to the Board of Directors. In addition, it is the Group's senior management's responsibility to establish sound management information system and data quality control mechanism, and oversee violation of risk appetite, risk limits, and risk management policies and procedures, and deal with them under authorization of the Board of Directors, and assume other responsibilities from risk management perspective.

44 Financial risk management (continued)

44.3 Credit risk

Credit risk refers to the risk of loss caused by the default or the deterioration of credit rating and repayment ability of the debtor or the counterparty.

The main sources of the Group's credit risk include: credit business, treasury business (including deposits and placements, resale agreement, debt securities issued by corporates and financial institutions, inter-bank investment, etc.), off-balance sheet credit business (including guarantee, commitment, etc.).

The organizational structure of the Group on credit risk management is as follows: the Board of Directors takes the ultimate responsibilities for credit risk management, the Board of Supervisors takes the supervisory responsibilities for credit risk management, while the senior management undertaking the responsibilities for implementation of credit risk management, and for the implementation of resolutions approved by the Board of Directors on credit risk; the Risk Management Committee is responsible for credit risk management; and the Credit Business Approval Committee is responsible for approving credit lines within the scope of authorization; each business department shall bear the primary responsibility for credit risk mitigation, and implementation of policies, standards and procedures of credit risk management in its own field of business in accordance with the segregation of duties among different functions; departments of credit management, risk management, credit approval, internal control and compliance, legal affairs and others are responsible for the overall planning, supervision and review of credit risk management and mitigation, of which the Credit Management Department is the leading department of credit risk management, and the Internal Audit Department supervises each department's performance of duties in credit risk management independently and objectively.

(1) Loans and advances to customers, loan commitments and financial guarantees

The risk on loan portfolio refers to the risk of uncertain income or loan losses due to failure of a borrower to repay the principal and interest in full upon maturity of a loan. Given the loan portfolio is a major component of the Group's assets, risk on the loan portfolio is considered as a principal credit risk.

(2) Debt securities and other debt instruments

Credit risks on debt securities and other debt instruments arising from changes in credit spreads, default rates, loss ratios and credit quality of underlying assets.

The Group adopts a prudent approach in making debt security investments by focusing on low-risk debt securities, including government bonds and bonds issued by financial institutions. Other debt instruments are mainly trust investment plans and assets management plans.

The Group established a risk evaluation system on the issuers of corporate bonds and other debt instruments, and performs ongoing post-lending monitoring on a timely basis.

(3) Interbank financing business

The Group manages the credit quality by considering the size, financial position and the internal and external credit rating of those banks and financial institutions.

44 Financial risk management (continued)

44.3 Credit risk (continued)

44.3.1 Expected credit loss measurement

The Group has applied ECL models to measure the impairment of debt instruments measured at amortized cost and at FVTOCI, as well as credit commitments.

Based on whether a significant increase in credit risk has occurred since initial recognition of a financial instrument or becoming credit-impaired, the Group will classify it in three stages to calculate the ECL.

Stage 1 includes financial assets that have not had a significant increase in credit risk since initial recognition.

Stage 2 includes financial assets that have had a significant increase in credit risk since initial recognition, measured by the changes of default risk over their expected life. These changes have been determined by comparing the default risk at the end of the reporting period and at the date of initial recognition.

Stage 3 includes financial assets that are credit-impaired.

The Group assesses impairment allowance through either the ECL models or discounted cash flow method. For those loans and advances to customers together with financial investments, which are individually significant with objective evidences of credit-impairment, or where the ECL results could not be calculated automatically using the existing models, the discounted cash flow method will be adopted. Other than the above mentioned circumstance, the impairment allowance for loans and advances to customers as well as financial investments are assessed by using ECL models.

44 Financial risk management (continued)

44.3 Credit risk (continued)

44.3.1 Expected credit loss measurement (continued)

The Group has incorporated forward-looking information for measuring ECL and constructed complicated models involving substantial management judgements and assumptions, mainly including the following:

- Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECL;
- Significant increase in credit risk;
- Definition of default and credit-impaired;
- Descriptions of parameters, assumptions and estimation techniques;
- Forward-looking information;
- Management overlay;
- The estimated future cash flows for loans and advances to customers and financial investments which applied discounted cash flow method.

(1) Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECL

For measurement of ECL, the credit portfolio will be segmented based on similar credit risk characteristics. In determination of the portfolio segmentation of credit assets, the Group considers the type of borrower, industry, purpose of the loan, and security type. The segmentation of portfolio is regularly monitored and reviewed to ensure the appropriateness and reliability of credit risk segmentation.

Considering the impact of COVID-19 on the customers varies by industries, the Group comprehensively considers the impact of both internal and external environmental changes on assessment of credit risk segmentation, and regroups the credit risk segmentation on a reasonable basis.

44 Financial risk management (continued)

44.3 Credit risk (continued)

44.3.1 Expected credit loss measurement (continued)

(2) Significant Increase in credit risk (SICR)

At the end of each reporting period, the Group evaluates whether a significant increase in credit risk of related financial instruments has occurred since initial recognition, which mainly includes: impacts of regulation and operating environment, changes in internal and external credit rating, insolvency, business performance, loan contractual terms, etc. Based on individual financial instrument or financial instrument portfolios with similar credit risk characteristics, the Group determines changes of the default risk by comparing the risk on the end of the reporting period with that at the date of initial recognition.

The Group has set up both quantitative and qualitative standards according to the different features of credit risk associated with the financial assets as well as the current status of risk management initiatives. They mainly include the downgrading of internal credit rating of more than 3 levels, adverse change of risk classification, and whether overdue days has exceed 30 days, etc., to determine whether a significant increase in credit risk of financial assets has occurred.

During the COVID-19 outbreak, the Group developed financial relief scheme for existing customers being affected by the epidemic in accordance with the regulatory provisions. For the customers who applied for the financial relief policy, the Group took into account of the borrowers' repayment ability. If they meet the requirements of financial relief policy, the Group would take the methods of term extension, loan extension or loan renewal to relieve their difficulties, and assess whether there have been significant increase in credit risk.

(3) Definition of default and credit-impaired

The Group considers a financial instrument as in default or being credit-impaired when it meets one or more of the following criteria. Financial asset overdue for more than 90 days is regarded as in default.

- certain specific credit ratings;
- a borrower evades bank debts maliciously through merger, reorganization, division, bankruptcy, or any abnormal related party transactions to transfer assets;
- a borrower has significant financial difficulties;
- the Group makes concessions to the borrower for economic or contractual considerations related to the borrower's financial difficulties;
- lack of liquidity of the financial asset due to financial difficulties of the issuer or the borrower;
- a borrower or his/her family members suffer from a major accident and become insolvency;
- a borrower and guarantor declares bankruptcy, closure or dissolution according to law;
- other factors that impair financial assets.

44 Financial risk management (continued)

44.3 Credit risk (continued)

44.3.1 Expected credit loss measurement (continued)

(4) Description of parameters, assumptions, and estimation techniques

ECL is measured on either a 12-month (12M) or lifetime basis depending on whether an SICR has occurred since initial recognition and whether an asset is considered to be impaired. ECL derived from the discounted value of the multiplication of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD).

Related definitions are as follows:

The PD represents the likelihood of a borrower breaching the contractual terms or defaulting on its financial obligation over a specific time, either the next 12 months, or the remaining lifetime of the obligation. The Group's PD has adopted the results of internal rating model, or for financial asset that does not use this model, historical analysis is adopted, where the historical default records are calculated by historical data of asset portfolios with similar credit risk characteristics, incorporating forward-looking information to reflect the PD at a specific point in time under the current macroeconomic environment.

LGD refers to the ratio of the expected loss in the total amount of the loan portfolios, which is the extent of loss on a default. The Group's LGD is calculated by internal rating model. For financial asset that does not use this model, historical analysis is adopted, where the loss of default has been calculated over the next 12 months or over the remaining lifetime from the time of default. The assessment is on an individual basis by customer type, guarantee method, and historical non-performing loan collection experience, etc.

EAD refers to the total amount of on-and off-balance sheet exposures in the event of default.

The Group estimates PD, LGD and EAD of each portfolio in the future to calculate the ECL. The Group multiples the three and adjusts their expected life (such as default), and discount and aggregate the calculation result of each period to determine the ECL. The discount rate used in the ECL calculation is the contractual rate or its approximate value.

The Group monitors the related assumptions concerning the calculation of ECL on a quarterly basis and makes necessary updates and adjustments.

44 Financial risk management (continued)

44.3 Credit risk (continued)

44.3.1 Expected credit loss measurement (continued)

(5) Forward-looking information

The calculation of ECL incorporates forward-looking information. The Group performs historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio, mainly including Gross Domestic Product ("GDP"), Customer Price Index, Producer Price Index, etc.

These economic variables and their associated impacts on PD vary by segmentation of the portfolio. Expert judgement has also been applied in this process. Forecasts of these economic variables (the "basic economic scenario") are made by the Group every year, and the relationship between these economic variables and PD is identified through performing statistical regression analysis with the purpose of understanding the impact that the historical changes of these variables that might have on PD.

The Group has adopted three economic scenarios (Base, Upside and Downside) and applied weightings for them respectively, on the basis of a combination of the macroeconomic information, statistical analysis and expert judgement. Generally, the highest weighting is assigned to Base scenario, while lower and comparable weightings are assigned to Upside and Downside scenarios.

Under the base scenario, the Group considers the macroeconomy by referring to the prediction of internal and external authoritative experts. The growth rate of GDP is predicted to ranges from 5.0% to 6.0% in the base scenario for the year 2022.

The Group reviews and monitors the appropriateness of the above assumptions on a quarterly basis, and makes necessary updates and adjustments.

Relatively substantial management judgements are involved in the weighting scheme of macroeconomic scenarios, macroeconomic forecasts, and significant increase in credit risk in ECL models. The variation of key inputs above will inevitably lead to changes in ECL as a result of model's inherent complexity. The Group has analyzed sensitivity of ECL model by considering the fluctuation of macroeconomic forecasts.

Assuming year-over-year growth in GDP, the core macroeconomic forecasting indicator, would increase or decrease by 10%, the absolute change rate of the balance of loss allowance as at December 31, 2021 would be no more than 5%.

44 Financial risk management (continued)

44.3 Credit risk (continued)

44.3.1 Expected credit loss measurement (continued)

(6) Management Overlay

Taking into account inherent limitations of ECL models and temporary systematic risk factors, the Group has accrued additional loss allowance in response to potential risk and improved its risk compensation capability. The amount of management overlay adjustments was not material as compared to the total balance of loss allowance as at December 31, 2021.

(7) The estimated future cash flows for loans and advances to customers as well as financial investments which applied discounted cash flow method.

At each measurement date, the Group projects the future cash inflows of each future period related to credit-impaired financial assets. The cash flows are discounted and aggregated to determine the present value of the assets' future cash flows.

(8) Write-off policy

The Group writes off financial assets, in full or in part, when it has taken all necessary recovery efforts and is still not capable of reasonably expecting to recover partial or all the financial assets. The Group may write-off financial assets that are still subject to enforcement activities. The outstanding amounts of such assets written off during the year ended December 31, 2021 were RMB14,066 million (2020: RMB14,721 million).

(9) The modification of contractual cash flows

In order to minimize the credit loss, the Group may renegotiate the terms of the contract with borrowers that have deteriorated in financial position, or are unable to meet their original repayment schedule, which include concessions given by the Group that would not otherwise be granted to these borrowers for economic or legal reasons relating to their financial difficulties. Such contract modifications may include terms of loan, repayment schedule or interest rate. Based on the management's judgement of the borrowers' repayment possibility, the Group has formulated specific rescheduled loan policy and practice, and reviewed the policy continuously. Rescheduled loans should be reviewed with at least 6 months of observation to reach the corresponding stage classification criteria. As at December 31, 2021 and 2020 respectively, the amount of the credit-impaired rescheduled loans and advances to customers of the Group was not material.

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.3 Credit risk (continued)

44.3.2 Credit risk limit control and mitigation policy

In accordance with risk policies and limits, the risk management and business departments of the Group enhanced risk management policies and procedures to optimize business processes and monitor the implementation of risk control indicators.

To mitigate risks, the Group requires customers to provide collateral or guarantees when appropriate. The Group has established guidelines for the acceptability of specific types of collateral, and set up a collateral management system to standardize the collateral operation process. At the same time, the value, structure and legal documents of the collateral are regularly reviewed by the Bank to ensure its validity and conform to market practices.

44.3.3 Credit risk exposures

(1) Maximum credit risk exposures

The table below presents the Group's maximum credit risk exposures before considering any collaterals or other credit enhancements as at December 31, 2021 and 2020 respectively. For on-balance sheet assets, the maximum credit risk exposures are presented at their net carrying amounts on the consolidated statement of financial position.

	As at December 31, 2021	As at December 31, 2020
Deposits with central bank	**1,140,913**	1,169,806
Deposits with banks and other financial institutions	**90,782**	43,682
Placements with banks and other financial institutions	**280,093**	248,396
Derivative financial assets	**6,053**	11,140
Financial assets held under resale agreements	**265,229**	259,956
Loans and advances to customers	**6,237,199**	5,512,361
Financial investments		
Financial assets measured at fair value through profit or loss – debt instruments	**748,797**	418,232
Financial assets measured at fair value through other comprehensive income – debt instruments	**306,132**	315,922
Financial assets measured at amortized cost	**3,280,003**	3,173,643
Other financial assets	**32,016**	20,247
Subtotal	**12,387,217**	11,173,385
Credit commitments	**631,290**	717,313
Total	**13,018,507**	11,890,698

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.3 Credit risk (continued)

44.3.4 Loans and advances to customers

(1) Loans and advances to customers by geographical region:

	As at December 31, 2021		As at December 31, 2020	
	Amount	**Proportion**	Amount	Proportion
Head Office	**342,903**	**5%**	318,627	6%
Central China	**1,583,333**	**25%**	1,406,061	25%
Yangtze River Delta	**1,305,967**	**20%**	1,157,455	20%
Western China	**1,105,157**	**17%**	979,625	17%
Bohai Rim	**964,919**	**15%**	869,133	15%
Pearl River Delta	**813,089**	**13%**	668,372	12%
Northeastern China	**338,731**	**5%**	316,985	5%
Total	**6,454,099**	**100%**	5,716,258	100%

(2) Loans and advances to customers by types:

	As at December 31, 2021		As at December 31, 2020	
	Amount	**Proportion**	Amount	Proportion
Corporate loans and advances				
Including:				
Corporate loans	**2,253,936**	**35%**	1,977,785	35%
Discounted bills	**444,010**	**7%**	484,580	8%
Personal loans and advances	**3,756,153**	**58%**	3,253,893	57%
Total	**6,454,099**	**100%**	5,716,258	100%

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.3 Credit risk (continued)

44.3.4 Loans and advances to customers (continued)

(3) Loans and advances to customers by industry:

	As at December 31, 2021		As at December 31, 2020	
	Amount	**Proportion**	Amount	Proportion
Corporate loans and advances				
Transportation, storage and postal services	**706,262**	**11%**	611,929	11%
Manufacturing	**326,840**	**5%**	312,480	5%
Financial services	**237,739**	**4%**	193,861	3%
Production and supply of electricity, heating, gas and water	**229,209**	**3%**	204,923	4%
Real estate	**138,886**	**2%**	93,607	2%
Leasing and business services	**135,092**	**2%**	110,249	2%
Wholesale and retail	**129,855**	**2%**	117,424	2%
Construction	**119,839**	**2%**	110,440	2%
Management of water conservancy, environmental and public facilities	**110,607**	**2%**	96,018	2%
Mining	**60,798**	**1%**	69,268	1%
Other industries	**58,809**	**1%**	57,586	1%
Subtotal	**2,253,936**	**35%**	1,977,785	35%
Discounted bills	**444,010**	**7%**	484,580	8%
Personal loans and advances				
Consumer loans				
– Residential mortgage loans	**2,169,309**	**34%**	1,921,055	34%
– Other consumer loans	**496,621**	**7%**	441,945	8%
Personal small and micro loans	**915,354**	**14%**	746,252	13%
Credit overdrafts and others	**174,869**	**3%**	144,641	2%
Subtotal	**3,756,153**	**58%**	3,253,893	57%
Total	**6,454,099**	**100%**	5,716,258	100%

As at December 31, 2021, the balance of loans and advances to customers in relation to transportation, storage and postal services included loans to China State Railway Group Co., Ltd. of RMB177,089 million (December 31, 2020: RMB182,089 million).

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.3 Credit risk (continued)

44.3.4 Loans and advances to customers (continued)

(4) Loans and advances to customers by types of collateral:

	As at December 31, 2021		As at December 31, 2020	
	Amount	**Proportion**	Amount	Proportion
Unsecured loans	**1,703,823**	**26%**	1,504,504	26%
Guaranteed loans	**420,261**	**7%**	383,601	7%
Loans secured by mortgages	**3,242,496**	**50%**	2,779,991	49%
Loans secured by pledges	**643,509**	**10%**	563,582	10%
Discounted bills	**444,010**	**7%**	484,580	8%
Total	**6,454,099**	**100%**	5,716,258	100%

(5) Overdue loans and advances to customers

Overdue loans and advances to customers by security types and overdue status are as follows:

	As at December 31, 2021				
	Overdue for 1 to 90 days (including 90 days)	**Overdue for 91 days to 1 year (including 1 year)**	**Overdue for 1 to 3 years (including 3 years)**	**Overdue for over 3 years**	**Total**
Unsecured loans	**7,149**	**7,713**	**1,788**	**1,069**	**17,719**
Guaranteed loans	**2,473**	**2,284**	**3,006**	**747**	**8,510**
Loans secured by mortgages	**8,608**	**7,464**	**5,977**	**2,982**	**25,031**
Loans secured by pledges	**74**	**4,302**	**1,166**	**602**	**6,144**
Discounted bills	**–**	**–**	**10**	**–**	**10**
Total	**18,304**	**21,763**	**11,947**	**5,400**	**57,414**

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.3 Credit risk (continued)

44.3.4 Loans and advances to customers (continued)

(5) Overdue loans and advances to customers (continued)

	As at December 31, 2020				
	Overdue for 1 to 90 days (including 90 days)	Overdue for 91 days to 1 year (including 1 year)	Overdue for 1 to 3 years (including 3 years)	Overdue for over 3 years	Total
Unsecured loans	4,018	4,960	2,504	198	11,680
Guaranteed loans	2,165	2,154	2,394	812	7,525
Loans secured by mortgages	6,910	7,005	7,219	2,943	24,077
Loans secured by pledges	460	5	1,414	208	2,087
Discounted bills	–	–	10	–	10
Total	13,553	14,124	13,541	4,161	45,379

44.3.5 Debt instruments

(1) Credit quality of debt instruments

The table below represents the carrying amounts of financial assets at amortized cost and financial assets measured at FVTOCI – debt instruments:

	As at December 31, 2021			
	Stage 1(i)	**Stage 2**	**Stage 3**	**Total**
Financial assets measured at amortized cost	**3,275,201**	**4,784**	**18**	**3,280,003**
Financial assets measured at FVTOCI – debt instruments	**306,115**	**–**	**17**	**306,132**
Total	**3,581,316**	**4,784**	**35**	**3,586,135**

	As at December 31, 2020			
	Stage 1(i)	Stage 2	Stage 3	Total
Financial assets measured at amortized cost	3,158,892	14,717	34	3,173,643
Financial assets measured at FVTOCI – debt instruments	315,869	–	53	315,922
Total	3,474,761	14,717	87	3,489,565

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.3 Credit risk (continued)

44.3.5 Debt instruments (continued)

(1) Credit quality of debt instruments (continued)

(i) Debt instruments of stage 1

The types of debt instruments	As at December 31, 2021 Financial assets at amortized cost	Financial assets at FVTOCI	Total
Debt securities-by types of issuers:			
Government	**1,246,558**	**59,968**	**1,306,526**
Financial institutions	**1,516,188**	**185,805**	**1,701,993**
Corporates	**107,771**	**56,454**	**164,225**
Interbank certificates of deposits	**229,084**	**391**	**229,475**
Asset-backed securities	**144,051**	**–**	**144,051**
Other debt instruments	**30,170**	**–**	**30,170**
Debt financing plan	**7,264**	**3,497**	**10,761**
Gross amount	**3,281,086**	**306,115**	**3,587,201**
Less: Allowance for impairment losses	**5,885**	**–**	**5,885**
Carrying amount of debt instruments at stage 1	**3,275,201**	**306,115**	**3,581,316**

The types of debt instruments	As at December 31, 2020 Financial assets at amortized cost	Financial assets at FVTOCI	Total
Debt securities-by types of issuers:			
Government	1,069,157	59,577	1,128,734
Financial institutions	1,586,139	203,253	1,789,392
Corporates	120,956	48,381	169,337
Interbank certificates of deposits	177,417	719	178,136
Asset-backed securities	144,626	–	144,626
Other debt instruments	63,975	–	63,975
Debt financing plan	406	3,939	4,345
Gross amount	3,162,676	315,869	3,478,545
Less: Allowance for impairment losses	3,784	–	3,784
Carrying amount of debt instruments at stage 1	3,158,892	315,869	3,474,761

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.3 Credit risk (continued)

44.3.5 Debt instruments (continued)

(2) Debt instruments analyzed by credit rating

The Group adopts a credit rating approach to manage the credit risk of the debts instruments held. The ratings are obtained from major rating agencies where the issuers of the debt instruments are located. The gross carrying amounts of debts instruments analyzed by rating as at the end of the reporting period are as follows:

	As at December 31, 2021					
	Unrated	**AAA**	**AA**	**A**	**Below A**	**Total**
Government bonds	**694,067**	**617,624**	**–**	**100**	**–**	**1,311,791**
Bonds issued by financial institutions	**1,609,482**	**120,227**	**1,614**	**10,561**	**10,495**	**1,752,379**
Corporate bonds	**26,307**	**134,582**	**–**	**16,996**	**6,575**	**184,460**
Interbank certificates of deposits	**412,138**	**–**	**–**	**–**	**–**	**412,138**
Asset-backed securities	**19,095**	**126,027**	**–**	**–**	**–**	**145,122**
Debt financing plans	**10,761**	**–**	**–**	**–**	**–**	**10,761**
Fund investments	**441,238**	**–**	**–**	**–**	**–**	**441,238**
Trust investment plans and asset management plans	**57,541**	**–**	**–**	**–**	**–**	**57,541**
Other debt instruments	**51,543**	**–**	**–**	**–**	**–**	**51,543**
Total	**3,322,172**	**998,460**	**1,614**	**27,657**	**17,070**	**4,366,973**

	As at December 31, 2020					
	Unrated	AAA	AA	A	Below A	Total
Government bonds	652,437	477,486	–	–	–	1,129,923
Bonds issued by financial institutions	1,683,521	124,952	101	17,439	9,957	1,835,970
Corporate bonds	22,144	154,889	408	19,615	1,300	198,356
Interbank certificates of deposits	234,626	–	–	–	–	234,626
Asset-backed securities	41,519	103,881	64	–	–	145,464
Debt financing plans	4,345	–	–	–	–	4,345
Fund investments	236,389	–	–	–	–	236,389
Trust investment plans and asset management plans	50,693	–	–	–	–	50,693
Wealth management products issued by financial institutions	493	–	–	–	–	493
Other debt instruments	92,025	–	–	–	–	92,025
Total	3,018,192	861,208	573	37,054	11,257	3,928,284

44 Financial risk management (continued)

44.3 Credit risk (continued)

44.3.5 Debt instruments (continued)

(2) Debt instruments analyzed by credit rating (continued)

Unrated debt instruments held by the Group are bonds issued by the Chinese government, policy banks, China Development Bank, interbank certificates of deposits, fund investments and other debt instruments such as trust investment plans, asset management plans and wealth management plans issued by financial institutions, the principal and income of which are mainly guaranteed by financial institutions or third party companies, or secured by bills and other financial assets as collateral.

44.3.6 Concentration of credit risk

The credit risk exposure of financial assets mainly concentrates in Mainland China.

44.4 Liquidity risk

Liquidity risk refers to the risk of failure to obtain sufficient funds by commercial bank at a reasonable cost in a timely manner to repay maturing debts, fulfill other payment obligations and meet other financial needs during normal business operation. Events or factors that cause the Group's liquidity risk include: customers withdrawing deposits, loan customers withdrawing credit facilities, debtors failing to repay principal and interest, excessive mismatch of maturity of assets and liabilities, difficulty in disposal of assets, deterioration in financing capability, etc. The objective of liquidity risk management of the Group is to meet the liquidity needs and fulfill its payment obligation to external parties during the normal operation or at a highly stressed condition which is achieved through the establishment of a scientific and comprehensive liquidity risk management mechanism, through which liquidity risk can be timely identified, measured and effectively mitigated. The Group adheres to prudent liquidity risk management strategy and effectively balances the rhythm and structure of capital source and utilization.

The Group conducts liquidity risk stress tests on a quarterly basis to identify potential liquidity risks and continually improve stress testing methods based on regulatory and internal management requirements. The stress test results show that under the various pressure scenario assumptions, the Group can pass the minimum life expectancy test.

The Group is mainly funded by personal deposits, which is considered as a stable source of funding. On the other hand, the Group primarily invests in assets with high liquidity such as deposits with banks and other financial institutions, and government bonds. During the reporting period, the Group's liquidity regulatory indicators were functioning normally, with sufficient liquidity as a whole and safe and controllable.

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.4 Liquidity risk (continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities

	As at December 31, 2021								
	Overdue	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Cash and deposits with central bank	–	65,572	–	551	–	–	–	1,123,335	1,189,458
Deposits with banks and other financial institutions	–	9,009	2,511	12,138	67,124	–	–	–	90,782
Placements with banks and other financial institutions	–	–	68,873	26,024	149,809	35,387	–	–	280,093
Derivative financial assets	–	–	661	1,964	2,480	948	–	–	6,053
Financial assets held under resale agreements	–	–	202,768	20,500	41,961	–	–	–	265,229
Loans and advances to customers	12,854	–	328,464	437,716	1,837,016	1,256,093	2,365,056	–	6,237,199
Financial assets measured at fair value through profit or loss	10	124,137	25,862	85,175	184,435	148,299	180,879	1,800	750,597
Financial assets measured at fair value through other comprehensive income – debt instruments	17	–	14,841	29,268	74,631	176,421	10,954	–	306,132
Financial assets measured at fair value through other comprehensive income – equity instruments	–	–	–	–	–	–	–	11,888	11,888
Financial assets measured at amortized cost	196	–	54,499	77,358	568,754	1,327,201	1,251,995	–	3,280,003
Other financial assets	2,115	22,068	372	2,203	175	529	4,274	280	32,016
Total financial assets	15,192	220,786	698,851	692,897	2,926,385	2,944,878	3,813,158	1,137,303	12,449,450
Borrowings from central bank	–	–	2,960	1,401	12,955	–	–	–	17,316
Deposits from banks and other financial institutions	–	143,604	907	771	675	8,852	–	–	154,809
Placements from banks and other financial institutions	–	–	6,944	6,764	28,857	–	–	–	42,565
Derivative financial liabilities	–	–	883	1,458	1,879	956	–	–	5,176
Financial assets sold under repurchase agreements	–	–	17,156	10,480	7,007	–	–	–	34,643
Customer deposits	–	3,967,774	813,541	1,957,890	3,483,183	1,131,685	–	–	11,354,073
Debt securities issued	–	–	–	695	747	–	79,984	–	81,426
Other financial liabilities	–	16,531	16,699	10,957	2,552	6,546	5,290	–	58,575
Total financial liabilities	–	4,127,909	859,090	1,990,416	3,537,855	1,148,039	85,274	–	11,748,583
Net liquidity	15,192	(3,907,123)	(160,239)	(1,297,519)	(611,470)	1,796,839	3,727,884	1,137,303	700,867

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.4 Liquidity risk (continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities (continued)

	As at December 31, 2020								
	Overdue	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Cash and deposits with central bank	–	81,953	–	559	–	–	–	1,137,350	1,219,862
Deposits with banks and other financial institutions	–	9,958	3,493	863	29,368	–	–	–	43,682
Placements with banks and other financial institutions	–	–	20,491	24,504	156,019	47,382	–	–	248,396
Derivative financial assets	–	–	1,159	2,170	7,153	658	–	–	11,140
Financial assets held under resale agreements	–	–	217,257	31,958	10,741	–	–	–	259,956
Loans and advances to customers	7,974	–	355,597	402,017	1,611,352	1,087,726	2,047,695	–	5,512,361
Financial assets measured at fair value through profit or loss	10	60,737	8,863	29,342	50,084	123,464	145,732	1,049	419,281
Financial assets measured at fair value through other comprehensive income – debt instruments	–	–	5,742	9,420	76,092	212,204	12,464	–	315,922
Financial assets measured at fair value through other comprehensive income – equity instruments	–	–	–	–	–	–	–	5,804	5,804
Financial assets measured at amortized cost	34	–	59,998	167,341	429,556	1,454,642	1,062,072	–	3,173,643
Other financial assets	1,410	11,724	133	3,216	134	362	3,081	187	20,247
Total financial assets	9,428	164,372	672,733	671,390	2,370,499	2,926,438	3,271,044	1,144,390	11,230,294
Borrowings from central bank	–	–	–	4,422	20,866	–	–	–	25,288
Deposits from banks and other financial institutions	–	65,733	–	–	11,045	9,134	–	–	85,912
Placements from banks and other financial institutions	–	–	4,647	5,132	20,964	–	–	–	30,743
Derivative financial liabilities	–	–	1,403	1,870	5,643	716	–	–	9,632
Financial assets sold under repurchase agreements	–	–	7,695	10,763	6,676	–	–	–	25,134
Customer deposits	–	3,819,615	652,681	1,452,836	3,112,622	1,320,275	–	–	10,358,029
Debt securities issued	–	–	–	695	7,312	–	49,967	–	57,974
Other financial liabilities	–	13,131	16,456	2,776	240	1,121	2,871	–	36,595
Total financial liabilities	–	3,898,479	682,882	1,478,494	3,185,368	1,331,246	52,838	–	10,629,307
Net liquidity	9,428	(3,734,107)	(10,149)	(807,104)	(814,869)	1,595,192	3,218,206	1,144,390	600,987

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.4 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows of non-derivative financial assets and financial liabilities by remaining maturities

The Group manages its inherent liquidity risk in the short term based on the expected undiscounted cash flows.

	As at December 31, 2021								
	Overdue	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and deposits with central bank	–	65,572	–	551	–	–	–	1,123,335	1,189,458
Deposits with banks and other financial institutions	–	9,009	2,515	12,418	68,248	–	–	–	92,190
Placements with banks and other financial institutions	–	–	68,948	27,731	153,737	35,973	–	–	286,389
Financial assets held under resale agreements	–	–	202,853	20,601	42,610	–	–	–	266,064
Loans and advances to customers	14,969	–	365,336	513,352	2,095,048	1,950,360	3,266,765	–	8,205,830
Financial assets measured at fair value through profit or loss	10	124,137	25,712	84,942	185,237	155,844	184,663	1,800	762,345
Financial assets measured at fair value through other comprehensive income – debt instruments	17	–	14,932	29,695	77,725	189,045	12,213	–	323,627
Financial assets measured at fair value through other comprehensive income – equity instruments	–	–	–	–	–	–	–	11,888	11,888
Financial assets measured at amortized cost	196	–	57,102	83,177	632,671	1,635,125	1,534,418	–	3,942,689
Other financial assets	–	22,068	372	2,203	175	529	4,274	280	29,901
Total non-derivative financial assets	15,192	220,786	737,770	774,670	3,255,451	3,966,876	5,022,333	1,137,303	15,110,381
Non-derivative financial liabilities									
Borrowings from central bank	–	–	2,963	1,404	13,009	–	–	–	17,376
Deposits from banks and other financial institutions	–	143,604	908	774	824	9,199	–	–	155,309
Placements from banks and other financial institutions	–	–	6,950	6,854	29,312	–	–	–	43,116
Financial assets sold under repurchase agreements	–	–	17,165	10,515	7,056	–	–	–	34,736
Customer deposits	–	3,967,774	814,237	1,965,022	3,529,656	1,194,359	–	–	11,471,048
Debt securities issued	–	–	–	900	2,095	11,980	92,955	–	107,930
Other financial liabilities	–	16,531	16,715	10,975	2,659	6,804	5,347	–	59,031
Total non-derivative financial liabilities	–	4,127,909	858,938	1,996,444	3,584,611	1,222,342	98,302	–	11,888,546
Net liquidity	15,192	(3,907,123)	(121,168)	(1,221,774)	(329,160)	2,744,534	4,904,031	1,137,303	3,221,835

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.4 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows of non-derivative financial assets and financial liabilities by remaining maturities (continued)

	As at December 31, 2020								
	Overdue	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and deposits with central bank	–	81,953	–	559	–	–	–	1,137,350	1,219,862
Deposits with banks and other financial institutions	–	9,958	3,502	946	29,833	–	–	–	44,239
Placements with banks and other financial institutions	–	–	20,516	26,667	159,654	49,282	–	–	256,119
Financial assets held under resale agreements	–	–	217,337	32,106	10,858	–	–	–	260,301
Loans and advances to customers	9,086	–	383,273	444,868	1,758,500	1,610,617	3,016,250	–	7,222,594
Financial assets measured at fair value through profit or loss	10	60,737	8,871	29,488	51,870	131,008	150,011	1,049	433,044
Financial assets measured at fair value through other comprehensive income – debt instruments	–	–	5,816	9,753	80,091	229,380	14,444	–	339,484
Financial assets measured at fair value through other comprehensive income – equity instruments	–	–	–	–	–	–	–	5,804	5,804
Financial assets measured at amortized cost	332	–	63,076	178,438	493,266	1,769,345	1,302,363	–	3,806,820
Other financial assets	–	9,552	133	3,216	134	362	3,081	187	16,665
Total non-derivative financial assets	9,428	162,200	702,524	726,041	2,584,206	3,789,994	4,486,149	1,144,390	13,604,932
Non-derivative financial liabilities									
Borrowings from central bank	–	–	–	4,497	20,958	–	–	–	25,455
Deposits from banks and other financial institutions	–	65,733	–	–	11,131	9,970	–	–	86,834
Placements from banks and other financial institutions	–	–	4,649	5,321	21,299	–	–	–	31,269
Financial assets sold under repurchase agreements	–	–	7,700	10,798	6,719	–	–	–	25,217
Customer deposits	–	3,819,615	653,192	1,458,023	3,155,990	1,389,964	–	–	10,476,784
Debt securities issued	–	–	–	900	8,160	7,560	53,690	–	70,310
Other financial liabilities	–	13,131	16,456	2,776	240	1,121	2,871	–	36,595
Total non-derivative financial liabilities	–	3,898,479	681,997	1,482,315	3,224,497	1,408,615	56,561	–	10,752,464
Net liquidity	9,428	(3,736,279)	20,527	(756,274)	(640,291)	2,381,379	4,429,588	1,144,390	2,852,468

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.4 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows of derivative financial instruments by remaining maturities

Derivative financial instruments settled on a net basis

The fair values of the Group's derivative financial instruments that will be settled on a net basis are primarily related to changes in interest rates. The tables below present the undiscounted contractual cash flows of the Group's net derivative positions based on their remaining contractual maturities:

	As at December 31, 2021					
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest rate derivative financial instruments	**6**	**–**	**(8)**	**1**	**–**	**(1)**

	As at December 31, 2020					
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest rate derivative financial instruments	3	6	11	35	–	55

Derivative financial instruments settled on a gross basis

The fair values of the Group's derivative financial instruments that will be settled on a gross basis are primarily related to changes in foreign exchange rates and interest rates. The tables below present the undiscounted contractual cash flows of the Group's gross derivative positions based on their remaining contractual maturities:

	As at December 31, 2021					
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Derivative financial instruments settled on a gross basis						
– Cash inflow	**90,030**	**160,388**	**177,043**	**1**	**–**	**427,462**
– Cash outflow	**(90,529)**	**(178,298)**	**(177,178)**	**–**	**–**	**(446,005)**
Total	**(499)**	**(17,910)**	**(135)**	**1**	**–**	**(18,543)**

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.4 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows of derivative financial instruments by remaining maturities (continued)

Derivative financial instruments settled on a gross basis (continued)

	As at December 31, 2020					
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Derivative financial instruments settled on a gross basis						
– Cash inflow	103,517	76,350	244,850	9,134	–	433,851
– Cash outflow	(104,142)	(76,025)	(242,890)	(9,320)	–	(432,377)
Total	(625)	325	1,960	(186)	–	1,474

Credit commitments

The off-balance sheet items of the Group are listed in the following table by remaining contractual maturity, and the financial guarantees are listed in the notional amount according to the earliest contract expiration date:

	As at December 31, 2021			
	Within 1 year	**1 to 5 years**	**Over 5 years**	**Total**
Loan commitments	**50,747**	**88,695**	**13,181**	**152,623**
Bank acceptances	**36,158**	**–**	**–**	**36,158**
Guarantees and letters of guarantees	**20,301**	**17,949**	**4,609**	**42,859**
Letters of credit	**32,209**	**–**	**–**	**32,209**
Unused credit card commitments	**367,441**	**–**	**–**	**367,441**
Total	**506,856**	**106,644**	**17,790**	**631,290**

	As at December 31, 2020			
	Within 1 year	1 to 5 years	Over 5 years	Total
Loan commitments	70,856	190,821	16,115	277,792
Bank acceptances	38,652	–	–	38,652
Guarantees and letters of guarantees	22,618	13,982	3,626	40,226
Letters of credit	30,383	–	–	30,383
Unused credit card commitments	330,260	–	–	330,260
Total	492,769	204,803	19,741	717,313

44 Financial risk management (continued)

44.5 Market risk

Market risk refers to the risk of loss to the Group's on- and off-balance sheet business operations arising from unfavorable changes on market prices (including interest rates, exchange rates, stock prices, commodity prices, etc.). The Group is primarily exposed to interest rate risk and exchange rate risk (including gold).

The Group adopts a centralized approach during the market risk management process, including identification, measurement, monitoring and mitigation of the market risk. The Group has established basic policies and procedures for the management of market risk, separation of banking and trading books, and valuation of financial assets. The Group applies such policies and procedures to identify, measure, monitor and mitigate market risks on both banking book and trading book respectively.

The Group is also exposed to market risk on its derivative investments on behalf of customers that are hedged through back-to-back transactions with other financial institutions.

Measurement techniques and limit setting for market risks

Trading book

Market risk on the trading book mainly arises from losses in valuation of financial instruments in the trading book due to adverse changes of market interest rates and exchange rates.

The Group uses limit management, sensitivity analysis, exposure analysis, stress test and other methods to manage the market risk of trading book and control the risk exposure within an acceptable range.

Banking book

The interest rate risk of the Group includes the risk of the adverse changes in the interest rate and term structure that may affect the economic value and overall operating income of the Group. It mainly includes the mismatch risk and the prime interest rate risk of assets and liabilities.

The Group measures the gap between assets and liabilities caused by repricing dates and maturity dates mismatch through monitoring the interest rate sensitivity gap using repricing gap analysis, and makes adjustments to refine the structure and bridge the interest rate risk gap by assessing potential changes of interest rates.

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.5 Market risk (continued)

Measurement techniques and limit setting for market risks (continued)

Sensitivity analysis on net interest income

The sensitivity analysis on net interest income is based on changes in interest rates with the assumption that all interest rates move by the same margin and the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behaviour, prime interest rates or any prepayment options on debt securities into consideration. On the assumption that the RMB yield and foreign currency yield move in parallel, the Group calculates the changes of net interest income in the coming year.

The table below shows the potential impact on the Group's net interest income by an upward or a downward parallel shift of interest rates by 100 basis points. The actual circumstances may differ from the assumptions so that the impact on the net interest income as shown in the following analysis may be different from the actual outcome.

	(Decrease)/Increase in net interest income	
	As at December 31, 2021	As at December 31, 2020
Upward parallel shift of 100 bps for yield curves	**(13,773)**	(4,171)
Downward parallel shift of 100 bps for yield curves	**13,773**	4,171

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.5 Market risk (continued)

Interest rate risk

The Group's interest rate exposures are as follows. The financial assets and financial liabilities at the end of the reporting period were stated at their carrying amounts based on the earlier of their repricing date or contractual maturity date.

	As at December 31, 2021						
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and deposits with central bank	1,132,543	–	–	–	–	56,915	1,189,458
Deposits with banks and other financial institutions	11,504	12,023	66,773	–	–	482	90,782
Placements with banks and other financial institutions	68,620	25,550	149,489	35,387	–	1,047	280,093
Derivative financial assets	–	–	–	–	–	6,053	6,053
Financial assets held under resale agreements	202,524	20,378	41,820	–	–	507	265,229
Loans and advances to customers	3,119,309	579,054	2,147,599	261,684	110,207	19,346	6,237,199
Financial assets measured at fair value through profit or loss	22,303	84,975	88,739	49,530	2,523	502,527	750,597
Financial assets measured at fair value through other comprehensive income – debt instruments	13,799	27,076	72,192	176,421	10,954	5,690	306,132
Financial assets measured at fair value through other comprehensive income – equity instruments	–	–	–	–	–	11,888	11,888
Financial assets measured at amortized cost	43,691	65,903	548,875	1,324,849	1,251,071	45,614	3,280,003
Other financial assets	–	–	–	–	–	32,016	32,016
Total financial assets	4,614,293	814,959	3,115,487	1,847,871	1,374,755	682,085	12,449,450
Borrowings from central bank	2,958	1,400	12,952	–	–	6	17,316
Deposits from banks and other financial institutions	144,359	660	577	8,796	–	417	154,809
Placements from banks and other financial institutions	6,872	6,676	28,662	–	–	355	42,565
Derivative financial liabilities	–	–	–	–	–	5,176	5,176
Financial assets sold under repurchase agreements	17,107	10,440	6,995	–	–	101	34,643
Customer deposits	4,753,022	1,901,502	3,431,925	1,102,101	–	165,523	11,354,073
Debt securities issued	–	–	–	–	79,984	1,442	81,426
Other financial liabilities	347	374	2,281	5,462	1,220	48,891	58,575
Total financial liabilities	4,924,665	1,921,052	3,483,392	1,116,359	81,204	221,911	11,748,583
Interest rate risk gap	(310,372)	(1,106,093)	(367,905)	731,512	1,293,551	460,174	700,867

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.5 Market risk (continued)

Interest rate risk (continued)

	As at December 31, 2020						
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and deposits with central bank	1,160,589	–	–	–	–	59,273	1,219,862
Deposits with banks and other financial institutions	13,451	847	29,337	–	–	47	43,682
Placements with banks and other financial institutions	20,475	24,238	155,882	47,382	–	419	248,396
Derivative financial assets	–	–	–	–	–	11,140	11,140
Financial assets held under resale agreements	217,090	31,847	10,690	–	–	329	259,956
Loans and advances to customers	2,872,910	559,660	1,885,547	155,817	19,903	18,524	5,512,361
Financial assets measured at fair value through profit or loss	8,654	28,953	40,645	14,847	35,951	290,231	419,281
Financial assets measured at fair value through other comprehensive income – debt instruments	5,658	10,748	72,704	208,637	12,464	5,711	315,922
Financial assets measured at fair value through other comprehensive income – equity instruments	–	–	–	–	–	5,804	5,804
Financial assets measured at amortized cost	181,033	573,939	517,136	1,019,197	837,282	45,056	3,173,643
Other financial assets	–	–	–	–	–	20,247	20,247
Total financial assets	4,479,860	1,230,232	2,711,941	1,445,880	905,600	456,781	11,230,294
Borrowings from central bank	–	4,400	20,866	–	–	22	25,288
Deposits from banks and other financial institutions	65,706	–	10,861	8,934	–	411	85,912
Placements from banks and other financial institutions	4,613	5,078	20,875	–	–	177	30,743
Derivative financial liabilities	–	–	–	–	–	9,632	9,632
Financial assets sold under repurchase agreements	7,661	10,717	6,663	–	–	93	25,134
Customer deposits	4,463,110	1,451,070	3,048,314	1,242,662	–	152,873	10,358,029
Debt securities issued	–	–	7,138	–	49,967	869	57,974
Other financial liabilities	–	–	–	–	–	36,595	36,595
Total financial liabilities	4,541,090	1,471,265	3,114,717	1,251,596	49,967	200,672	10,629,307
Interest rate risk gap	(61,230)	(241,033)	(402,776)	194,284	855,633	256,109	600,987

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.5 Market risk (continued)

Foreign exchange rate risk

The tables below present the Group's exposures that were subject to changes in exchange rates as at December 31, 2021 and 2020 respectively. The Group's RMB exposures were included in the table for comparison. The financial assets and liabilities and off-balance sheet credit commitments were stated at their carrying amounts in RMB equivalent.

The major currency of the Group for daily operation is RMB. Other currencies used by the Group include United States Dollars (USD), Euro (EUR), Hong Kong Dollars (HKD) and U.K. Pound Sterling (GBP), etc.

	As at December 31, 2021			
	RMB	USD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and deposits with central bank	1,186,222	3,188	48	1,189,458
Deposits with banks and other financial institutions	87,316	2,233	1,233	90,782
Placements with banks and other financial institutions	257,491	22,602	–	280,093
Derivative financial assets	1,048	4,850	155	6,053
Financial assets held under resale agreements	265,229	–	–	265,229
Loans and advances to customers	6,205,695	25,601	5,903	6,237,199
Financial assets measured at fair value through profit or loss	668,009	82,588	–	750,597
Financial assets measured at fair value through other comprehensive income – debt instruments	301,462	4,670	–	306,132
Financial assets measured at fair value through other comprehensive income – equity instruments	11,888	–	–	11,888
Financial assets measured at amortized cost	3,231,554	48,423	26	3,280,003
Other financial assets	25,862	6,150	4	32,016
Total financial assets	12,241,776	200,305	7,369	12,449,450
Borrowings from central bank	17,316	–	–	17,316
Deposits from banks and other financial institutions	154,809	–	–	154,809
Placements from banks and other financial institutions	27,515	15,050	–	42,565
Derivative financial liabilities	1,046	3,979	151	5,176
Financial assets sold under repurchase agreements	34,643	–	–	34,643
Customer deposits	11,327,612	26,057	404	11,354,073
Debt securities issued	81,426	–	–	81,426
Other financial liabilities	52,836	5,738	1	58,575
Total financial liabilities	11,697,203	50,824	556	11,748,583
Net on-balance sheet position	544,573	149,481	6,813	700,867
Net notional amount of derivative financial instruments	91,727	(83,409)	(9,986)	(1,668)
Credit commitments	618,525	6,575	6,190	631,290

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.5 Market risk (continued)

Foreign exchange rate risk (continued)

	As at December 31, 2020			
	RMB	USD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and deposits with central bank	1,217,177	2,625	60	1,219,862
Deposits with banks and other financial institutions	39,737	3,059	886	43,682
Placements with banks and other financial institutions	245,087	3,309	–	248,396
Derivative financial assets	701	10,439	–	11,140
Financial assets held under resale agreements	259,956	–	–	259,956
Loans and advances to customers	5,474,928	29,759	7,674	5,512,361
Financial assets measured at fair value through profit or loss	411,184	8,097	–	419,281
Financial assets measured at fair value through other comprehensive income – debt instruments	308,211	7,711	–	315,922
Financial assets measured at fair value through other comprehensive income – equity instruments	5,804	–	–	5,804
Financial assets measured at amortized cost	3,129,775	43,868	–	3,173,643
Other financial assets	18,458	1,789	–	20,247
Total financial assets	11,111,018	110,656	8,620	11,230,294
Borrowings from central bank	25,288	–	–	25,288
Deposits from banks and other financial institutions	85,912	–	–	85,912
Placements from banks and other financial institutions	17,426	13,317	–	30,743
Derivative financial liabilities	652	8,980	–	9,632
Financial assets sold under repurchase agreements	25,134	–	–	25,134
Customer deposits	10,304,038	53,647	344	10,358,029
Debt securities issued	57,974	–	–	57,974
Other financial liabilities	35,713	880	2	36,595
Total financial liabilities	10,552,137	76,824	346	10,629,307
Net on-balance sheet position	558,881	33,832	8,274	600,987
Net notional amount of derivative financial instruments	(15,357)	25,295	(8,123)	1,815
Credit commitments	700,522	12,192	4,599	717,313

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.5 Market risk (continued)

Foreign exchange rate risk (continued)

Exchange rate sensitivity analysis

The table below indicates the potential effect of appreciation or depreciation of USD spot and forward exchange rate against RMB by 5% on net profit of the Group.

Exchange rate changes	**As at December 31, 2021**	As at December 31, 2020
5% of appreciation of USD against RMB	**2,231**	661
5% of depreciation of USD against RMB	**(2,231)**	(661)

The impact on the net profit arises from the effects of fluctuation in RMB exchange rate on the net positions of foreign monetary assets and liabilities. The effect on the net profit is based on the assumption that the Group's net foreign currency at the end of the reporting period remains unchanged. The Group mitigates its foreign currency risk through active management of its foreign exchange exposures, based on the management expectation of future foreign currency fluctuation. Therefore the above sensitivity analysis may differ from the actual situation.

44.6 Operational risk

Operational risk refers to risks caused by inadequate or problematic internal procedures, employee misconduct and IT system failures, and external events. The types of operational risks that the Group may face include seven categories: internal fraud, external fraud, employment systems and workplace safety, customers, products and business activities, damage to physical assets, information technology system failures, execution, delivery and process management.

Guided by the operational risk appetite approved by the Board of Directors, the Group's senior management is mainly responsible for establishing and implementing the operational risk management policies and limits. The policies aim to continuously improve the internal control mechanism, reinforce the supervision and inspection framework, improve the information technology capability, enrich the basis of operation management, intensify monitoring reports, regulate staff behaviour, foster risk management culture and initiative awareness to regulations and ensure the security of business operation.

44.7 Fair value of financial instruments

Most of the balance sheet items of the Group are financial assets and financial liabilities. The fair value measurement of non-financial assets and non-financial liabilities will not have a significant impact on the Group's overall financial performance.

During the year ended December 31, 2021 and 2020, there were no assets or liabilities which were discontinued being measured at fair value by the Group.

44 Financial risk management (continued)

44.7 Fair value of financial instruments (continued)

(1) Valuation techniques, parameters and processes

The fair value of financial assets and financial liabilities is determined according to the following methods:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded in an active market is determined by reference to the market price.
- For non-option derivative financial instruments, the fair value is determined by discounted cash flow analysis using the applicable yield curve within the term of the instrument.
- The fair value of other financial assets and financial liabilities is determined according to the generally accepted pricing model or the current market price observable for similar instruments based on the discounted cash flow analysis. If there is no observable market transaction price for similar instruments, the net assets are used for valuation, and the price is analyzed by the management.

The Group has established an independent valuation process for financial assets and financial liabilities to satisfy segregation of duties and relevant departments are respectively responsible for valuation, model validation and accounting treatment.

(2) Fair value hierarchy

Financial instruments at fair value are classified into the following three levels of measurement hierarchy:

Level 1: Fair value is determined based on quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Where quoted prices are not available from open markets, the fair value of financial instruments is determined by valuation techniques.

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.7 Fair value of financial instruments (continued)

(3) Financial assets and financial liabilities not measured at fair value on the statement of financial position

Financial assets and liabilities not measured at fair value mainly represent deposits with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers measured at amortized cost, financial assets measured at amortized cost, borrowings from central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements, customer deposits, and debt securities issued.

The tables below summarize the carrying amounts and the fair values of the financial assets measured at amortized cost and debt securities issued which are not set out in the statement of financial position.

	As at December 31, 2021				
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Financial assets measured at amortized cost	**3,280,003**	**3,334,758**	**–**	**2,772,136**	**562,622**
Financial liabilities					
Debt securities issued	**81,426**	**81,911**	**–**	**81,911**	**–**

	As at December 31, 2020				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortized cost	3,173,643	3,011,327	45,451	2,340,101	625,775
Financial liabilities					
Debt securities issued	57,974	58,201	–	58,201	–

Except for the financial assets and liabilities above, the fair value of other financial assets and financial liabilities not measured at fair value in the statement of financial position are determined using discounted future cash flows method. There is no significant difference between their carrying amounts and fair value.

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position

The tables below summarize the fair values of the financial assets and financial liabilities measured at their fair value on the statement of financial position.

	As at December 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances to customers				
– Measured at FVTOCI	–	594,407	–	594,407
Subtotal	–	594,407	–	594,407
Financial assets measured at FVTPL				
– Debt securities	–	67,310	–	67,310
– Interbank certificates of deposits	–	182,663	–	182,663
– Asset-backed securities	–	45	–	45
– Fund investments	–	390,373	50,865	441,238
– Trust investment plans and asset management plans	–	–	57,541	57,541
– Equity instruments	637	–	1,163	1,800
Subtotal	637	640,391	109,569	750,597
Derivative financial assets				
– Exchange rate derivatives	–	5,002	–	5,002
– Interest rate derivatives	–	1,049	–	1,049
– Precious metal derivatives	–	2	–	2
Subtotal	–	6,053	–	6,053
Financial assets measured at FVTOCI – debt instruments				
– Debt securities	–	302,244	–	302,244
– Interbank certificates of deposits	–	391	–	391
– Debt financing plans	–	–	3,497	3,497
Subtotal	–	302,635	3,497	306,132
Financial assets measured at FVTOCI – equity instruments				
– Equity instruments	9,491	–	2,397	11,888
Subtotal	9,491	–	2,397	11,888
Total financial assets	10,128	1,543,486	115,463	1,669,077
Financial liabilities				
Derivative financial liabilities				
– Exchange rate derivatives	–	(4,106)	–	(4,106)
– Interest rate derivatives	–	(1,052)	–	(1,052)
– Precious metal derivatives	–	(18)	–	(18)
Total financial liabilities	–	(5,176)	–	(5,176)

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

	As at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances to customers				
– Measured at FVTOCI	–	151,369	459,105	610,474
Subtotal	–	151,369	459,105	610,474
Financial assets measured at FVTPL				
– Debt securities	1,047	75,306	–	76,353
– Interbank certificates of deposits	7,055	46,948	–	54,003
– Asset-backed securities	–	301	–	301
– Fund investments	–	235,673	716	236,389
– Trust investment plans and asset management plans	–	–	50,693	50,693
– Wealth management products issued by financial institutions	–	493	–	493
– Equity instruments	12	–	1,037	1,049
Subtotal	8,114	358,721	52,446	419,281
Derivative financial assets				
– Exchange rate derivatives	–	10,438	–	10,438
– Interest rate derivatives	–	702	–	702
Subtotal	–	11,140	–	11,140
Financial assets measured at FVTOCI – debt instruments				
– Debt securities	7,711	303,553	–	311,264
– Interbank certificates of deposits	–	719	–	719
– Debt financing plans	–	–	3,939	3,939
Subtotal	7,711	304,272	3,939	315,922
Financial assets measured at FVTOCI – equity instruments				
– Equity instruments	–	4,251	1,553	5,804
Subtotal	–	4,251	1,553	5,804
Total financial assets	15,825	829,753	517,043	1,362,621
Financial liabilities				
Derivative financial liabilities				
– Exchange rate derivatives	–	(8,959)	–	(8,959)
– Interest rate derivatives	–	(673)	–	(673)
Total financial liabilities	–	(9,632)	–	(9,632)

44 Financial risk management (continued)

44.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

For financial instruments traded in active markets, the determination of fair values is based on quoted market prices. Where quoted prices are not available from open markets, the fair value of financial instruments is determined by valuation techniques.

Parameters used in valuation techniques mainly include debt securities prices, interest rates, exchange rates, equity prices, volatility level, correlation, pre-payment rate and counterparties' credit spread.

(a) Basis of determining the market price for recurring fair value measurements categorized within Level 1

Quoted prices are used for financial instruments with quoted prices in an active market.

(b) Valuation techniques, key parameters used for recurring fair value measurement categorized within Level 2

Financial investments

Financial investments using valuation techniques mainly consist of debt securities, interbank certificates of deposits and investment fund, etc. The fair value of RMB bonds and interbank certificates of deposits is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. The fair value of foreign currency bonds and interbank certificates of deposits is determined based on the valuation results of Bloomberg. The fair value of these bonds and interbank certificates of deposits is determined based on a valuation technique for which all significant inputs are observable market data. The fair value of the investment fund classified as Level 2 derived from the observable quoted price in market.

Derivatives

Derivatives using valuation techniques with market observable inputs are mainly foreign exchange forwards and swaps, interest rate swaps, cross currency interest rate swaps, and precious metals swaps, etc. The most frequently applied valuation techniques include discounted cash flow method and Black-Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc.

Loans and advances to customers

The loans and advances to customers involving valuation techniques are mainly forfaiting and discounted bills. The fair value of these forfaiting and discounted bills is measured by discounted cash flow method.

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

(c) Quantitative information about the significant unobservable inputs used in Level 3 fair value measurements is summarized below:

				Unobservable inputs		
December 31, 2021		Fair Value	Valuation technique	Inputs	Range of inputs	Relationship of unobservable inputs to fair value
Financial assets						
Financial assets measured at FVTPL						
– Fund investments	(i)	50,865	Net asset method	Net assets		Positive correlation
– Trust investment plans and asset management plans	(i)	57,541	Net asset method	Net assets		Positive correlation
– Equity instruments	(i)	1,163	Net asset method	Net assets		Positive correlation
Subtotal		109,569				
Financial assets measured at FVTOCI – debt instruments						
– Debt financing plans	(ii)	3,497	Discounted cash flow method	Discount rate	3.52%-6.05%	Negative correlation
Financial assets measured at FVTOCI						
– equity instruments	(i)	2,397	Net asset method	Net assets		Positive correlation
Total		115,463				

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

(c) Quantitative information about the significant unobservable inputs used in Level 3 fair value measurements is summarized below: (continued)

December 31, 2020		Fair Value	Valuation technique	Unobservable inputs: Inputs	Unobservable inputs: Range of inputs/ weighted average	Unobservable inputs: Relationship of unobservable inputs to fair value
Financial assets						
Financial assets measured at FVTPL						
– Fund investments	(i)	716	Net asset method	Net assets		Positive correlation
– Trust investment plans and asset management plans	(i)	50,693	Net asset method	Net assets		Positive correlation
– Equity instruments	(i)	1,037	Net asset method	Net assets		Positive correlation
Subtotal		52,446				
Financial assets measured at FVTOCI – debt instruments – Debt financing plans	(ii)	3,939	Discounted cash flow method	Discount rate	3.70%-5.50%	Negative correlation
Financial assets measured at FVTOCI – equity instruments	(i)	1,553	Net asset method			
Financial assets measured at FVTOCI – loans and advances		459,105	Discounted cash flow method	Net assets		Positive correlation
				Discount rate	2.83%	Negative correlation
Total		517,043				

(i) The fair value of fund investments, trust investment plans and asset management plans, equity instruments measure at FVTPL, and equity instruments measure at FVTOCI are all determined using net asset method, where the significant unobservable inputs are the net assets.

(ii) The fair value of debt financing plans measure at FVTOCI is measured using the discounted cash flow method, where the significant unobservable inputs are the yield curves of similar financial instruments to be used as discount rates.

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

(c) Quantitative information about the significant unobservable inputs used in Level 3 fair value measurements is summarized below: (continued)

Changes in Level 3 are analyzed below:

	2021			
	Financial assets measured at FVTPL	**Financial assets measured at FVTOCI – debt instruments**	**Financial assets measured at FVTOCI – equity instruments**	**Loans and advances to customers**
Balance at the beginning of the year	**52,446**	**3,939**	**1,553**	**459,105**
Increased	**50,510**	**3,458**	**500**	**–**
Settled	**(1,840)**	**(3,899)**	**–**	**(38,970)**
Total gains or losses recognized in				
– Profit or loss	**8,453**	**–**	**–**	**–**
– Other comprehensive income	**–**	**(1)**	**344**	**962**
Transfers out of level 3	**–**	**–**	**–**	**(421,097)**
Balance at the end of the year	**109,569**	**3,497**	**2,397**	**–**

	2020			
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI – debt instruments	Financial assets measured at FVTOCI – equity instruments	Loans and advances to customers
Balance at the beginning of the year	44,929	–	1,053	309,573
Increased	–	3,939	500	149,484
Settled	(325)	–	–	–
Total gains or losses recognized in				
– Profit or loss	7,842	–	–	–
– Other comprehensive income	–	–	–	48
Balance at the end of the year	52,446	3,939	1,553	459,105

All of the total gains or losses recognized in profit or loss are unrealized gains or losses for financial assets measured at FVTPL held at the end of reporting period.

44 Financial risk management (continued)

44.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

(d) Transfers between Levels

Transfers between Level 1 and Level 2:

Due to changes in market conditions for certain securities, quoted prices in active markets were available. Therefore, these securities were transferred from Level 2 to Level 1 of the fair value hierarchy as at the end of the reporting period.

Transfers between Level 2 and Level 3:

Due to changes in the valuation techniques of certain financial instruments or significant inputs used in their fair value measurements, which was previously unobservable became observable or validated by the market, etc., certain financial instruments were transferred from Level 3 to Level 2 of the fair value hierarchy as at the end of the reporting period.

Except for the above-mentioned transfers between fair value hierarchies, there were no other significant changes during the year ended December 31, 2021.

44 Financial risk management (continued)

44.8 Capital management

The Group's capital management aims at meeting regulatory requirements, continuously improving the ability to mitigate risks and increasing returns on capital. Accordingly, the Group has set its capital adequacy objectives and employed various means and methods to meet its management objectives, including performance assessment against plans and budgets, and limit management; to ensure its capital management meets external regulatory, credit rating, risk compensation and shareholders' value requirements; help drive risk management across the Group; ensure a disciplinary expansion of its assets; and continually improve its business structure and operating models.

The Group has maintained a relatively fast pace of development in terms of business scale in recent years with an increase in the demand of capital accordingly. In order to ensure that the Group meets regulatory capital adequacy requirements and maximises returns to shareholders without compromising its risk management, the Group makes strong efforts to promote the establishment of capital constraints system, enhances the management of both total amount and structure of risk assets, and promotes the transformation of its business model towards a capital efficient one through the comprehensive use of several measurement tools such as capital planning, limit management, economic capital management and estimation of internal capital adequacy, in order to ensure that the capital adequacy ratios meet the risk coverage and regulatory requirements continuously.

In accordance with *Administrative Measures for Capital of Commercial Banks (for Trial Implementation)*《商業銀行資本管理辦法(試行)》promulgated by CBIRC, and *Additional Regulations Supervision on Systemically Important Banks (for Trial Implementation)*《系統重要性銀行附加監管規定(試行))》issued by PBOC and the CBIRC and the related provisions, as at December 31, 2021, the Group's core tier 1 capital adequacy ratio should be 8.00%, tier 1 capital adequacy ratio should be 9.00%, and capital adequacy ratio should be 11.00% (as at December 31, 2020: 7.50%, 8.50% and 10.50%, respectively). During the year ended December 31, 2021, the Group continuously intensified the monitoring, analyzing and reporting of capital adequacy ratios, constantly optimized the risk asset structure, increased internal capital accumulation, and promoted the supplement of external capital, in order to ensure that the Group's capital adequacy ratio meets regulatory requirements and internal management needs.

(All amounts in millions of RMB unless otherwise stated)

44 Financial risk management (continued)

44.8 Capital management (continued)

The Group's regulatory capital as calculated according to the *Administrative Measures for Capital of Commercial Banks (for Trial Implementation)* (商業銀行資本管理辦法(試行)) promulgated by the CBIRC at December 31, 2021 and 2020 is as follows:

		As at December 31, 2021	As at December 31, 2020
Core tier 1 capital adequacy ratio	(1)	**9.92%**	9.60%
Tier 1 capital adequacy ratio	(1)	**12.39%**	11.86%
Capital adequacy ratio	(1)	**14.78%**	13.88%
Core tier 1 capital		**637,186**	544,654
Deductions of core tier 1 capital	(2)	**(2,162)**	(2,307)
Core tier 1 capital – net		**635,024**	542,347
Other tier 1 capital		**157,982**	127,954
Tier 1 capital – net		**793,006**	670,301
Tier 2 capital			
Directly issued qualifying tier 2 instruments including related premium		**79,984**	49,967
Excess provision for loan loss		**72,749**	64,121
Non-controlling interests recognized in tier 2 capital		**253**	190
Net capital	(3)	**945,992**	784,579
Risk-weighted assets	(4)	**6,400,338**	5,651,439

(1) Core tier 1 capital adequacy ratio is equal to net core tier 1 capital divided by risk-weighted assets; tier 1 capital adequacy ratio is equal to net tier 1 capital divided by risk-weighted assets; and capital adequacy ratio is equal to net capital divided by risk-weighted assets.

(2) Deductions from core tier 1 capital include other intangible assets (not including land use rights).

(3) Net capital is equal to total capital net of deductions from total capital.

(4) Risk-weighted assets include credit risk-weighted assets measured using the risk-weighted method, market risk-weighted assets measured using the standardized method, and operational risk-weighted assets measured using the basic indicator approach.

(All amounts in millions of RMB unless otherwise stated)

45 Reconciliation of liabilities arising from financing activities

The table below summarizes the changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Debt securities issued (Note 32)	**Dividends payable**	**Lease liabilities (Note 33)**	**Total**
As at 1 January 2021	**57,974**	**–**	**9,278**	**67,252**
Financing cash flows	**20,866**	**(24,573)**	**(4,012)**	**(7,719)**
Non-cash changes				
Interest expenses	**2,586**	**–**	**323**	**2,909**
New leases entered	**–**	**–**	**4,094**	**4,094**
Dividends declared	**–**	**24,573**	**–**	**24,573**
As at 31 December 2021	**81,426**	**–**	**9,683**	**91,109**

	Debt securities issued (Note 32)	Dividends payable	Lease liabilities (Note 33)	Total
As at 1 January 2020	96,979	–	8,396	105,375
Financing cash flows	(42,422)	(20,867)	(4,155)	(67,444)
Non-cash changes				
Interest expenses	3,417	–	331	3,748
New leases entered	–	–	4,706	4,706
Dividends declared	–	20,867	–	20,867
As at 31 December 2020	57,974	–	9,278	67,252

46 Events after the end of the reporting period

(1) Issuance of bonds

On January 18, 2022, the Bank publicly issued an undated additional tier-1 capital bond of RMB30 billion in the Domestic Interbank Bond Market. After deducting the issuance costs, the proceeds will be used to supplement additional other tier 1 capital of the Bank in accordance with the applicable laws and the approval of relevant authorities.

On March 8, 2022, the Bank issued tier-2 capital bonds in the Domestic Interbank Bond Market with a face value of RMB40 billion. The proceeds from the issuance will be eligible for replenishing the additional tier-2 capital of the Bank in accordance with applicable laws and approvals by the regulatory authorities.

(2) Redemption of bonds

The Bank issued RMB20 billion of 10-year tier-2 capital bonds in March 2017. The Bank has an option to redeem part or all of the bonds at face value in March 2022. On March 24, 2022, the Bank exercised this redemption option and has redeemed all of the bonds.

(3) Dividend distribution

On March 30, 2022, the Board of Directors proposed the following profit distribution scheme for the year ended December 31, 2021. In accordance with the Company Law of the People's Republic of China (中華人民共和國公司法), Administrative Measures for Provisioning of Financial Enterprises (金融企業準備金計提管理辦法) and the Articles of Association and other relevant provisions: declaration of cash dividend of RMB2.474 per ten shares (tax included), totalling RMB22,856 million (tax included) to ordinary shareholders based on RMB92,384 million ordinary shares. The proposed profit distribution scheme is subject to the approval in the forthcoming Annual General Meeting for the year of 2021. Cash dividends will be distributed to all shareholders registered at the relevant date upon approval.

47 Reclassification of comparative figures

Certain comparative figures have been reclassified to conform to the current period presentation.

(All amounts in millions of RMB unless otherwise stated)

48 The statement of financial position of the Bank

	As at 31 December,	
	2021	2020
Assets		
Cash and deposits with central bank	**1,189,458**	1,219,862
Deposits with banks and other financial institutions	**93,075**	46,130
Placements with banks and other financial institutions	**287,655**	256,758
Derivative financial assets	**6,053**	11,140
Financial assets held under resale agreements	**265,080**	259,956
Loans and advances to customers	**6,195,006**	5,480,647
Financial investments		
Financial assets at fair value through profit or loss	**750,585**	418,788
Financial assets at fair value through other comprehensive income – debt instruments	**298,451**	309,629
Financial assets at fair value through other comprehensive income – equity instruments	**11,888**	5,804
Financial assets at amortized cost	**3,278,979**	3,172,656
Investment in subsidiary	**10,115**	10,115
Property and equipment	**54,621**	48,670
Deferred tax assets	**55,594**	52,559
Other assets	**57,601**	40,539
Total assets	**12,554,161**	11,333,253
Liabilities		
Borrowings from central bank	**17,316**	25,288
Deposits from banks and other financial institutions	**155,510**	88,132
Placements from banks and other financial institutions	**15,990**	13,317
Derivative financial liabilities	**5,176**	9,632
Financial assets sold under repurchase agreements	**34,643**	25,134
Customer deposits	**11,354,073**	10,358,029
Debt securities issued	**81,426**	57,974
Other liabilities	**100,034**	85,966
Total liabilities	**11,764,168**	10,663,472
Equity		
Share capital	**92,384**	86,979
Other equity instruments		
Preference shares	**47,869**	47,869
Perpetual bonds	**109,986**	79,989
Capital reserve	**125,497**	100,917
Other reserves	**218,880**	175,131
Retained earnings	**195,377**	178,896
Total equity	**789,993**	669,781
Total equity and liabilities	**12,554,161**	11,333,253

Approved and authorized for issue by the Board of Directors on March 30, 2022.

Zhang Jinliang	**Zhang Xuewen**
(On behalf of Board of Directors)	(On behalf of Board of Directors)

(All amounts in millions of RMB unless otherwise stated)

49 The statement of changes in equity of the Bank

		Other equity instruments			Other reserves				
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Total
As at January 1, 2021	**86,979**	**47,869**	**79,989**	**100,917**	**42,688**	**129,688**	**2,755**	**178,896**	**669,781**
Profit for the year	–	–	–	–	–	–	–	**74,170**	**74,170**
Other comprehensive income	–	–	–	–	–	–	**10,598**	–	**10,598**
Total comprehensive income for the year	–	–	–	–	–	–	**10,598**	**74,170**	**84,768**
Issuance of ordinary shares	**5,405**	–	–	**24,580**	–	–	–	–	**29,985**
Issuance of perpetual bonds	–	–	**29,997**	–	–	–	–	–	**29,997**
Appropriation to surplus reserve	–	–	–	–	**7,417**	–	–	**(7,417)**	–
Appropriation to general reserve	–	–	–	–	–	**27,083**	–	**(27,083)**	–
Dividends paid to ordinary shareholders	–	–	–	–	–	–	–	**(19,262)**	**(19,262)**
Dividends paid to preference shareholders	–	–	–	–	–	–	–	**(2,324)**	**(2,324)**
Dividends paid to Shareholders of perpetual bonds	–	–	–	–	–	–	–	**(2,952)**	**(2,952)**
Realized gain of equity instrument investments measured at fair value through other comprehensive income	–	–	–	–	–	–	**(1,349)**	**1,349**	–
As at December 31, 2021	**92,384**	**47,869**	**109,986**	**125,497**	**50,105**	**156,771**	**12,004**	**195,377**	**789,993**

		Other equity instruments			Other reserves				
	Share capital	Preference Shares	Perpetual Bonds	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Total
As at January 1, 2020	86,203	47,869	–	97,488	36,439	116,116	2,319	157,099	543,533
Profit for the year	–	–	–	–	–	–	–	62,485	62,485
Other comprehensive income	–	–	–	–	–	–	436	–	436
Total comprehensive income for the year	–	–	–	–	–	–	436	62,485	62,921
Capital contribution from shareholders	776	–	–	3,429	–	–	–	–	4,205
Issuance of perpetual bonds	–	–	79,989	–	–	–	–	–	79,989
Appropriation to surplus reserve	–	–	–	–	6,249	–	–	(6,249)	–
Appropriation to general reserve	–	–	–	–	–	13,572	–	(13,572)	–
Dividends paid to ordinary shareholders	–	–	–	–	–	–	–	(18,283)	(18,283)
Dividends paid to preference shareholders	–	–	–	–	–	–	–	(2,584)	(2,584)
As at December 31, 2020	86,979	47,869	79,989	100,917	42,688	129,688	2,755	178,896	669,781

Appendix I: Supplementary Financial Information

Leverage Ratio

In millions of RMB, except for percentages

Item	**As at December 31, 2021**	As at September 30, 2021	As at June 30, 2021	As at March 31, 2021
Tier 1 capital – net	**793,006**	776,553	747,728	748,283
On- and off-balance sheet assets after adjustments	**13,010,219**	12,673,915	12,677,234	12,407,500
Leverage ratio (%)	**6.10**	6.13	5.90	6.03

Relevant accounting items corresponding to regulatory leverage ratio items and differences between regulatory items and accounting items

In millions of RMB

No.	Item	**As at December 31, 2021**
1	Consolidated total assets	**12,587,873**
2	Consolidated adjustments	**–**
3	Customer assets adjustments	**–**
4	Derivative adjustments	**6,119**
5	Securities financing transactions adjustments	**18,390**
6	Off-balance sheet items adjustments	**399,999**
7	Other adjustments	**(2,162)**
8	On- and off-balance sheet assets after adjustments	**13,010,219**

Leverage ratio, Tier 1 capital – net, On- and off-balance sheet assets after adjustments and relevant details

In millions of RMB, except for percentages

No.	Item	As at December 31, 2021
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	**12,316,591**
2	Less: Deduction from tier 1 capital	**2,162**
3	On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)	**12,314,429**
4	Replacement costs of various derivatives (excluding eligible margin)	**5,595**
5	Potential risk exposures of various derivatives	**6,577**
6	Total collateral deducted from the balance sheet	**–**
7	Less: Assets receivable arising from the provision of eligible margin	**–**
8	Less: Derivative assets arising from central counterpart transactions when providing clearing services to customers	**–**
9	Nominal principal arising from sales of credit derivatives	**–**
10	Less: Deductible assets arising from sales of credit derivatives	**–**
11	Derivative assets	**12,172**
12	Accounting assets arising from securities financing transactions	**265,229**
13	Less: Deductible assets arising from securities financing transactions	**–**
14	Counter-party credit risk exposures arising from securities financing transactions	**18,390**
15	Assets arising from agency services in connection with securities financing transactions	**–**
16	Securities financing transactions assets	**283,619**
17	Off-balance sheet assets	**1,965,563**
18	Less: Decrease in off-balance sheet items due to credit conversion	**1,565,564**
19	Off-balance sheet items after adjustments	**399,999**
20	Tier 1 capital – net	**793,006**
21	On- and off-balance sheet assets after adjustments	**13,010,219**
22	Leverage ratio (%)	**6.10**

International Claims

The Bank regards all claims on third parties outside the Chinese mainland and claims denominated in foreign currencies on third parties in the Chinese mainland as international claims.

International claims include loans and advances to customers, deposits with the central bank, deposits and placements with banks and other financial institutions, investments in debt securities and others.

A country or geographical region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

International Claims

In millions of RMB

	As at December 31, 2021			
	Public sector	Banks and other financial institutions	Non-bank private sectors	Total
Asia Pacific	**5,568**	**124,073**	**48,523**	**178,164**
– of which attributed to Hong Kong	**–**	**37,232**	**13,263**	**50,495**
North and South America	**5,101**	**1,346**	**673**	**7,120**
Europe	**–**	**6,108**	**7,457**	**13,565**
Other areas	**89**	**–**	**–**	**89**
Total	**10,758**	**131,527**	**56,653**	**198,938**

In millions of RMB

	As at December 31, 2020			
	Public sector	Banks and other financial institutions	Non-bank private sectors	Total
Asia Pacific	4,936	45,321	45,885	96,142
– of which attributed to Hong Kong	–	420	11,137	11,557
North and South America	–	2,668	4,054	6,722
Europe	–	1,005	8,170	9,175
Total	4,936	48,994	58,109	112,039

Gross Amount of Overdue Loans to Customers[1]

In millions of RMB, except for percentages

Item	As at December 31, 2021	As at December 31, 2020
Total loans to customers which have been overdue with respect to either principal or interest for periods		
Within 3 months (inclusive)	**18,294**	13,553
Between 3 months and 6 months (inclusive)	**10,289**	5,716
Between 6 months and 12 months (inclusive)	**11,440**	8,408
Over 12 months	**17,336**	17,702
Total	**57,359**	45,379
As a percentage of total loans to customers (%)		
Within 3 months (inclusive)	**0.28**	0.24
Between 3 months and 6 months (inclusive)	**0.16**	0.10
Between 6 months and 12 months (inclusive)	**0.18**	0.15
Over 12 months	**0.27**	0.31
Total	**0.89**	0.80

Note (1): The total loans to customers exclude accrued interest.

Evaluation Indicators for Systemic Importance

Pursuant to the Evaluation Measures for Systemically Important Banks (Yin Fa [2020] No. 289), the Bank's evaluation indicators for systemic importance as of December 31, 2020 are as follows.

In RMB10,000, unless otherwise stated

Tier 1 indicator	Tier 2 indicator		The Bank
Scale	Balance of adjusted on- and off-balance sheet assets		1,180,182,054
Relevance	Intra-financial system assets		311,606,748
	Intra-financial system liabilities		9,816,747
	Securities and other financing instruments issued		57,191,154
Substitutability	Payments settled through payment systems or correspondent banks		8,731,678,613
	Assets in custody		427,411,699
	Agency and commission business		78,125,223
	Number of customers and number of domestic operating institutions	Number of corporate customers	900,628
		Number of personal customers	806,014,794
		Number of domestic operating institutions	10,291
Complexity	Derivatives		55,251,066
	Securities measured at fair value		12,213,681
	Assets of non-banking subsidiaries		4,385,760
	Wealth management business	Balance of non-principal-guaranteed wealth management products issued by the Bank	60,920,988
		Balance of wealth management products issued by wealth management subsidiary	25,610,895
	Overseas claims and debts		2,515,650

Note (1): Calculated upon the standards of the Evaluation Measures for Systemically Important Banks (Yin Fa [2020] No. 289), the data of some indicators differs from the data disclosed in the Annual Report.

Appendix II: Composition of Capital

Composition of Capital

In millions of RMB, except for percentages

Item		As at December 31, 2021
Core tier 1 capital:		
1	Paid-in capital	**92,384**
2	Retained earnings	**406,312**
2a	Surplus reserve	**50,105**
2b	General risk reserve	**157,367**
2c	Undistributed profits	**198,840**
3	Accumulated other comprehensive income and disclosed reserve	**137,540**
3a	Capital reserve	**125,486**
3b	Others	**12,054**
4	Valid portion to core tier 1 capital during the transition period (only applicable to non-joint stock companies. Fill in 0 for joint stock banks)	**–**
5	Valid portion of minority interests	**950**
6	Core tier 1 capital before regulatory adjustments	**637,186**
Core tier 1 capital: Regulatory adjustments		
7	Prudential valuation adjustments	**–**
8	Goodwill (net of deferred tax liabilities)	**–**
9	Other intangible assets other than land use rights (net of deferred tax liabilities)	**2,162**
10	Net deferred tax assets that rely on future profitability and arise from operating losses	**–**
11	Reserves that relate to the cash flow hedging of items that are not measured at fair value	**–**
12	Shortfall of provision for loan impairment	**–**
13	Gain on sale related to asset securitization	**–**
14	Unrealized gains and losses resulted from changes in the fair value of liabilities due to changes in own credit risk	**–**
15	Defined-benefit pension fund net assets (net of deferred tax liabilities)	**–**
16	Direct or indirect holding in own ordinary shares	**–**
17	Reciprocal cross-holdings in core tier 1 capital between banks or between banks and other financial institutions	**–**
18	Deductible amount of insignificant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	**–**
19	Deductible amount of significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	**–**
20	Mortgage servicing rights	**–**
21	Deductible amount in net deferred tax assets that rely on the bank's future profitability	**–**
22	Deductible amount exceeding the 15% threshold for significant minority capital investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation and undeducted portion of net deferred tax assets that rely on the bank's future profitability	**–**

Appendix II: Composition of Capital

Item		As at December 31, 2021
23	Including: Deductible amount of significant minority investments in capital instruments issued by financial institutions	–
24	Including: Deductible amount of mortgage servicing rights	–
25	Including: Deductible amount in net deferred tax assets that rely on the bank's future profitability	–
26a	Investments in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–
26b	Shortfall in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–
26c	Other items that should be deducted from core tier 1 capital	–
27	Undeducted shortfall that should be deducted from additional tier 1 capital and tier 2 capital	–
28	Total regulatory adjustments to core tier 1 capital	**2,162**
29	Core tier 1 capital	**635,024**
Additional tier 1 capital:		
30	Additional tier 1 capital instruments and related premium	**157,855**
31	Including: Portion classified as equity	**157,855**
32	Including: Portion classified as liabilities	–
33	Invalid instruments to additional tier 1 capital after the transition period	–
34	Valid portion of minority interests	**127**
35	Including: Invalid portion to additional tier 1 capital after the transition period	–
36	Additional tier 1 capital before regulatory adjustments	**157,982**
Additional tier 1 capital: Regulatory adjustments		
37	Direct or indirect investments in own additional tier 1 instruments	–
38	Reciprocal cross-holdings in additional tier 1 capital between banks or between banks and other financial institutions	–
39	Deductible amount of insignificant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–
40	Significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–
41a	Investments in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–
41b	Shortfall in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–
41c	Other items that should be deducted from additional tier 1 capital	–
42	Undeducted shortfall that should be deducted from tier 2 capital	–
43	Total regulatory adjustments to additional tier 1 capital	–
44	Additional tier 1 capital	**157,982**
45	Tier 1 capital (core tier 1 capital + additional tier 1 capital)	**793,006**
Tier 2 capital:		

Item		As at December 31, 2021
46	Tier 2 capital instruments and related premium	**79,984**
47	Invalid instruments to tier 2 capital after the transition period	**–**
48	Valid portion of minority interests	**253**
49	Including: Invalid portion to tier 2 capital after the transition period	**–**
50	Valid portion of surplus provision for loan impairment	**72,749**
51	Tier 2 capital before regulatory adjustments	**152,986**
Tier 2 capital: Regulatory adjustments		
52	Direct or indirect investments in own tier 2 instruments	**–**
53	Reciprocal cross-holdings in tier 2 capital between banks or between banks and other financial institutions	**–**
54	Deductible portion of insignificant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	**–**
55	Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	**–**
56a	Investments in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	**–**
56b	Shortfall in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	**–**
56c	Other items that should be deducted from tier 2 capital	**–**
57	Total regulatory adjustments to tier 2 capital	**–**
58	Tier 2 capital	**152,986**
59	Total capital (tier 1 capital + tier 2 capital)	**945,992**
60	Total risk-weighted assets	**6,400,338**
Requirements for capital adequacy ratio and reserve capital		
61	Core tier 1 capital adequacy ratio	**9.92**
62	Tier 1 capital adequacy ratio	**12.39**
63	Capital adequacy ratio	**14.78**
64	Institution specific capital requirements	**3.00**
65	Including: Capital conservation buffer requirement	**2.50**
66	Including: Countercyclical buffer requirement	**–**
67	Including: SIB buffer requirement	**0.50**
68	Percentage of core tier 1 capital meeting buffers to risk-weighted assets	**4.92**
Domestic minimum requirements for regulatory capital		
69	Core tier 1 capital adequacy ratio	**5.00**
70	Tier 1 capital adequacy ratio	**6.00**
71	Capital adequacy ratio	**8.00**
Amounts below the thresholds for deduction		

Appendix II: Composition of Capital

Item		As at December 31, 2021
72	Undeducted amount of insignificant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	**57,051**
73	Undeducted amount of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	–
74	Mortgage servicing rights (net of deferred tax liabilities)	–
75	Other net deferred tax assets that rely on the bank's future profitability (net of deferred tax liabilities)	**56,319**
Valid caps of surplus provision for loan impairment to tier 2 capital		
76	Provision for loan impairment under the weighted approach	**220,543**
77	Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	**72,749**
78	Surplus provision for loan impairment under the internal ratings-based approach	–
79	Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	–
Capital instruments subject to phase-out arrangements		
80	Valid cap to core tier 1 capital for the current period due to phase-out arrangements	–
81	Excluded from core tier 1 capital due to phase-out arrangements	–
82	Valid cap to additional tier 1 capital for the current period due to phase-out arrangements	–
83	Excluded from additional tier 1 capital due to phase-out arrangements	–
84	Valid cap to tier 2 capital for the current period due to phase-out arrangements	–
85	Excluded from tier 2 capital for the current period due to phase-out arrangements	–

Detailed description of related items

In millions of RMB

Item	Balance sheet under regulatory scope of consolidation	Code
Goodwill	–	a
Intangible assets	4,067	b
Including: Land use rights	1,905	c
Deferred income tax liabilities	–	
Including: Deferred tax liabilities related to goodwill	–	d
Including: Deferred tax liabilities related to other intangible assets other than land use rights	–	e
Paid-in capital	92,384	
Including: Amount included in core tier 1 capital	92,384	f
Other equity instruments	157,855	g
Including: Preference shares	47,869	
Including: Perpetual bonds	109,986	
Capital reserve	125,486	h
Others	12,054	i
Surplus reserve	50,105	j
General risk reserve	157,367	k
Undistributed profits	198,840	l

Correspondence between all the items disclosed in the second step and items in the disclosure template of capital composition

In millions of RMB

Item		As at December 31, 2021	Code
Core tier 1 capital:			
1	Paid-in capital	92,384	f
2	Retained earnings	406,312	j+k+l
2a	Surplus reserve	50,105	j
2b	General reserve	157,367	k
2c	Undistributed profits	198,840	l
3	Accumulated other comprehensive income and disclosed reserve	137,540	h+i
3a	Capital reserve	125,486	h
3b	Others	12,054	i
4	Valid portion to core tier 1 capital during the transition period (only applicable to non-joint stock companies. Fill in 0 for joint stock banks)	–	
5	Valid portion of minority interests	950	
6	Core tier 1 capital before regulatory adjustments	637,186	
Core tier 1 capital: Regulatory adjustments			
7	Prudential valuation adjustments	–	
8	Goodwill (net of deferred tax liabilities)	–	a-d
9	Other intangible assets other than land use rights (net of deferred tax liabilities)	2,162	b-c-e
10	Net deferred tax assets that rely on future profitability and arise from operating losses	–	
11	Reserves that relate to the cash flow hedging of items that are not measured at fair value	–	
12	Shortfall of provision for loan impairment	–	
13	Gain on sale related to asset securitization	–	
14	Unrealized gains and losses resulted from changes in the fair value of liabilities due to changes in own credit risk	–	
15	Defined-benefit pension fund net assets (net of deferred tax liabilities)	–	
16	Direct or indirect holding in own ordinary shares	–	
17	Reciprocal cross-holdings in core tier 1 capital between banks or between banks and other financial institutions	–	
18	Deductible amount of insignificant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	
19	Deductible amount of significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	
20	Mortgage servicing rights	–	
Additional tier 1 capital:			
21	Additional tier 1 capital instruments and related premium	157,855	
22	Including: Portion classified as equity	157,855	g

Main Features of Regulatory Capital Instruments

	Main features of regulatory capital instruments	Ordinary shares (A shares)	Ordinary shares (H shares)	Preference shares (overseas)	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
1	Issuer	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.
2	Identification code	601658.SH	1658.HK	4612	2028006.IB	2128011.IB	1728005.IB	2128028.IB	2128029.IB
3	Applicable laws	PRC laws	PRC laws/laws of Hong Kong, PRC	The creation and issuance of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by and shall be construed in accordance with PRC laws	PRC laws	PRC laws	PRC laws	PRC laws	PRC laws
4	Including: Applicable to rules for the transitional period of the Capital Rules for Commercial Banks(Trial)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	Including: Applicable to rules after expiration of the transitional period of the Capital Rules for Commercial Banks (Trial)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	Including: Applicable to bank/group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level
7	Instrument type	Core tier 1 capital instruments	Core tier 1 capital instruments	Additional tier 1 capital instruments	Additional tier 1 capital instruments	Additional tier 1 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments

Appendix II: Composition of Capital

	Main features of regulatory capital instruments	Ordinary shares (A shares)	Ordinary shares (H shares)	Preference shares (overseas)	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
8	Amount that can be included in regulatory capital (in millions; on the latest reporting date)	RMB142,264	RMB75,606	RMB47,869	RMB79,989	RMB29,997	RMB19,988	RMB49,997	RMB9,999
9	Par value of instrument (in millions)	RMB72,528	RMB19,856	USD7,250	RMB80,000	RMB30,000	RMB20,000	RMB50,000	RMB10,000
10	Accounting treatment	Share capital, capital reserve	Share capital, capital reserve	Other equity instruments	Other equity instruments	Other equity instruments	Bonds payable	Bonds payable	Bonds payable
11	Initial issuance date	November 28, 2019	September 20, 2016	September 27, 2017	March 16, 2020	March 19, 2021	March 22, 2017	August 19, 2021	August 19, 2021
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Dated	Dated	Dated
13	Including: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	March 24, 2027	August 23, 2031	August 23, 2036
14	Issuer's redemption (subject to regulatory approval)	No	No	Yes	Yes	Yes	Yes	Yes	Yes
15	Including: Redemption date (or contingent redemption date) and amount	Not applicable	Not applicable	The first redemption date is September 27, 2022, in full or part	The first redemption date is March 18, 2025, in full or part	The first redemption date is March 23, 2026, in full or part	March 24, 2022 redemption in part or full	August 23, 2026 redemption in part or full	August 23, 2031 redemption in part or full
16	Including: Subsequent redemption date (if any)	Not applicable	Not applicable	September 27 each year after the first redemption date	March 18 each year after the first redemption date	March 23 each year after the first redemption date	Not applicable	Not applicable	Not applicable
17	Including: Fixed or floating interest payment or dividend	Floating	Floating	Floating: The dividend yield is fixed in a single dividend yield adjustment cycle (five years) and is reset every five years	Floating: The coupon rate is fixed in a single coupon rate adjustment cycle (five years) and is reset every five years	Floating: The coupon rate is fixed in a single coupon rate adjustment cycle (five years) and is reset every five years	Fixed	Fixed	Fixed

Main features of regulatory capital instruments		Ordinary shares (A shares)	Ordinary shares (H shares)	Preference shares (overseas)	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
18	Including: Coupon rate and relevant indicators	Not applicable	Not applicable	The dividend yield in the first five years is 4.50% and is reset every 5 years based on the yield of five-year US treasury bond on the resetting date plus 263.4 basis points	The coupon rate in the first five years is 3.69% and is reset every 5 years based on the arithmetic average of the maturity yield of the 5-year product of the maturity yield curve of China Bonds published on ChinaBond.com (or other websites approved by China Central Depository & Clearing Co., Ltd.) (rounded to 0.01%) plus 125 basis points to reset the coupon rate for the 5 trading days (excluding the day) before the adjustment date of the benchmark interest rate	The coupon rate in the first five years is 4.42% and is reset every 5 years based on the arithmetic average of the maturity yield of the 5-year product of the maturity yield curve of China Bonds published on ChinaBond.com (or other websites approved by China Central Depository & Clearing Co., Ltd.) (rounded to 0.01%) plus 133 basis points to reset the coupon rate for the 5 trading days (excluding the day) before the adjustment date of the benchmark interest rate	4.50%	3.44%	3.75%
19	Including: Existence of dividend brake mechanism	Not applicable	Not applicable	Yes	Yes	Yes	No	No	No
20	Including: Discretion to cancel dividend or interest payment	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion	No	No	No
21	Including: Existence of redemption incentive mechanism	No	No	No	No	No	No	No	No
22	Including: Cumulative or non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Not applicable	Not applicable	Not applicable
23	Conversion into shares	No	No	Yes	No	No	No	No	No

	Main features of regulatory capital instruments	Ordinary shares (A shares)	Ordinary shares (H shares)	Preference shares (overseas)	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
24	Including: Please specify the trigger condition for share conversion, if allowed	Not applicable	Not applicable	Upon the occurrence of any additional tier 1 capital instrument trigger event, that is, the core tier 1 capital adequacy ratio drops to 5.125% or below; or upon the occurrence of any tier 2 capital instrument trigger event, which means either of the following circumstances (whichever is earlier): (1) the CBIRC having concluded that a share conversion or write-off is necessary without which the Bank would become non-viable; (2) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the Bank would become non-viable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
25	Including: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable	Upon the occurrence of any additional tier 1 capital instrument trigger event, the Bank shall have the right to, without the consent of holders of preference shares, convert all or part of the issued and outstanding offshore preference shares into ordinary H shares; Upon the occurrence of any tier 2 capital instrument trigger event, the Bank shall have the right to, without the consent of holders of preference shares, convert all of the issued and outstanding offshore preference shares into ordinary H shares	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Main features of regulatory capital instruments		Ordinary shares (A shares)	Ordinary shares (H shares)	Preference shares (overseas)	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
26	Including: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable	Not applicable	The initial conversion price is the average trading price of ordinary H shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution (March 24, 2017) on the Offshore Preference Shares issuance	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
27	Including: Please specify share conversion is mandatory or not, if allowed	Not applicable	Not applicable	Mandatory	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
28	Including: Please specify the instrument type after conversion, if allowed	Not applicable	Not applicable	Core tier 1 capital	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
29	Including: Please specify the issuer of the instrument after conversion, if allowed	Not applicable	Not applicable	The Bank	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
30	Write-down or not	No	No	No	Yes	Yes	Yes	Yes	Yes

	Main features of regulatory capital instruments	Ordinary shares (A shares)	Ordinary shares (H shares)	Preference shares (overseas)	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
31	Including: Please specify the trigger point of write-down, if allowed	Not applicable	Not applicable	Not applicable	Trigger events refer to either of the following circumstances (whichever is earlier): 1. the CBIRC having concluded that a write-off is necessary without which the issuer would become non-viable; or 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Trigger events refer to either of the following circumstances (whichever is earlier): 1. the CBIRC having concluded that a write-off is necessary without which the issuer would become non-viable; or 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Trigger events refer to either of the following circumstances (whichever is earlier): (1) the CBIRC having concluded that a write-off is necessary without which the issuer would become non-viable; or (2) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Non-viability trigger events refer to either of the following circumstances (whichever is earlier): (1) the CBIRC having concluded that a write-off is necessary without which the issuer would become non-viable; or (2) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Non-viability trigger events refer to either of the following circumstances (whichever is earlier): (1) the CBIRC having concluded that a write-off is necessary without which the issuer would become non-viable; or (2) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable
32	Including: Please specify write-down in part or in full, if allowed	Not applicable	Not applicable	Not applicable	Part or full	Part or full	In full	Part or full	Part or full
33	Including: Please specify the write-down is perpetual or temporary, if write-down is allowed	Not applicable	Not applicable	Not applicable	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual

Main features of regulatory capital instruments		Ordinary shares (A shares)	Ordinary shares (H shares)	Preference shares (overseas)	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
34	Including: Please specify the book entry value recovery mechanism, if temporary write-down is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
35	Hierarchy of claims in liquidation (please specify instrument types enjoying higher priorities)	After depositor, general creditor, and holders of subordinated debts (including tier 2 capital bonds) and additional tier 1 capital instruments	After depositor, general creditor, and holders of subordinated debts (including tier 2 capital bonds) and additional tier 1 capital instruments	After depositors, general creditors, and holders of subordinated debts (including tier 2 capital bonds), pari passu with those capital instruments with the same repayment order	After depositors, general creditors, and holders of subordinated debts that are senior to the current bonds and before all classes of shares held by shareholders of the issuer; the current bonds are in the same priority as additional tier 1 capital instruments of the issuer with the same repayment order	After depositors, general creditors, and holders of subordinated debts that are senior to the current bonds and before all classes of shares held by shareholders of the issuer; the current bonds are in the same priority as additional tier 1 capital instruments of the issuer with the same repayment order	The repayment sequence of the bond principal and the interest payment sequence are after depositors and general creditors, and before equity capital, additional tier 1 capital instruments and hybrid capital bonds; the current bonds are in the same liquidation order as other subordinated debts which are issued by the issuer with the same repayment order as the current bonds and are paid in the same order as additional tier 2 capital instruments that may be issued in the future with the same repayment order as the current bonds	The repayment sequence of the bond principal and the interest payment sequence are after depositors and general creditors, and before equity capital, additional tier 1 capital instruments and hybrid capital bonds; the current bonds are in the same liquidation order as other subordinated debts which are issued by the issuer with the same repayment order as the current bonds and are paid in the same order as additional tier 2 capital instruments that may be issued in the future with the same repayment order as the current bonds	The repayment sequence of the bond principal and the interest payment sequence are after depositors and general creditors, and before equity capital, additional tier 1 capital instruments and hybrid capital bonds; the current bonds are in the same liquidation order as other subordinated debts which are issued by the issuer with the same repayment order as the current bonds and are paid in the same order as additional tier 2 capital instruments that may be issued in the future with the same repayment order as the current bonds

Main features of regulatory capital instruments		Ordinary shares (A shares)	Ordinary shares (H shares)	Preference shares (overseas)	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
36	Does the instrument contain temporary illegible attribute?	No	No	No	No	No	No	No	No
37	Including: If yes, please specify such attribute	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Appendix III: Reference Materials for Shareholders

Financial Calendar for 2022

2021 annual results	Announced on March 30, 2022
2022 first quarterly results	To be announced no later than April 30, 2022
2022 interim results	To be announced no later than August 31, 2022
2022 third quarterly results	To be announced no later than October 31, 2022

Securities Information

Listing

The ordinary A shares of the Bank were listed on the SSE on December 10, 2019. The ordinary H shares were listed on the Hong Kong Stock Exchange on September 28, 2016, and the offshore preference shares were listed on the Hong Kong Stock Exchange on September 28, 2017.

Ordinary Shares

Issued A shares: 72,527,800,605 shares (as at December 31, 2021).

Issued H shares: 19,856,167,000 shares (as at December 31, 2021).

Preference Shares

Issued offshore preference shares: 362,500,000 shares (as at December 31, 2021).

Securities Information

	Stock exchange on which shares are listed	Stock name	Stock code
A shares	Shanghai Stock Exchange	Postal Savings Bank of China	601658
H shares	The Stock Exchange of Hong Kong Limited	Postal Savings Bank of China	1658
Offshore preference shares	The Stock Exchange of Hong Kong Limited	PSBC 17USDPREF	4612

Shareholder Enquiries

Shareholders who have any inquiries about the shares they hold, such as share transfer, change of name or address, report of loss of share certificates, etc., please write to the following address:

A shares:
China Securities Depository and Clearing Corporation Limited, Shanghai Branch
Address: 188 Yanggao South Road, Pudong New Area, Shanghai
Telephone: 86-4008-058-058

H shares:
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Telephone: 852-28628555
Fax: 852-28650990

Investor Enquiries

The Office of the Board of Directors of Postal Savings Bank of China Co., Ltd.
Address: No. 3 Financial Street, Xicheng District, Beijing
Telephone: 86-10-68858158
Fax: 86-10-68858165
Email: psbc.ir@psbcoa.com.cn

Other Information

You may write to the Bank's H share registrar, Computershare Hong Kong Investor Services Limited (address: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) to request the annual report prepared under IFRSs or visit the domicile of the Bank for copies prepared under PRC GAAP. The Chinese or English versions of this report are also available on the following websites: www.psbc.com, www.sse.com.cn and www.hkexnews.hk.

Should you have any queries about how to obtain copies of this report or access the document on the Bank's website, please call the Bank's A share registrar at 86-4008-058-058, H share registrar at 852-28628555 or the Bank's hotline at 86-10-68858158.

Tier-1 Branches

Beijing Branch

Address: No. 1 Jia 6, Second Yard, Beijiadi Road, Fengtai District, Beijing
Postal Code: 100068
Telephone: 010-86353872
Fax: 010-86353845

Tianjin Branch

Address: No. 121 Dagu North Road, Heping District, Tianjin
Postal Code: 300040
Telephone: 022-88588888
Fax: 022-88588858

Hebei Branch

Address: No. 88 Xisanzhuang Street, Xinhua District, Shijiazhuang
Postal Code: 050070
Telephone: 0311-86683329
Fax: 0311-86698360

Shanxi Branch

Address: 1st to 25th Floor, Building No. 1, No. 139 Pingyang Road, Taiyuan, Shanxi
Postal Code: 030006
Telephone: 0351-2112807
Fax: 0351-2112840

Inner Mongolia Branch

Address: Complex No.2, the eighth District of Juhaicheng, the junction of Ordos Main Street and Dingxiang Road, Saihan District, Hohhot City, Inner Mongolia Autonomous Region
Postal Code: 010010
Telephone: 0471-6924787
Fax: 0471-6263020

Liaoning Branch

Address: No. 72 Beizhan Road, Shenhe District, Shenyang, Liaoning
Postal Code: 110013
Telephone: 024-31927017
Fax: 024-31927219

Jilin Branch

Address: No. 3266 South Ring Road, Nanguan District, Changchun, Jilin
Postal Code: 130000
Telephone: 0431-81285030
Fax: 0431-88985924

Heilongjiang Branch

Address: No. 55 West 14th Street, Daoli District, Harbin, Heilongjiang
Postal Code: 150010
Telephone: 0451-87659373
Fax: 0451-86209997

Shanghai Branch

Address: No. 1080 Dongdaming Road, Hongkou District, Shanghai
Postal Code: 200082
Telephone: 021-63292666
Fax: 021-63293206

Jiangsu Branch

Address: Building No. 2, Nanjing Financial City, No. 242 Lushan Road, Jianye District, Nanjing, Jiangsu
Postal Code: 210019
Telephone: 025-83797811
Fax: 025-83796099

Zhejiang Branch

Address: Building 6, Mingzhu International Business Center, No. 206 Wuxing Road, Qianjiang New City, Shangcheng District, Hangzhou, Zhejiang
Postal Code: 310009
Telephone: 0571-87335016
Fax: 0571-85164911

Anhui Branch

Address: No. 12236 Fanhua Avenue, Economic and Technology Development Zone, Hefei, Anhui
Postal Code: 230061
Telephone: 0551-62256516
Fax: 0551-62256677

Fujian Branch

Address: No.101 Gutian Road, Gulou District, Fuzhou, Fujian
Postal Code: 350005
Telephone: 0591-87117836
Fax: 0591-83373480

Jiangxi Branch

Address: No. 969 Shimao Road, Jinggutan New District, Nanchang, Jiangxi
Postal Code: 330038
Telephone: 0791-88891101
Fax: 0791-86730610

Shandong Branch

Address: Building No. 6, District 4, Hanyu Financial Business Center, No. 7000 Jingshi Road, Gaoxin District, Jinan, Shandong
Postal Code: 250102
Telephone: 0531-58558790
Fax: 0531-58558780

Henan Branch

Address: No. 59 Huayuan Road, Jinshui District, Zhengzhou, Henan
Postal Code: 450008
Telephone: 0371-69199191
Fax: 0371-69199191

Hubei Branch

Address: No. 183 Yunxia Road, Jianghan District, Wuhan, Hubei
Postal Code: 430022
Telephone: 027-65778565
Fax: 027-85722512

Hunan Branch

Address: No. 489 Furong Middle Road Section 1, Changsha, Hunan
Postal Code: 410005
Telephone: 0731-85988267
Fax: 0731-85988345

Guangdong Branch

Address: Fengyuan Building, No. 1-3 Tiyu West Road, Tianhe District, Guangzhou, Guangdong
Postal Code: 510620
Telephone: 020-38186880
Fax: 020-38186666

Guangxi Branch

Address: No. 6 Gehai Road, Liangqing District, Nanning, Guangxi Zhuang Autonomous Region
Postal Code: 530201
Telephone: 0771-5836014
Fax: 0771-5836013

Hainan Branch

Address: No. 1 West Fourth Road, Dayingshan, Meilan District, Haikou, Hainan
Postal Code: 570203
Telephone: 0898-66556005
Fax: 0898-66788066

Chongqing Branch

Address: No.5 Juxian Street, Jiangbei District, Chongqing
Postal Code: 400024
Telephone: 023-63859333
Fax: 023-63859222

Sichuan Branch

Address: No. 588 Tianfu Fourth Street, Gaoxin District, Chengdu, Sichuan
Postal Code: 610094
Telephone: 028-88619030
Fax: 028-88619020

Guizhou Branch

Address: North Tower 4, Financial City, Changling North Road, Guanshanhu District, Guiyang
Postal Code: 550081
Telephone: 0851-85208005
Fax: 0851-85258832

Yunnan Branch

Address: No. 388 Xuefu Road, Wuhua District, Kunming, Yunnan
Postal Code: 650033
Telephone: 0871-63318155
Fax: 0871-63326698

Tibet Branch

Address: No. 5 Linkuo East Road Lane 1, Lhasa, Tibet Autonomous Region
Postal Code: 850014
Telephone: 0891-6310332
Fax: 0891-6310332

Shaanxi Branch

Address: Postal Information Building, No. 5 Tangyan Road, Gaoxin District, Xi'an, Shaanxi
Postal Code: 710075
Telephone: 029-88602848
Fax: 029-88602861

Gansu Branch

Address: No. 369 Qingyang Road, Chengguan District, Lanzhou, Gansu
Postal Code: 730030
Telephone: 0931-8429172
Fax: 0931-8429891

Qinghai Branch

Address: No. 30 Haiyan Road, Chengxi District, Xining, Qinghai
Postal Code: 810001
Telephone: 0971-8299173
Fax: 0971-8299178

Ningxia Branch

Address: No. 9 Jiefang West Street, Xingqing District, Yinchuan, Ningxia Hui Autonomous Region
Postal Code: 750001
Telephone: 0951-6920359
Fax: 0951-6920505

Xinjiang Branch

Address: No. 239 Jiefang North Road, Urumqi, Xinjiang Uygur Autonomous Region
Postal Code: 830002
Telephone: 0991-2357992
Fax: 0991-2357988

Dalian Branch

Address: No. 191 Chengren Street, Shahekou District, Dalian, Liaoning
Postal Code: 116021
Telephone: 0411-84376640
Fax: 0411-84376688

Ningbo Branch

Address: Building No. 1, Yangfan Square, Gaoxin District, Ningbo, Zhejiang
Postal Code: 315010
Telephone: 0574-87950777
Fax: 0574-87950986

Xiamen Branch

Address: No. 238 2/F, 6/F, 7/F and 19/F, Commercial Building of Panji Center, No. 1 Lianyue Road, Siming District, Xiamen, Fujian
Postal Code: 361012
Telephone: 0592-2205134
Fax: 0592-2206124

Qingdao Branch

Address: No. 222 Yan'an 3rd Road, Shinan District, Qingdao, Shandong
Postal Code: 266971
Telephone: 0532-83886609
Fax: 0532-83877070

Shenzhen Branch

Address: 41-44/F, Information Hub Building, Yitian Road, Futian District, Shenzhen, Guangdong
Postal Code: 518048
Telephone: 0755-22228000
Fax: 0755-22228002

Majority-owned Subsidiaries

PSBC Consumer Finance Co., Ltd.

Address: Tian Lun Holdings Building, No. 281 Linhe East Road, Tianhe District, Guangzhou, Guangdong
Postal Code: 510610
Telephone: 020-22361163
Fax: 020-22361004

PSBC Wealth Management Co., Ltd.

Address: No. 601 6/F, Building 6, Financial Street, Xicheng District, Beijing
Postal Code: 100033
Telephone: 010-89621800
Fax: 010-89621830

YOU+ BANK

Address: 25-26/F, No. 1080 Dongdaming Road, Hongkou District, Shanghai
Postal Code: 200082
Telephone: 021-35905606
Fax: 021-35965996