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Huishang Bank Corporation Limited*

徽商銀行股份有限公司*

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

(Stock Code: 3698)

2021 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of Huishang Bank Corporation Limited (the “**Bank**”) is pleased to announce the audited annual results of the Bank and its subsidiaries for the year ended 31 December 2021. This announcement, containing the full text of the 2021 Annual Report of the Bank, 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 2021 Annual Report will be delivered to the holders of H Shares of the Bank and available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Bank at www.hsbank.com.cn in April 2022.

By order of the Board
Huishang Bank Corporation Limited*
Yan Chen
Chairman

Hefei, Anhui Province, the PRC
30 March 2022

As at the date of this announcement, the Board of the Bank comprises Yan Chen and Zhang Renfu as executive directors; Ma Lingxiao, Zhu Yicun, Wu Tian, Wang Zhaoyuan, Qian Dongsheng, Gao Yang, Wang Wenjin and Zhao Zongren as non-executive directors; Dai Peikun, Zhou Yana, Liu Zhiqiang, Yin Jianfeng and Huang Aiming as independent non-executive directors.

* *Huishang Bank Corporation Limited is not an authorized institution within the meaning of the Hong Kong 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/deposit-taking business in Hong Kong.*

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2021 ANNUAL REPORT



Definitions

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

“Bank” or “Huishang Bank”	Huishang Bank Corporation Limited, including its subsidiaries and branches
“China” or “PRC”	the People’s Republic of China
“CBIRC”	the China Banking and Insurance Regulatory Commission
“CBRC” or “former CBRC”	the former China Banking Regulatory Commission
“CBIRC Anhui Office”	the China Banking and Insurance Regulatory Commission Anhui Office
“CBRC Anhui Office”	the former China Banking Regulatory Commission Anhui Office
“PBOC”	the People’s Bank of China
“Domestic Shares”	the ordinary shares issued by the Bank in the PRC with a nominal value of RMB1.00 per share
“H Shares”	the ordinary shares issued by the Bank to overseas investors, which are denominated in RMB, subscribed for in Hong Kong Dollars and listed on the Main Board of the Hong Kong Stock Exchange
“Offshore Preference Shares”	44,400,000 non-cumulative perpetual offshore preference shares with a nominal value of RMB100 per share issued by the Bank at the issue price of US\$20 per share and listed on the Hong Kong Stock Exchange to raise US\$888 million, which have been redeemed in full on 10 November 2021
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“H Share Listing”	the listing of H Shares of the Bank on the Main Board of the Hong Kong Stock Exchange on 12 November 2013
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Corporate Governance Code”	the former Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules
“Latest Practicable Date”	the latest practicable date prior to the printing for the purpose of ascertaining certain information contained in this report, i.e. 30 March 2022
“Reporting Period”	year 2021 (1 January 2021 to 31 December 2021)
“Rural Issues”	abbreviation for issues related to agriculture, rural areas and farmers
“Yuan” or “RMB”	Renminbi, the lawful currency of China. Unless otherwise specified herein, the currency used in this report shall be Renminbi
“US\$” or “U.S. Dollars”	U.S. dollars, the lawful currency of the United States
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRS” or “International Financial Reporting Standards”	International Financial Reporting Standards
“GDP”	Gross Domestic Product
“FVTPL” or “Fair Value through Profit or Loss”	Fair Value through Profit or Loss
“LPR”	Loan Prime Rate

Chapter I Corporate Information

1.1 CORPORATE INFORMATION

- 1.1.1 Registered Chinese name: 徽商銀行股份有限公司¹
Registered English name: Huishang Bank Corporation Limited
- 1.1.2 Legal representative: Yan Chen
Authorized representatives: Yan Chen, Ngai Wai Fung
Secretary to the Board of Directors: Lian Baohua
Company secretary: Ngai Wai Fung
- 1.1.3 Registered and business office address: Huishang Bank Building, No. 1699 Yungu Road, Hefei, Anhui Province, the PRC
- 1.1.4 Contact address: Huishang Bank Building, No. 1699 Yungu Road, Hefei, Anhui Province, the PRC
Tel: +86-551-62667729/62667806
Fax: +86-551-62667787
Postal code: 230092
Bank's website: www.hsbank.com.cn
E-mail: djb@hsbank.com.cn
- 1.1.5 Principal place of business in Hong Kong: 40/F, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong
- 1.1.6 Domestic auditor: Ernst & Young Hua Ming LLP (Special General Partnership)
Office address: Room 01-12, Level 17, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, the PRC
International auditor: Ernst & Young
Office address: 22/F, Citic Tower, 1 Tim Mei Avenue, Hong Kong
- 1.1.7 Legal advisor as to PRC law: DeHeng Law Offices
Legal advisor as to Hong Kong law: Clifford Chance
- 1.1.8 Domestic shares trustee agency: China Securities Depository and Clearing Corporation Limited
H share registrar: Computershare Hong Kong Investor Services Limited
- Note: 1 Huishang Bank Corporation Limited 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/deposit-taking business in Hong Kong.

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1.2 COMPANY PROFILE

Headquartered in Hefei, Anhui Province, Huishang Bank is the first regional joint stock commercial bank in the PRC established through the merger and reorganization of city commercial banks and urban credit cooperatives with the approval of the former CBRC. The Bank was incorporated on 4 April 1997, and changed its name to Huishang Bank Corporation Limited on 30 November 2005. On 28 December 2005, the Bank officially merged with the 5 city commercial banks of Wuhu, Ma'anshan, Anqing, Huaibei and Bengbu and the 7 urban credit cooperatives of Lu'an, Huainan, Tongling, Fuyang Technology, Fuyang Xinying, Fuyang Yinhe and Fuyang Jinda in Anhui Province. The Bank officially opened for business on 1 January 2006. On 12 November 2013, H Shares of the Bank were listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3698). The Bank holds a financial institution license numbered B0162H234010001 from the former CBRC Anhui Office and the unified social credit code numbered 913400001489746613 from the Anhui Provincial Market Supervisory Authority. The registered address is Huishang Bank Building, No. 1699 Yungu Road, Hefei, Anhui Province, the PRC. As of the year end of 2021, the registered capital of the Bank was RMB13,889,801,211.

The Bank's principal activities in the PRC include the taking of deposits from corporate and retail customers, the granting of loans using the deposits received, and the conducting of capital business including money market business, investment and trading business and transactions on behalf of customers. As of 31 December 2021, Huishang Bank had 10,701 on-the-job employees. Apart from its headquarter, the Bank has 21 branches, 478 front offices and 609 self-service areas (points). The Bank also has four subsidiaries, namely Huishang Bank Financial Leasing Co., Ltd., HSBank Wealth Management Co., Ltd., Wuwei Huiyin Rural Bank Co., Ltd. and Jinzhai Huiyin Rural Bank Co., Ltd. and owns equity interest in Chery Huiyin Motor Finance Service Co., Ltd. and Mengshang Bank Co., Ltd.

By maintaining its market position as a bank "serving the local economy, serving small and medium enterprises (the "SME(s)") and serving the general public", the Bank has continuously experienced a relatively fast growth in its business development, has gradually strengthened its comprehensive strength, has steadily improved its operational management standards, and has achieved a synergic development of scale, quality and efficiency, thus winning the full recognition and widespread praise from all sectors of society. The Bank was named one of the top 200 in the "Top 1000 World Banks" by The Banker, a UK magazine, with the ranking at No. 132 and ranked No. 141 in the "Top 500 World Bank Brands". In the "Top 2000 World Enterprises" released by the Forbes, it ranked No. 20 among domestic banks and No. 6 among domestic urban commercial banks.

Chapter I Corporate Information

1.3 AWARDS FOR 2021

In 2021, the Bank won numerous accolades and rewards in contests organized by domestic and international authorities and organizations:

Time	Reward	Awarding Agencies
January	"Prize for Outstanding Contribution in the Promotion of QuickPass Payments" in 2020	China UnionPay Co., Ltd.
January	"Good News in China Banking Industry for 2020" Award: the article named "In the Third Round Battle against the Epidemic, Huishang Bank Committed to Ensuring Financial Services (三度戰“疫”徽商銀行全力保障金融服務)" published by Huishang Bank on its official website was awarded the "Demonstration Good News" and "Most Popular Good News" in the financial institution group under the outstanding works in the "Good News in China Banking Industry for 2020"	China Banking Association
January	"Top 10 Urban Commercial Banks for Retail Banking" and "Top 10 Urban Commercial Banks for Digital Banking" in 2020	"The Fourth Session of China Retail Financial Innovation and Practice Award" (jointly sponsored by Retail Banking, Digital Banking and Tencent Cloud)
January	2020 Wind "Best Underwriter of Credit Bonds" and "Best Underwriter of NAFMII Bonds"	Wind
February	No. 142 in the Top 500 World Banks Brand Value	Magazine The Banker in the UK and Brand Finance
February	"Excellence Award for the Promotion of Technical Standards of China UnionPay of 2020" and "Excellence Award for Risk Control of China UnionPay Cards of 2020"	China UnionPay Co., Ltd. Anhui Branch
February	2020 Most Potential Award in Underwriting Financial Bonds of Agricultural Development Bank of China	Agricultural Development Bank of China
February	Second Prize for Survey and Statistics of Financial Institutes in Anhui Province and Hefei City in 2020	Hefei Central Sub-branch, The People's Bank of China
March	"Innovative and Active Dealer in Repurchasing" of the National Interbank Funding Center for February	National Interbank Funding Center
March	"Innovation Prize for Best Mobile Banking"	"2021 Financial Services Innovation and Customer Experience Summit" (sponsored by Shine Consultant and supported by e-Finance Union, Asian Finance Federation (亞洲財金聯合會) and Shanghai Pudong International Finance Institute)

Chapter I Corporate Information

Time	Reward	Awarding Agencies
April	"Innovative and Active Dealer in Repurchasing" and "Best Improvement Prize" of the National Interbank Funding Center for March	National Interbank Funding Center
April	"First Prize for Provincial Governmental Non-tax Revenue Agency Bank"	Anhui Provincial Department of Finance and Hefei Central Sub-branch, The People's Bank of China
April	Class A Institution for Anti-Money Laundering Regulatory Rating in 2020	Hefei Central Sub-branch, The People's Bank of China
April	"Class A Taxpayer in 2020"	Luyang District Tax Service of Hefei
May	"Innovative and Active Dealer in Repurchasing" and "Best Improvement Prize" of the National Interbank Funding Center for April	National Interbank Funding Center
May	Li Lulu, an employee of Huainan Branch was awarded the title of the "National Outstanding Communist Youth League Member"	The Communist Youth League of China
May	Outstanding Organization Award in the Reading Speech Contest themed "Reading the Party History, Keeping the Original Mind, and Taking on the Mission" among the enterprises under the Anhui Provincial Government	Anhui SASAC Party Committee
May	Huishang Bank's poverty alleviation group in Wangzhou Village, Si County won the title of "Advanced Collective in Poverty Alleviation in Anhui Province"	CPC Anhui Provincial Committee and People's Government of Anhui Province
June	"2021 Innovation Award for Internet Loan Products" "2021 Innovation Award for Digital Transformation"	2021 (Third Session of) Innovation and Development Forum Launch Ceremony (jointly sponsored by CIWEEK of Chinese Academy of Sciences, Center for Informatization Study of Chinese Academy of Social Sciences, eNet Research Institute (eNet 研究院), Deben Consulting (德本諮詢), among others)
June	"Excellent" Level in the Evaluation on Anhui Financial Institutes Serving the Development of Local Real Economies in 2020	Anhui Province Financial Work Leading Group
June	"Innovative and Active Dealer in Repurchasing" of the National Interbank Funding Center for May	National Interbank Funding Center
June	First and Second Prizes under the Photography Category at the "Keep Original Mind and Take the Responsibility, While Build a Strong Defence Line and Work Hard" Anti-money Laundering Calligraphy, Art, Photography Competition	Hefei Central Sub-branch, The People's Bank of China

Chapter I Corporate Information

Time	Reward	Awarding Agencies
June	Active Dealer in Governmental Bonds of X-Bond for May	China Foreign Exchange Trading System
June	“Master in Floating-rate Bonds” and “Best Positive Award” in X-Bargain of the Home Currency Market	China Foreign Exchange Trading System
June	Party Branch Committee of Hefei Sanxiaokou Sub-branch and Party Branch Committee of Wuhu Beijing Road Sub-branch were awarded the “Advanced Grass-roots Party Organization” within the provincial state-owned assets system	Anhui SASAC Party Committee
June	Typical Cases for Chinese Inclusive Finance — Typical Case for Digital Inclusive Finance	The People’s Bank of China
June	No. 132 in the Top 1000 World Banks	Magazine The Banker in the UK
July	“Innovative and Active Dealer in Repurchasing” of the National Interbank Funding Center for June	National Interbank Funding Center
July	Excellent Organization Prize in “The 40th Anniversary of the Resumption of National Bond Issuance” Call for Papers by the Ministry of Finance	“The 40th Anniversary of the Resumption of National Bond Issuance” Call for Papers (jointly organized by the Treasury Department of the Ministry of Finance and China Financial and Economic News)
July	No. 326 in the Top 500 Fortune China and No. 20 among commercial banks and No. 6 among urban commercial banks	US Fortune Magazine (Chinese version)
July	No. 26 in the Top 100 China Banking in 2021	China Banking Association
July	Hefei Qianshanlu Sub-branch, Xuancheng Aofenglu Sub-branch, Huaibei Huaihai Sub-branch, Lu’an Dushan Sub-branch and Ma’anshan Huitong Sub-branch were awarded the title of the “Provincial Youth Civilization Unit for 2019-2020”	Organizing Committee of the Activity of Youth Civilization Creation in Anhui Province
July	“Golden Prize for Comprehensive Intelligent Platform” “Innovation Prize for Digital Marketing”	“2021 China Financial Digital Technology Innovation Competition” (sponsored by the Joint Promotion Year of China Financial Certification Authority (CFCA) and China Electronic Bank)
July	Excellent Bank Dealer	Shanghai Commercial Paper Exchange Corporation Ltd.
August	“Innovative and Active Dealer in Repurchasing” of the National Interbank Funding Center for July	National Interbank Funding Center
August	“Outstanding Paper for Innovative Value”	Hefei Central Sub-branch, The People’s Bank of China

Chapter I Corporate Information

Time	Reward	Awarding Agencies
August	"Precise Marketing of Credit Products Based on 'My Nanjing' APP" and "Achieving the Satisfaction, Fighting the Epidemic – New Cross-border Marketing of Huishang Bank Credit Cards" won the Silver Award for Cross-border Marketing	Financial Digital Development Alliance
September	Excellent Organization Award in the "Quality Project on Anhui Incorruptible Culture"	The General Office for Discipline Inspection of the CPC Anhui Provincial Commission
September	"Prize for Excellent Case" in the China Investment and Financing Fair for Small and Medium Enterprises	The 9th China Investment and Financing Fair for Small and Medium Enterprises (jointly sponsored by China Association of Small and Medium Enterprises and China Banking Association, etc.)
September	Best Foreign Currency Pair Membership Award	China Foreign Exchange Trading System
September	Anqing Renmin Road Sub-branch won the title of "20th National Youth Civilization Unit"	23 Members of the Organizing Committee of the National Activity of Youth Civilization Creation including the Communist Youth League of China and CBIRC
September	"Innovative and Active Dealer in Repurchasing" of the National Interbank Funding Center for August	National Interbank Funding Center
September	2021 Hefei Building Engineering Decoration Award	Hefei Building Decoration Association
October	Third Prize in the Short Video Competition of and Excellent Organization Prize in "The 40th Anniversary of the Resumption of National Bond Issuance"	Ministry of Finance
October	Excellent Organization Award in the Provincial Internal Audit Theory Seminar in 2021	Anhui Institute of Internal Audit
October	"Innovative and Active Dealer in Repurchasing" of the National Interbank Funding Center for September	National Interbank Funding Center
November	"Innovative and Active Dealer in Repurchasing" of the National Interbank Funding Center for October	National Interbank Funding Center
November	Star of X-Bargain and Active Dealer of the Home Currency Market for October, "Best Performance Award" and "Star of Interest Rate"	China Foreign Exchange Trading System
November	"2021 Best Direct Sales Bank"	2021 Bank Digital Momentum and Finance Summit and the 17th China Electronic Bank Annual Ceremony (sponsored by China Financial Certification Authority (CFCA))

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Time	Reward	Awarding Agencies
November	“Best Scenario Solution Award” “Best Cash Management Bank Award”	2021 Treasury Day (sponsored by Treasury China)
November	“Advanced Collective in Women’s Contributions in Anhui Province”	Anhui Women’s Federation
December	Gold Prize for Annual Event Marketing Case at the China International Advertising Festival Gold Case for Content Marketing	The 28th China International Advertising Festival
December	First Prize at “A Letter from Home” Recitation Competition of Association of Anhui Bank	Association of Anhui Bank
December	“No. 1 Bank in the Industry”, “Top Ten Most Satisfactory Enterprises in Fulfilling Social Responsibility” and “Most Satisfactory Bank by Residents” in Anhui Province	“Residents’ Satisfaction Survey for Anhui Province Service Industry” (Anhui Center for Provincial Survey and Research)
December	Third Prize of the Internal Audit Theory Seminar in 2021	China Institute of Internal Audit
December	“Innovative and Active Dealer in Repurchasing” of the National Interbank Funding Center for November	National Interbank Funding Center
December	“Star of X-Lending” of the Home Currency Market for November	China Foreign Exchange Trading System
December	No.1 of the “Outstanding Cases for Marketing and Customer Acquisition” at the Second Session of Excellent Cases for Digital Finance and Payment Innovation of City Commercial Banks and Prize for Excellent Case in Products Innovation	City Commercial Banks Clearing Co., Ltd.
December	Typical Cases for Inclusive Finance in Chinese Banking Industry (2021) – Case for Digital Inclusive Finance	China Banking Association and 21st Century Finance Research Institute
December	The Third Prize for Financial Technological Development in 2020	The People’s Bank of China
December	Golden Award for Integrated Marketing of the 10th Social Marketing and Golden Bee Awards	The 10th Social Marketing Forum and Golden Bee Awards Ceremony



Chapter II Summary of Accounting Data and Business Data

2.1 MAIN FINANCIAL INFORMATION

Unit: RMB million, except for percentages

			Changes over the corresponding period of
Operational results	2021	2020	last year +/-)%
Operating income ⁽¹⁾	35,514	32,290	9.98
Profit before tax	13,537	12,083	12.03
Net profit attributable to shareholders of the Bank	11,460	9,570	19.75
Net profit	11,785	9,921	18.79

Unit: RMB, except for percentages

			Changes over the corresponding period of
Per ordinary share	2021	2020	last year +/-)%
Basic earnings attributable to shareholders of the Bank	0.76	0.72	5.56
Diluted earnings attributable to shareholders of the Bank	0.76	0.72	5.56
Closing net assets attributable to shareholders of the Bank	7.10	6.27	13.24

Unit: RMB million, except for percentages

			Changes over the end of
Scale indicators	31 December 2021	31 December 2020	last year +/-)%
Total assets	1,383,662	1,271,701	8.80
Including: Total loans and advances to customers ⁽²⁾	654,795	572,954	14.28
Total liabilities	1,272,146	1,166,028	9.10
Including: Total customer deposits ⁽³⁾	768,668	712,953	7.81
Equity attributable to shareholders of the Bank	108,564	103,041	5.36

Notes: (1) Operating income comprises net interest income, net fee and commission income, net trading income, net income from financial investments, dividend income and other operating income, net.

(2) Accrued interest and provision for impairment are not included in total loans and advances to customers.

(3) Accrued interest is not included in total customer deposits.

Chapter II Summary of Accounting Data and Business Data

2.2 FINANCIAL RATIOS

Profitability indicators	2021	2020	<i>Unit: %</i>
			Changes over the corresponding period of last year +/-(-)
Return on average total assets (ROA)	0.89	0.83	0.06
Return on average net assets (ROE)	12.33	12.94	(0.61)
Net interest spread	1.98	2.17	(0.19)
Net interest margin	2.20	2.42	(0.22)

Proportion of operating income	2021	2020	<i>Unit: %</i>
			Changes over the corresponding period of last year +/-(-)
Net interest income	75.62	79.75	(4.13)
Net non-interest income	24.38	20.25	4.13
Cost-to-income ratio ⁽¹⁾	24.45	23.71	0.74

Asset quality indicators	31 December 2021	31 December 2020	<i>Unit: %</i>
			Changes over the end of last year +/-(-)
Non-performing loan ratio	1.78	1.98	(0.20)
Allowance to non-performing loan ratio	239.74	181.90	57.84
Allowance to loans ratio	4.27	3.61	0.66

Capital adequacy indicators	31 December 2021	31 December 2020	<i>Unit: %</i>
			Changes over the end of last year +/-(-)
Core Tier 1 capital adequacy ratio	8.45	8.04	0.41
Capital adequacy ratio	12.23	12.12	0.11

Other indicators	31 December 2021	31 December 2020	<i>Unit: %</i>
			Changes over the end of last year +/-(-)
Equity to total assets ⁽²⁾	8.06	8.31	(0.25)
Gearing ratio ⁽³⁾	91.94	91.69	0.25

Notes: (1) Cost-to-income ratio = Operating expenses/Operating income, of which operating expenses include tax and surcharges.

(2) Equity includes minority interests.

(3) Gearing ratio = Total liabilities/Total assets.

Chapter II Summary of Accounting Data and Business Data

2.3 FIVE-YEAR FINANCIAL SUMMARY

	2021	2020	2019	2018	2017
Results for the year (RMB thousand)					
Operating income	35,514,404	32,290,398	31,159,318	26,950,609	22,508,325
Operating expenses	(8,684,416)	(7,654,324)	(7,091,775)	(6,204,914)	(5,830,139)
Asset impairment loss	(13,547,917)	(12,196,860)	(11,920,086)	(10,064,367)	(7,202,558)
Profit before tax	13,537,317	12,082,696	12,300,817	10,820,905	9,612,764
Net profit attributable to shareholders of the Bank	11,460,383	9,569,720	9,818,780	8,747,031	7,614,884
Per ordinary share (RMB)					
Dividends	0.089 ⁽¹⁾	0	0.157	0.056	0.125 ⁽²⁾
Basic earnings	0.76	0.72	0.78	0.69	0.60
Diluted earnings	0.76	0.72	0.78	0.69	0.60
Closing net assets attributable to shareholders of the Bank	7.10	6.27	5.86	5.12	4.68
At year end (RMB thousand)					
Paid-in capital stock (share capital) ⁽³⁾	13,889,801	13,889,801	12,154,801	12,154,801	11,049,819
Total equity attributable to shareholders of the Bank	108,563,985	103,041,067	87,208,997	68,212,525	57,703,305
Total liabilities	1,272,146,180	1,166,028,059	1,042,227,609	980,228,850	848,887,611
Customer deposits ⁽⁴⁾	783,813,391	726,742,778	603,454,819	573,798,311	512,808,182
Total assets	1,383,661,831	1,271,700,698	1,131,721,238	1,050,506,309	908,099,697
Net loans and advances to customers ⁽⁵⁾	628,305,698	553,399,162	450,419,777	370,661,381	305,208,545
Key financial ratios (%)					
Return on average total assets	0.89	0.83	0.92	0.90	0.94
Return on average net assets	12.33	12.94	14.60	15.08	15.56
Cost-to-income ratio	24.45	23.71	22.76	23.02	25.90
Non-performing loan ratio	1.78	1.98	1.04	1.04	1.05
Core tier 1 capital adequacy ratio	8.45	8.04	8.85	8.37	8.48
Capital adequacy ratio	12.23	12.12	13.21	11.65	12.19

Notes: (1) Please refer to Section 6.23 "Profit and Dividends" in this annual report for details.

(2) According to the 2017 profit distribution plan, the Bank distributed cash dividends of RMB0.25 and 1 bonus share per 10 shares to all shareholders. The bonus share is issued at RMB1.00 each.

(3) For details of share capital of the Bank, please refer to the section 7.1 "Changes in Ordinary Shares of the Bank during the Reporting Period", section 7.6 "Non-public Issuance" of this annual report and note 40 to the financial statements.

(4) Customer deposits data from 2018 to 2021 includes accrued interest while data before 2018 was not adjusted retrospectively.

(5) Net loans and advances to customers data from 2018 to 2021 includes interests accrued on loans while data before 2018 was not adjusted retrospectively.

Chapter III Chairman's Statement

2021 is an extraordinary year in the development of Huishang Bank. In the face of various severe challenges at home and abroad and under the strong leadership of the provincial Party committee and the provincial government, Huishang Bank always adhered to the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, resolutely implemented the decisions and deployments of the Board, undertook missions and responsibilities and overcame difficulties, achieving better-than-expected operating results with improvement while maintaining stable and a good beginning of the "14th Five-year Plan" period. As at the end of 2021, the Bank realized an operating income of RMB35.51 billion, representing an increase of RMB3.22 billion from last year; net profit was RMB11.79 billion, representing an increase of RMB1.86 billion from last year and exceeding RMB10 billion. Total assets, total liabilities and owners' equity were RMB1.38 trillion, RMB1.27 trillion and RMB111.5 billion, respectively, representing an increase of 8.8%, 9.1% and 5.5%, respectively, as compared with the end of last year. Non-performing loan ratio was 1.78%, representing a decrease of 0.20 percentage point as compared with the end of last year and remaining within a healthy range.

We adhered to the leadership of Party building and deeply advanced full and strict Party self-governance. We attached equal importance to Party building and development and promoted high-quality development with high-quality Party building. We deeply studied, publicized and implemented the spirit of the sessions of the 19th CPC Central Committee and the important speech of General Secretary Xi Jinping at the ceremony marking the centenary of the Party, firmly stuck up for "two establishings" and faithfully practiced "two safeguardings". We solidly carried out the learning and education of the history of the Party and a new round of deepening the warning education of "learning lessons from cases" (三個以案) and deeply integrated the learning and education of the history of the Party with the campaign of "I Solve Tangible Problems for the Public" (我為職工群眾辦實事). We deepened the construction of a financial culture on integrity, completed the tour inspection of the current session of the Party committee with full coverage and the working team on poverty alleviation dispatched was awarded the honor of an advanced collective in poverty alleviation in Anhui Province.

We improved the governance mechanism and focused on enhancing the corporate governance. We deeply promoted the integration of enhancing the Party's leadership and improving the corporate governance and regulated the governance system with the general meeting, the Board of Directors, the Board of Supervisors and the management performing their respective duties under coordinated operation and effective balancing. We continuously enhanced communications with shareholders, strictly implemented information disclosure mechanisms, actively sought the understanding and support from various parties and vigorously conducted restraint and evaluation on the performance of duties by directors, supervisors and senior management, enhancing the scientific, sound and effective corporate governance.

We focused on our principle duties and business and vigorously served the development of real economies. Established in Anhui and serving overall national economy, we boosted credit supply and facilitated the construction of "Three Places and One District" and the national strategy on the "Integrated Development of the Yangtze River Delta". With new loans and investments of over RMB100 billion during the whole year, Huishang Bank was awarded the "Excellent" level in serving the development of local real economies by the Anhui Provincial Government for five consecutive years. Focusing on key industrial fields and vulnerable sectors in economic and social development, we furthered support to enterprises in industries such as production and manufacturing, scientific and technological innovation and green finance. The balance of loans to technology-based enterprises, manufacturing enterprises and green credit enterprises increased by 24%, 26% and 54%, respectively. We vigorously solved the difficulties in obtaining financing and high financing costs faced by small and micro enterprises. Loans to inclusive small and micro enterprises increased by 23% and the weighted average interest rate decreased by 71 BPs. We focused on "ensuring stability on the six fronts" and "security in the six areas", assisted in rural revitalization, the prevention and control of the epidemic and the flood-fighting, fulfilled social responsibilities and displayed our missions and undertakings.

Chapter III Chairman's Statement

We firmly established our awareness of potential dangers and continuously enhanced our capability on risk prevention and control. We placed risk prevention and control at a more paramount position and was granted the "Excellent" level in the seventh round of safety evaluation work carried out by the Ministry of Public Security and the CBIRC. We adopted effective and targeted measures in the normalized prevention and control of the epidemic. The provision coverage rate increased, the non-performing asset ratio decreased and the asset quality improved on the whole. We successfully issued tier 2 capital bonds of RMB6 billion and maintained sufficient and stable core capitals. We regularly held special scheduling meetings with branches out of Anhui Province and sped up in promoting and undertaking the disposal of non-performing assets of the former Baoshang Bank to facilitate the stable development of new branches out of Anhui Province.

We advanced innovation and transformation and consolidated the fundamentals of development with great efforts in various aspects. We adhered to the innovation-driven strategy, improved systems and mechanisms and fully advanced the transformation of corporate business, retail business, financial technology, risk prevention and control and other key work. We implemented the three-year promotion plan on digital transformation, launched the five-year strategic plan on the management of business continuity and successfully completed the pilot project of innovative applications of information technology. Many product innovations were the first in the industry and in Anhui Province. We enhanced our independence and controllability and actively promoted Credit e-Lending (信e貸), Insurance e-Lending (保e貸), Cloud Mortgage Lending (雲押貸), Quick-e-Loan (快e貸), Hui Sharing Loan (徽享貸) and other online products and the balance of total loans increased by RMB27.12 billion as compared with the beginning of the year. We strengthened the concept of customer service and was awarded the "Class A Institutions in Rating of Consumer Rights Protection" and the "First Prize of Provincial Government Non-tax Revenue Agency Bank".

Seeking challenging opportunities and overcoming obstacles firmly can one progress and achieve success. In the new year, we will hold high the great banner of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, give priority to stable growth and make progress amid stability, follow the guidance of the new round of five-year strategic plan, coordinate development, transformation and innovation, earnestly focus on market-based reform, digital transformation, integrated operation, refined management and other key tasks, devote to building an outstanding local mainstream bank and embrace the convening of the 20th National Congress of the CPC with outstanding achievements.

Yan Chen

Executive Director, Chairman

Chapter IV President's Statement

2021 is the first year of the "14th Five-year Plan" period, the 100th anniversary of the founding of the CPC as well as a key year for Huishang Bank in advancing a new round of strategic planning and entering the new development stage. Confronted by the severe and complex operation environment at home and abroad and under the guidance by the Party committee of the Bank, the senior management deeply learned and implemented the spirit of the sessions of the 19th CPC Central Committee and the important speech of President Xi Jinping during his investigation in Anhui, fully implemented the decisions and deployments of the provincial Party committee and the provincial government and coordinated the prevention and control of the epidemic, business development and financial services, well completing all operation plans and target tasks of the Board of Directors and achieving a development trend with progress and improvement while maintaining stable.

During the year, we focused on our principal business, served the overall national economy and fully improved the quality and efficiency of financial services. With the fundamental purpose of serving real economies and local construction, our Bank recorded total assets of more than RMB1.38 trillion while the increased amount of total loans and advances to customers were RMB81.8 billion. Our Bank was awarded the "Excellent" level on banking financial institutes in serving the development of local economies for five consecutive years. Our Bank assisted in local economic development. Our Bank's new loans to manufacturing, green and environmental protection, scientific and technological innovation, strategic and emerging industries and other key sectors were over RMB47 billion and we have fully fulfilled the loan granting target of guidance policy finance. We served the strategy on rural revitalization. The balance of loans to projects on rural revitalization was RMB21.03 billion, representing an increase of RMB6.22 billion as compared with the beginning of the year; and the balance of loans to agriculture-related industries was RMB138.94 billion, representing an increase of RMB23.62 billion. Our Bank supported private, small and micro enterprises. The balance of loans to private enterprises and small and micro enterprises with the credit granted of less than RMB10 million (inclusive) was RMB162.1 billion and RMB82.9 billion, respectively, completing the target on "two increases and two controls". We implemented policies on supporting enterprises in employment stabilization. Our Bank renewed the emergency loan for the prevention and control of the epidemic with an amount of RMB12.28 billion and boosted efforts in reducing charges and profits. The weighted average interest rate of loans to inclusive small and micro enterprises was 4.92%, representing a decrease of 71 BPs as compared with last year.



Chapter IV President's Statement

During the year, we took various measures, proceeded steadily and coordinately promoted the balanced development of businesses. Our Bank actively responded to market changes and sped up in business transformation. We achieved a net profit of RMB11.79 billion for the year, representing an increase of 18.8% from last year. We consolidated the fundamentals of corporate businesses. Total corporate loans and advances amounted to RMB417.44 billion, representing an increase of RMB64.57 billion as compared with the beginning of the year. Our Bank carried out the "Approaching Clients" activity and the number of corporate clients increased by 38,000 as compared with the beginning of the year, maintaining the first place in terms of the market share of corporate deposits in Anhui Province. Our Bank provided capital supports to the construction of key projects and achieved a volume of RMB57.83 billion in the investment banking business. We captured the growth points of the retail business. Firmly adhering to the concept of "putting deposits in a paramount position of the Bank", our Bank maintained a continuous increase in the number of active individual customers with the market share of savings deposits in Anhui Province accounting for over 8%, hitting a new high in increment. Focusing on laying a foundation for long-term profits, our Bank recorded an increase of 670,000 in terms of the number of third-generation social insurance cards as compared with the beginning of the year and an increase of RMB17 billion in the balance of consumer credit loans. We improved the steady interbank business. Our Bank handled the rediscounting business with an amount of RMB28 billion for the year, representing an increase of RMB8.8 billion from last year. Our Bank held local government bonds and corporate bonds with an amount of RMB94.92 billion and RMB49.17 billion, respectively, and underwrote interest rate bonds of RMB147 billion in total. We have completed tasks on the rectification of existing wealth management business as scheduled and cleared out the non-compliant wealth management business.

During the year, we forged ahead in an innovative and enterprising spirit and continuously stimulated the vitality in operation and development. Our Bank kept on the innovation-driven strategy and technology empowerment and focused on the optimization of financial services to practically enhance the core competitiveness. We boosted innovation efforts in businesses and products. Our Bank successfully launched the first supply chain notes + guarantee innovation business in China and innovatively introduced "Technology e-Lending (科技e貸)", "Carbon Emission Right Pledge Financing (碳排放權質押融資)", "Cloud Mortgage Lending (雲押貸)", "Online Rapid Discount 2.0 (在線秒貼 2.0)" and other products, providing multi-scenario and comprehensive financial services. We expanded diversified customer service channels. Our Bank persistently adhered to the "customer-centric" service philosophy and ranked the first among banking financial institutions in Anhui Province in terms of the number of "Top 1,000 Demonstration Units". We developed intelligent AI customer service platforms and sped up in promoting the intelligent outlet transformation. The replacement rate of transactions via smart self-service terminals reached 65%. Our Bank improved the functions of online banking and WeChat banking with a net increase in the number of customers of 1,338,000 and 913,000, respectively. Our Bank promoted the enhancement of financial technology capabilities and achieved real switchover and "active-active" operation of all important information systems. We sped up in the construction of cloud platforms for Internet finance and promoted to achieve proprietary, controllable and agile development of key systems to provide strong impetus to the digital transformation.

Chapter IV President's Statement

During the year, we held on to our bottom line and consolidated our fundamentals to practically advance the management of risk control and internal control. With the risk prevention and control putting in a more important position, our Bank firmly held the bottom line of preventing systematic risks. Asset quality indicators improved while maintaining stable. Our Bank stuck to that the quality of assets serves as the lifeline of commercial banks. The non-performing loan ratio and the non-performing asset ratio of our Bank declined as compared with the beginning of the year while the provision coverage rate was 239.7%, representing an increase of 57.8 percentage points. New branches out of Anhui Province achieved steady development. Our Bank formulated and released the strategic planning on branches out of Anhui Province, established and improved regular scheduling mechanisms and actively and stably promoted the disposal of non-performing assets of the former Baoshang Bank undertaken. All businesses were carried out steadily and achieved "having the takeover capacity and ensuring sound management". The capital adequacy was steadily improved. Our Bank successfully issued tier 2 capital bonds of RMB6 billion, solidly promoted the declaration of special bonds for local governments and reasonably optimized the profit distribution plan. The core tier 1 capital adequacy ratio was 8.45%, representing an increase of 0.41 percentage point from the beginning of the year. The establishment of an internal control compliance system was advanced in an orderly manner. Our Bank deeply carried out the "Year of Internal Control and Compliance Management Construction" activities, established and improved the monitoring system on performance of duties, finance, risks and strategies. We received the highest evaluation on the implementation of relevant regulations of the PBOC and the regulation rating on anti-money laundering. Our Bank maintained forceful and effective internal fundamental management. We made consistent and meticulous efforts in the normalized prevention and control of the epidemic. The new office building at the headquarters has completed construction and passed inspection and acceptance. Our subsidiaries were awarded the honorary titles of "National Youth Civilization Unit" and "Advanced Collective in Women's Contributions in Anhui Province".

The time is now right for us to set sail and embark on our new journey. In 2022, under the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, we will give priority to stable growth and make progress amid stability, coordinately promote development, transformation and innovation and earnestly focus on market-based reform, digital transformation, integrated operation, refined management and other key tasks. Through vigorous and determined endeavor, we will work industriously and forge ahead with courage and fortitude, commit to building an outstanding local mainstream bank, reach a favorable operational result in return to the love and support from our shareholders, clients, employees and the society, and embrace the convening of the 20th National Congress of the CPC with outstanding achievements.

Zhang Renfu

Executive Director, President



Chapter V Management Discussion and Analysis

5.1 OVERALL BUSINESS REVIEW

In 2021, confronted with the complex and severe situation at home and abroad, the Bank upheld the general working guidelines of making improvement while maintaining stability and undertook the mission of serving the real economy with high-quality development as the main line and building an outstanding local mainstream bank as the target, realizing steady growth in various business and continuous improvement in operating and management level.

As at the end of 2021, the total assets of the Bank were RMB1,383,662 million, representing an increase of RMB111,961 million or 8.80% as compared with the end of last year. Among them, total loans and advances to customers were RMB654,795 million, representing an increase of RMB81,841 million or 14.28% as compared with the end of last year. Total liabilities were RMB1,272,146 million, representing an increase of RMB106,118 million or 9.10% as compared with the end of last year. Among them, total customer deposits were RMB768,668 million, representing an increase of RMB55,715 million or 7.81% as compared with the end of last year.

In 2021, the Bank realized an operating income of RMB35,514 million, representing an increase of RMB3,224 million, or 9.98%, as compared with the same period of last year; net profit was RMB11,785 million, representing an increase of RMB1,864 million, or 18.79%, as compared with the same period of last year.

As at the end of 2021, the Bank's non-performing loan balance was RMB11,660 million, representing an increase of RMB302 million as compared with the end of last year. Non-performing loan ratio was 1.78%, representing a decrease of 0.20 percentage point as compared with the end of last year. Non-performing loan provision coverage ratio was 239.74%, representing an increase of 57.84 percentage points as compared with the end of last year.

5.2 ANALYSIS OF INCOME STATEMENT

5.2.1 Summary of financial performance

In 2021, the Bank realized profit before tax of RMB13,537 million, representing an increase of RMB1,454 million or 12.03% as compared with the same period of last year. The effective income tax rate was 12.94%, representing a decrease of 4.95 percentage points as compared with the same period of last year.

	<i>Unit: RMB million</i>	
	2021	2020
Net interest income	26,856	25,752
Net fee and commission income	4,431	3,617
Other net income	4,227	2,921
Operating expenses	8,684	7,654
Impairment losses	13,548	12,197
Net income from investment in associates	255	(356)
Profit before income tax	13,537	12,083
Income tax	1,752	2,162
Net profit	11,785	9,921
Net profit attributable to shareholders of the Bank	11,460	9,570

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

5.2.2 Net interest income

In 2021, the Bank's net interest income amounted to RMB26,856 million, and net interest income from financial instruments at fair value through profit or loss amounted to RMB3,019 million, which totaled RMB29,875 million, representing an increase of RMB1,148 million or 4.00% as compared with the same period of last year, among which expansion of the scale drove an increase of RMB4,152 million in net interest income and changes in interest rates resulted in a decrease of RMB3,004 million in net interest income. In 2021, each of the net interest spread and net interest yield of the Bank was 1.98% and 2.20%, representing a decrease of 19 basis points and 22 basis points, compared with the same period of last year respectively.

The following table sets forth the average balances, interest income and interest expenses, and annualized average yield and cost ratio of the Bank's interest-earning assets and interest-bearing liabilities for the periods indicated.

Unit: RMB million, except for percentages

	2021			2020		
	Average Balance ⁽¹⁾	Interest Income	Average Yield (%)	Average Balance ⁽¹⁾	Interest Income	Average Yield (%)
Interest-earning assets						
Loans and advances to customers	620,804	32,644	5.26	522,952	27,816	5.32
Securities investments	543,347	21,681	3.99	486,160	21,364	4.39
Balances with central bank	79,025	1,137	1.44	73,876	1,065	1.44
Deposits and placements with banks and other financial institutions	62,135	993	1.60	57,632	833	1.45
Financial leasing	53,079	3,677	6.93	47,738	3,207	6.72
Total interest-earning assets and interest income (including interest income from FVTPL financial assets)	1,358,390	60,132	4.43	1,188,358	54,285	4.57

Note: (1) Average balance represents the daily average balance.

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

5.2.2 Net interest income (Continued)

Unit: RMB million, except for percentages

Items	2021			2020		
	Average Balance	Interest Expenses	Average Cost Ratio (%)	Average Balance	Interest Expenses	Average Cost Ratio (%)
Interest-bearing liabilities						
Borrowings from central bank	66,012	1,743	2.64	51,113	1,445	2.83
Customer deposits	748,863	16,098	2.15	657,682	13,249	2.01
Deposits and placements from banks and other financial institutions ⁽¹⁾	242,542	7,019	2.89	182,638	5,327	2.92
Bonds issued	177,030	5,397	3.05	175,171	5,537	3.16
Total interest-bearing liabilities and interest expenses	1,234,447	30,257	2.45	1,066,604	25,558	2.40
Net interest income and net interest income from FVTPL financial instruments	-	29,875	-	-	28,727	-
Net interest spread	-	-	1.98	-	-	2.17
Net interest margin	-	-	2.20	-	-	2.42

Note: (1) Deposits in insurance companies are included in the item of Deposits and placements from banks and other financial institutions for presenting.

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

5.2.2 Net interest income (Continued)

The following table sets forth the changes in interest income and expenses of the Bank caused by the changes in scale and interest rates for the period indicated.

Unit: RMB million

	2021 vs. 2020		Net increase/ (decrease)
	Scale	Interest rate ⁽¹⁾	
Assets			
Loans and advances to customers	5,205	(377)	4,828
Securities investments	2,513	(2,196)	317
Balances with central bank	74	(2)	72
Deposits and placements with banks and other financial institutions	65	95	160
Financial leasing	359	111	470
Changes in interest income (including interest income from FVTPL financial assets)	8,216	(2,369)	5,847
Liabilities			
Borrowings from central bank	421	(123)	298
Customer deposits	1,837	1,012	2,849
Deposits and placements from banks and other financial institutions	1,747	(55)	1,692
Debt securities issued	59	(199)	(140)
Changes in interest expenses	4,064	635	4,699
Changes in net interest income and net interest income from FVTPL financial instruments	4,152	(3,004)	1,148

Note: (1) The changes in scale were measured by the changes in average balances; while changes in interest rates were measured by changes in average interest rates. The changes caused by a combination of scale changes and interest rate changes were included in interest rate changes.



Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

5.2.3 Interest income

In 2021, the Bank's interest income and interest income from financial assets at fair value through profit or loss recognized in net trading income amounted to RMB60,132 million, representing an increase of 10.77% as compared with the same period of last year.

Interest income from loans and advances

In 2021, the Bank's interest income from loans and advances to customers amounted to RMB32,644 million, representing an increase of RMB4,828 million or 17.36% as compared with same period of last year, among which expansion of the scale drove an increase of RMB5,205 million in interest income from loans and advances to customers and changes in interest rates resulted in a decrease of RMB377 million in interest income from loans and advances to customers.

The following table sets forth the average balances, interest income and annualized average yields on each component of the Bank's loans and advances to customers for the periods indicated.

Unit: RMB million, except for percentages

	2021			2020		
	Average Balance	Interest Income	Average Yield (%)	Average Balance	Interest Income	Average Yield (%)
Corporate loans	365,292	18,243	4.99	308,953	15,870	5.14
Retail loans ⁽¹⁾	221,353	13,547	6.12	190,668	11,319	5.94
Discounted bills	34,159	854	2.50	23,332	627	2.69
Loans and advances to customers	620,804	32,644	5.26	522,952	27,816	5.32

Note: (1) Retail loans comprise personal business loans and personal consumption loans (including residential mortgage loans).

Interest income from securities investments

In 2021, the Bank's interest income from securities investments was RMB21,681 million, representing an increase of RMB317 million or 1.48% as compared with the same period of last year, among which expansion of the scale drove an increase of RMB2,513 million in interest income from securities investments and changes in interest rates resulted in a decrease of RMB2,196 million in interest income from securities investments.

Interest income from deposits and placements with banks and other financial institutions

In 2021, the Bank's interest income from deposits and placements with banks and other financial institutions was RMB993 million, representing an increase of RMB160 million or 19.21% as compared with the same period of last year, among which expansion of the scale drove an increase of RMB65 million in interest income from deposits and placements with banks and other financial institutions while changes in interest rates resulted in an increase of RMB95 million in interest income from deposits and placements with banks and other financial institutions.

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

5.2.4 Interest expenses

In 2021, the Bank realized interest expenses amounting to RMB30,257 million, representing an increase of RMB4,699 million or 18.39% as compared with the same period of last year, among which expansion of the scale drove an increase of RMB4,064 million in interest expenses while changes in interest rates resulted in an increase of RMB635 million in interest expenses.

Interest expense on customer deposits

In 2021, the Bank's interest expense on customer deposits was RMB16,098 million, representing an increase of RMB2,849 million or 21.50% as compared with the same period of last year, among which expansion of the scale drove an increase of RMB1,837 million in interest expense on customer deposits and changes in interest rates resulted in an increase of RMB1,012 million in interest expense on customer deposits.

The following table sets forth the average balance, interest expenses and annualized average cost ratio of the Bank's corporate deposits and retail deposits for the periods indicated.

Unit: RMB million, except for percentages

	2021			2020		
	Average Balance	Interest Expenses	Annualized Average Cost Ratio (%)	Average Balance	Interest Expenses	Annualized Average Cost Ratio (%)
Corporate deposits						
Demand deposits	263,411	2,507	0.95	256,795	2,452	0.95
Time deposits	174,783	5,415	3.10	153,629	4,728	3.08
Sub-total	438,194	7,922	1.81	410,424	7,180	1.75
Retail deposits						
Demand deposits	70,534	504	0.71	65,335	442	0.68
Time deposits	199,363	6,945	3.48	144,451	5,068	3.51
Sub-total	269,897	7,449	2.76	209,786	5,510	2.63
Others ⁽¹⁾	40,772	727	1.78	37,472	559	1.49
Total customer deposits	748,863	16,098	2.15	657,682	13,249	2.01

Note: (1) Other deposits include margin deposits and credit card deposits, etc.

Interest expense on deposits and placements from banks and other financial institutions

In 2021, interest expense on deposits and placements from banks and other financial institutions was RMB7,019 million, representing an increase of RMB1,692 million or 31.76% as compared with the same period of last year, among which expansion of the scale drove an increase of RMB1,747 million in interest expense on deposits and placements from banks and other financial institutions while changes in interest rates resulted in a decrease of RMB55 million in interest expense on deposits and placements from banks and other financial institutions.

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

5.2.4 Interest expenses (Continued)

Interest expense on bonds issued

In 2021, interest expense on bonds issued was RMB5,397 million, representing a decrease of RMB140 million or 2.53% as compared with the same period of last year, among which expansion of the scale drove an increase of RMB59 million in interest expense on bonds issued while changes in interest rates resulted in a decrease of RMB199 million in interest expense on bonds issued.

5.2.5 Net non-interest income

In 2021, the Bank realized a net non-interest income of RMB8,658 million, representing a year-on-year increase of RMB2,120 million or 32.43%, which was primarily the increase in net fee and commission income.

The following table sets forth the principal components of the Bank's net non-interest income for the periods indicated.

	<i>Unit: RMB million</i>	
	2021	2020
Fee and commission income	4,841	3,963
Settlement fee income	93	85
Guarantee and commitment fee income	371	243
Investment banking fee income	504	660
Custodian service fee income	622	585
Bank card fee income	194	95
Settlement fees	32	24
Agency service fees	2,326	1,473
Financial leasing fee income	567	650
Other fee income	132	148
Fee and commission expenses	(410)	(346)
Net fee and commission income	4,431	3,617
Other net non-interest income	4,227	2,921
Net trading income	2,984	2,496
Net income from financial investments	910	169
Dividend income	2	1
Other operating income, net	331	255
Net non-interest income	8,658	6,538

Net fee and commission income

In 2021, net fee and commission income of the Bank was RMB4,431 million, representing an increase of RMB814 million or 22.50% as compared with the same period of last year, which was primarily attributable to increases in agency service fees and guarantee and commitment fee income.

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

5.2.5 Net non-interest income (Continued)

Net trading income

In 2021, net trading income of the Bank was RMB2,984 million, representing an increase of RMB488 million or 19.55% as compared with last year, which was primarily attributable to the increase in net gains from foreign exchange and foreign exchange products.

Net income from financial investments

In 2021, net income from financial investments of the Bank was RMB910 million, representing an increase of RMB741 million or 438.46% as compared with the same period of last year, which was mainly due to the increase in the spread income from financial assets at fair value through profit or loss.

5.2.6 Operating expenses

In 2021, the Bank's operating expenses were RMB8,684 million, representing an increase of RMB1,030 million or 13.46% as compared with the same period of last year.

The following table sets forth the principal components of the Bank's operating expenses for the periods indicated.

	<i>Unit: RMB million</i>	
	2021	2020
Staff costs	(4,875)	(4,206)
Tax and surcharges	(394)	(325)
Depreciation and amortization	(999)	(842)
Lease expenses	(68)	(75)
Other general and administrative expenses	(2,348)	(2,206)
Total operating expenses	(8,684)	(7,654)



Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

5.2.7 Asset impairment losses

In 2021, the Bank's allowance for asset impairment losses was RMB13,548 million, representing an increase of RMB1,351 million or 11.08% as compared with the same period of last year. The Bank increased provision for impairment on certain assets of 17 former branches of the Bank which were significantly affected by industry policies based on the principle of prudence. In addition, the Bank carried out prudent appraisals on the assets of 4 branches acquired and taken over by the Bank outside of Anhui Province and made full impairment provision for assets with declined quality.

The following table sets forth the principal components of the Bank's impairment losses for the periods indicated.

Items	<i>Unit: RMB million</i>	
	2021	2020
Loans and advances to customers ⁽¹⁾	(10,019)	(10,563)
Financial investments	(1,878)	(632)
Deposits with banks and other financial institutions	(4)	(110)
Placements with banks and other financial institutions	(5)	8
Financial assets held under resale agreements	(23)	83
Credit commitments	(670)	57
Finance lease receivables	(1,114)	(1,278)
Foreclosed assets	4	62
Other assets	161	176
Total	(13,548)	(12,197)

Note: (1) Loans and advances to customers comprise loans and advances to customers measured at amortised cost and at fair value through other comprehensive income.

Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS

5.3.1 Assets

As of 31 December 2021, the Bank's total assets amounted to RMB1,383,662 million, representing an increase of RMB111,961 million or 8.80% as compared with the end of last year. The increase in total assets was primarily due to an increase in loans and advances to customers.

Unit: RMB million, except for percentages

Items	31 December 2021		31 December 2020	
	Amount	% of the total	Amount	% of the total
Total loans and advances to customers	654,795	47.32	572,954	45.05
Accrued interest of loans and advances to customers	1,427	0.10	1,097	0.09
Provision for loan impairment	27,916	2.02	20,652	1.62
Net loans and advances to customers	628,306	45.41	553,399	43.52
Investments	543,209	39.26	510,527	40.15
Cash and balances with the central bank	81,331	5.88	98,384	7.74
Deposits with banks and other financial institutions	12,745	0.92	11,298	0.89
Precious metals	–	0.00	2,397	0.19
Placements with banks and other financial institutions	15,041	1.09	5,277	0.41
Derivative financial assets	157	0.01	138	0.01
Financial assets held under resale agreements	5,452	0.39	249	0.02
Investments in associates	4,716	0.34	4,474	0.35
Fixed assets	4,703	0.34	4,638	0.36
Right-of-use assets	1,130	0.08	1,169	0.09
Goodwill	14,568	1.05	14,568	1.15
Deferred income tax assets	12,618	0.91	9,727	0.76
Finance lease receivables	54,016	3.90	49,054	3.86
Other assets	5,672	0.41	6,401	0.50
Total assets	1,383,662	100.00	1,271,701	100.00



Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS (CONTINUED)

5.3.1 Assets (Continued)

5.3.1.1 Loans and advances to customers

As of 31 December 2021, the Bank's total loans and advances to customers amounted to RMB654,795 million, representing an increase of 14.28% as compared with the end of last year, and the total loans and advances to customers accounted for 47.32% of the Bank's total assets, representing an increase of 2.27 percentage points from the end of last year.

Distribution of loans by product type

The following table sets forth information on the Bank's loans and advances to customers by product type as of the dates indicated.

Unit: RMB million, except for percentages

Items	31 December 2021		31 December 2020	
	Amount	% of the total	Amount	% of the total
Corporate loans	367,952	56.19	325,112	56.74
Discounted bills	49,484	7.56	27,759	4.85
Retail loans	237,359	36.25	220,082	38.41
Total loans and advances to customers	654,795	100.00	572,954	100.00

Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS (CONTINUED)

5.3.1 Assets (Continued)

5.3.1.2 Investments

Investments of the Bank consist of listed and non-listed securities denominated in both Renminbi and foreign currencies, including financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost.

The following table sets forth the components of the investment portfolio of the Bank by accounting classification.

Unit: RMB million, except for percentages

Items	31 December 2021		31 December 2020	
	Amount	% of the total	Amount	% of the total
Financial assets at fair value through profit or loss	122,969	22.64	123,051	24.10
Financial assets at fair value through other comprehensive income	117,930	21.71	120,566	23.62
Financial assets at amortised cost	302,310	55.65	266,910	52.28
Investments	543,209	100.00	510,527	100.00

Note: As the Bank has adopted IFRS 9 – Financial Instruments, the classification and measurement of relevant financial assets are presented in accordance with the requirements of the newly adopted standard.



Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS (CONTINUED)

5.3.1 Assets (Continued)

5.3.1.2 Investments (Continued)

Financial assets at fair value through profit or loss

The following table sets forth the components of financial assets at fair value through profit or loss of the Bank.

	31 December	31 December
	2021	2020
Government bonds	3,234	2,967
Other bonds	16,889	11,710
Interbank certificates of deposit	546	884
Equity investment	693	0
Beneficial rights in asset management and trust plan and others	86,487	93,062
Non-guaranteed wealth management products managed	14,160	13,509
Interest accrued	959	919
Total financial assets at fair value through profit or loss	122,969	123,051

Unit: RMB million

Note: As the Bank has adopted IFRS 9 – Financial Instruments, the classification and measurement of relevant financial assets are presented in accordance with the requirements of the newly adopted standard

Financial assets at fair value through other comprehensive income

The following table sets forth the components of financial assets at fair value through other comprehensive income of the Bank.

	31 December	31 December
	2021	2020
Debt securities	115,301	118,548
Equity securities	225	235
Interest accrued	2,403	1,783
Total financial assets at fair value through other comprehensive income	117,930	120,566

Unit: RMB million

Note: As the Bank has adopted IFRS 9 – Financial Instruments, the classification and measurement of relevant financial assets are presented in accordance with the requirements of the newly adopted standard.

Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS (CONTINUED)

5.3.1 Assets (Continued)

5.3.1.2 Investments (Continued)

Financial assets at amortised cost

The following table sets forth the components of financial assets at amortised cost of the Bank.

	<i>Unit: RMB million</i>	
	31 December 2021	31 December 2020
Debt securities	135,780	98,879
Beneficial rights in asset management and trust plans and others	174,785	175,343
Interest accrued	5,622	4,820
Less: provision for impairment	(13,876)	(12,132)
Net financial assets at amortised cost	302,310	266,910

Note: As the Bank has adopted IFRS 9 – Financial Instruments, the classification and measurement of relevant financial assets are presented in accordance with the requirements of the newly adopted standard.

Carrying value and market value

All assets classified as financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income were recorded at market value or fair value.

The following table sets forth the carrying value and market value of the financial assets at amortised cost in the Bank's portfolio as of the dates indicated.

	<i>Unit: RMB million</i>			
	31 December 2021		31 December 2020	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets at amortised cost	302,310	303,142	266,910	267,239

Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS (CONTINUED)

5.3.1 Assets (Continued)

5.3.1.3 Subsidiaries and major investee companies

Name	Initial investment amount (RMB'000)	Percentage of shareholdings (%)	Number of shares held at the end of the period (in thousands of shares)	Carrying value at the end of the period (RMB'000)	Sources of shares held	Remark
Huishang Bank Financial Leasing Co., Ltd.	1,020,000	54	1,620,000	1,706,820	Promotion, participation in capital increase	Subsidiary
HSBank Wealth Management Co., Ltd.	2,000,000	100	2,000,000	2,000,000	Promotion	Subsidiary
Wuwei Huiyin Rural Bank Co., Ltd. ⁽¹⁾	40,000	40	40,000	69,513	Promotion	Subsidiary
Jinzhai Huiyin Rural Bank Co., Ltd. ⁽²⁾	32,800	41	32,800	32,800	Promotion	Subsidiary
Chery Huiyin Motor Finance Service Co., Ltd.	100,000	20	300,000	1,535,547	Promotion, participation in capital increase	Company in which the Bank has shareholdings
Mengshang Bank Co., Ltd.	3,600,000	15	3,000,000	3,180,044	Promotion	Company in which the Bank has shareholdings

Notes:

- (1) In 2010, the Bank invested in and established Wuwei Huiyin Rural Bank Co., Ltd. ("Wuwei Huiyin"). Its registered capital was RMB100 million, of which the Bank contributed RMB40 million, accounting for 40% shareholding. Although the Bank has no absolute controlling interest in Wuwei Huiyin, after taking into various factors, the company's operating activities since its incorporation indicated that the Bank has a dominant position over operating activities of Wuwei Huiyin. Therefore, the Bank has de facto control over it. The Bank included Wuwei Huiyin in its consolidated financial statements on 31 December 2014.
- (2) Due to the changes in the shareholding of Jinzhai Huiyin Rural Bank Co., Ltd. ("Jinzhai Huiyin") in May 2017, its shareholders, Anhui GuoYuan Investment Co., Ltd. (holding 10% equity interests in Jinzhai Huiyin) and Zhang Huai'an (holding 10% equity interests in Jinzhai Huiyin) have been acting in concert with the Bank. Such shareholders will agree with the Bank when voting on material decisions regarding financial and operating policies of Jinzhai Huiyin.

For further details of subsidiaries and major investee companies of the Bank, please refer to section 5.9.9 "Subsidiaries and major companies in which the Bank has shareholdings" of this annual report.

Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS (CONTINUED)

5.3.2 Liabilities

As of 31 December 2021, total liabilities of the Bank amounted to RMB1,272,146 million, representing an increase of 9.10% as compared with the end of last year. Such increase was mainly due to the growth of customer deposits.

Unit: RMB million, except for percentages

Items	31 December 2021		31 December 2020	
	Amount	% of the total	Amount	% of the total
Borrowings from central bank	65,380	5.14	69,583	5.97
Deposits from banks and other financial institutions	136,985	10.77	93,590	8.03
Placements from banks and other financial institutions	43,225	3.40	35,295	3.03
Derivative financial liabilities	151	0.01	141	0.01
Financial assets sold under repurchase agreements	38,499	3.03	40,399	3.46
Customer deposits	768,668	60.42	712,953	61.14
Accrued interests on customer deposits	15,146	1.19	13,790	1.18
Taxes payable	3,828	0.30	2,628	0.23
Issuance of bonds	182,888	14.38	180,636	15.49
Other liabilities	17,377	1.37	17,013	1.46
Total liabilities	1,272,146	100.00	1,166,028	100.00

Customer deposits

The Bank has been focusing on and actively expanding its deposit business. In 2021, despite an increasingly intense competition among the peers, the Bank managed to maintain a steady growth of customer deposits through various effective measures. As of 31 December 2021, total customer deposits of the Bank amounted to RMB768,668 million and accounted for 60.42% of total liabilities of the Bank, representing an increase of 7.81% from the end of last year.



Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS (CONTINUED)

5.3.2 Liabilities (Continued)

Customer deposits (continued)

The following table sets forth the Bank's customer deposits by product type and customer type as of the dates indicated.

Unit: RMB million, except for percentages

Items	31 December 2021		31 December 2020	
	Balance	% of the total	Balance	% of the total
Corporate deposits				
Demand deposits	261,151	33.97	251,061	35.21
Time deposits	170,692	22.21	188,697	26.47
Subtotal	431,843	56.18	439,758	61.68
Retail deposits				
Demand deposits	71,675	9.32	68,066	9.55
Time deposits	221,223	28.78	167,481	23.49
Subtotal	292,898	38.10	235,547	33.04
Other deposits	43,927	5.71	37,649	5.28
Including: Pledged deposits	43,666	5.68	35,706	5.01
Total customer deposits	768,668	100.00	712,953	100.00

5.3.3 Equity

Unit: RMB million

Items	31 December 2021	31 December 2020
Share capital ⁽¹⁾	13,890	13,890
Other equity instruments	10,000	15,990
Capital reserve	15,231	14,919
Surplus reserve	15,181	13,234
Statutory general reserve	13,531	12,296
Other comprehensive income	1,528	950
Retained earnings	39,204	31,763
Equity attributable to shareholders of the Bank	108,564	103,041
Non-controlling interest	2,952	2,632
Total equity	111,516	105,673

Note: (1) For details of share capital of the Bank, please refer to the section 7.1 "Changes in Ordinary Shares of the Bank during the Reporting Period", section 7.6 "Non-public Issuance" of this annual report and note 40 to the financial statements.

Chapter V Management Discussion and Analysis

5.4 LOAN QUALITY ANALYSIS

5.4.1 Distribution of loans by the five-category classification

The following table sets forth the distribution of the Bank's loans by the five-category classification as of the dates indicated.

	31 December 2021		31 December 2020	
	Amount	% of the total	Amount	% of the total
	<i>(in RMB100 million, except for percentages)</i>			
Pass	6,295.06	96.14	5,547.43	96.81
Special mention	136.29	2.08	68.52	1.20
Substandard	45.25	0.69	43.47	0.76
Doubtful	17.32	0.26	13.53	0.24
Loss	54.03	0.83	56.58	0.99
Total loans and advances to customers	6,547.95	100	5,729.54	100
Total non-performing loans	116.60	1.78	113.58	1.98

Under the five-category classification system of the loan supervision, the non-performing loans ("NPLs") of the Bank include loans of substandard, doubtful and loss categories. Affected by changes of the external business environment, the Bank's asset quality faced serious challenges in 2021. By focusing on risk prevention and accelerating disposal treatment, the Bank maintained stable quality of assets. As of the end of the Reporting Period, the NPL ratio of the Bank was 1.78%, representing a decrease of 0.20 percentage point from the end of last year.

5.4.2 Distribution of loans and NPLs by product type

The following table sets forth the distribution of loans and NPLs by product type as of the dates indicated.

	31 December 2021				31 December 2020			
	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)
	<i>(in RMB100 million, except for percentages)</i>							
Corporate loans	3,679.52	56.19	97.99	2.66	3,251.12	56.75	98.29	3.02
Discounted bills ⁽¹⁾	494.84	7.56	–	0.00	277.59	4.84	–	0.00
Retail loans	2373.59	36.25	18.61	0.78	2,200.82	38.41	15.29	0.69
Total loans and advances to customers	6,547.95	100.00	116.60	1.78	5,729.54	100.00	113.58	1.98

Note: (1) Overdue discounted bills are transferred to corporate loans.

Chapter V Management Discussion and Analysis

5.4 LOAN QUALITY ANALYSIS (CONTINUED)

5.4.3 Distribution of loans and NPLs by industry

The following table sets forth the distribution of loans and NPLs by industry as of the dates indicated.

	31 December 2021				31 December 2020			
	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)
<i>(in RMB100 million, except for percentages)</i>								
Commerce and services	591.25	9.01	32.27	5.46	538.85	9.40	23.20	4.31
Manufacturing	640.88	9.79	46.7	7.29	533.25	9.32	63.21	11.85
Public utilities	1,515.43	23.14	1.26	0.08	1,372.75	23.96	1.25	0.09
Real estate	313.34	4.79	10.00	3.19	269.45	4.70	0.20	0.07
Construction	276.14	4.22	6.69	2.42	267.22	4.66	5.24	1.96
Transportation	78.34	1.20	0.43	0.55	73.22	1.28	0.33	0.45
Energy and chemical	169.12	2.58	0.25	0.15	120.00	2.09	4.11	3.43
Catering and travelling	6.94	0.11	0.20	2.88	8.75	0.15	0.16	1.83
Education and media	21.76	0.33	0.08	0.37	22.70	0.40	0.09	0.40
Financial services	58.07	0.89	0	0	29.15	0.51	0	0
Others ⁽¹⁾	8.25	0.13	0.11	1.33	15.78	0.28	0.50	3.17
Discounted bills	494.84	7.56	0.00	0.00	277.59	4.84	0.00	0.00
Retail loans	2,373.59	36.25	18.61	0.78	2,200.82	38.41	15.29	0.69
Total loans and advances to customers	6,547.95	100.00	116.6	1.78	5,729.54	100.00	113.58	1.98

Note: (1) Others mainly include the planting, forestry, and livestock industry and the fishery industry.

Chapter V Management Discussion and Analysis

5.4 LOAN QUALITY ANALYSIS (CONTINUED)

5.4.4 Distribution of loans and NPLs by geographical segment

The following table sets forth the distribution of loans and NPLs by geographical segment as of the dates indicated.

	31 December 2021				31 December 2020			
	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)
<i>(in RMB100 million, except for percentages)</i>								
Anhui	5,682.49	86.79	67.93	1.20	5,045.56	88.06	78.15	1.55
Jiangsu	511.60	7.81	14.11	2.76	463.99	8.10	16.72	3.60
Others	353.86	5.40	34.56	9.77	219.98	3.84	18.71	8.51
Total loans and advances to customers	6,547.95	100.00	116.60	1.78	5,729.54	100.00	113.58	1.98

5.4.5 Distribution of loans and NPLs by type of collateral

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

	31 December 2021				31 December 2020			
	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)
<i>(in RMB100 million, except for percentages)</i>								
Collateralized loans	2,209.47	33.74	33.65	1.52	2,019.90	35.25	26.27	1.30
Pledged loans	1,342.54	20.50	6.92	0.52	1,245.96	21.75	8.24	0.66
Guaranteed loans	1,139.83	17.41	29.62	2.60	1,024.83	17.89	37.37	3.65
Unsecured loans	1,361.27	20.79	46.41	3.41	1,161.25	20.27	41.70	3.59
Discounted bills	494.84	7.56	0	0	277.59	4.84	0	0
Total loans and advances to customers	6,547.95	100.00	116.60	1.78	5,729.54	100.00	113.58	1.98



Chapter V Management Discussion and Analysis

5.4 LOAN QUALITY ANALYSIS (CONTINUED)

5.4.6 Loans of the top 10 single borrowers

The following table sets forth the Bank's loans of the top 10 single borrowers as of the date indicated.

Top 10 borrowers	Industry borrower belongs to	Amount of loans as of	% of
		31 December 2021 (RMB million)	net capital
A	Manufacture	3,516	3.03
B	Manufacture	3,379	2.91
C	Energy and chemical	2,900	2.50
D	Manufacture	2,550	2.20
E	Manufacture	2,130	1.83
F	Energy and chemical	1,849	1.59
G	Public utilities	1,803	1.55
H	Public utilities	1,800	1.55
I	Public utilities	1,800	1.55
J	Public utilities	1,770	1.52
Total		23,497	20.23

5.4.7 Distribution of loans by overdue period

The following table sets forth the distribution of loans by overdue period as of the dates indicated.

	31 December 2021	31 December 2020
Total overdue customer loans and advances to customers listed by duration (RMB million)		
Within 3 months	3,805	3,987
3 to 6 months (including)	1,864	4,138
6 to 12 months	1,047	2,835
Over 12 months	6,002	1,787
Total	12,718	12,747
Percentage (%)		
Within 3 months	29.92	31.28
3 to 6 months (including)	14.66	32.46
6 to 12 months	8.23	22.24
Over 12 months	47.19	14.02
Total	100.00	100.00

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5.4 LOAN QUALITY ANALYSIS (CONTINUED)

5.4.8 Restructuring loans

During the Reporting Period, the Bank's restructuring NPLs amounted to RMB2,701.5547 million, which included 85 corporate loans amounting to RMB2,697.0247 million and 3 retail loans amounting to RMB4.53 million. In 2021, the restructuring NPLs of the Bank amounted to RMB2,701.5547 million, representing an increase of RMB2,256.8582 million from last year.

5.4.9 Transfer of credit assets

The Bank disposes of its non-performing credit assets by transferring such assets to third parties in its ordinary course of business. In 2021, the Bank transferred NPLs of RMB426 million as above stated.

5.4.10 Change of allowances for loan impairment ⁽¹⁾

The Bank adopts the "Expected Credit Loss Model" to assess impairment provision and loss on loans on a regular basis in accordance with the requirements of IFRS 9. In measuring the expected loss, the Bank uses a complex model comprising the future macroeconomic situation and the credit history of borrowers and makes relevant assumptions. After carrying out a forward-looking assessment of the expected credit loss on each loan, the Bank classifies the loans into stage one, two and three accordingly and determines the degree of impairment loss based on the degree of default. The Bank will regularly review the methodology and assumptions such as the criteria for significant increase in credit risk, the definition of credit-impaired assets, the parameters for expected credit loss measurement and forward-looking information to reduce the difference between the estimated impairment loss and the actual impairment loss on loans.

The following table sets forth the changes of allowances for impairment on loans and advances to customers.

Items	Unit: RMB million	
	2021	2020
Balance at the beginning of the period	20,660	14,630
Allowances for the period	10,019	10,563
Reversal caused by the write-down of interest on impaired loans and advances to customers	(142)	(64)
Write-offs and transfer out for the period	(3,438)	(5,330)
Reversal caused by recovery of loans and advances to customers written off	854	861
Balance at the end of the period	27,953	20,660

Note: (1) Loans and advances to customers comprise loans and advances to customers measured at amortised cost and at fair value through other comprehensive income.

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5.5 CAPITAL ADEQUACY RATIO ANALYSIS

The Bank continued to optimize asset structure, enhance capital management, and met the regulatory requirements on capital adequacy ratio set by the CBIRC during the Reporting Period.

The Bank calculated the capital adequacy ratio in accordance with the relevant requirements contained in the “Measures for the Capital Management of Commercial Banks (Trial)”. As of 31 December 2021, the Bank’s capital adequacy ratio was 12.23%, Tier 1 capital adequacy ratio was 9.54%, and core Tier 1 capital adequacy ratio was 8.45%.

The table below shows information relating to capital adequacy ratios of the Bank as at 31 December 2021:

Unit: RMB million, except for percentages

	31 December 2021
Core Tier 1 capital	100,639
Including: Paid-in capital	13,890
Capital reserve	16,758
Surplus reserve and statutory general reserve	28,712
Retained earnings	39,204
Non-controlling interests	2,075
Regulatory deductions for core Tier 1 Capital	(20,333)
Core Tier 1 capital, net of deductions	80,306
Other Tier 1 capital, net of deductions	10,273
Tier 1 capital, net of deductions	90,579
Tier 2 capital	25,554
Including: Tier 2 capital instruments and premium	14,000
Surplus loan loss provisions	11,009
Non-controlling interests	546
Total capital, net of deductions	116,133
Credit risk-weighted assets	880,689
Market risk-weighted assets	7,447
Operational risk-weighted assets	61,695
Risk-weighted assets	949,831
Capital adequacy ratio	12.23%
Tier 1 capital adequacy ratio	9.54%
Core Tier 1 capital adequacy ratio	8.45%

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5.5 CAPITAL ADEQUACY RATIO ANALYSIS (CONTINUED)

Pursuant to regulatory requirements, the capital adequacy ratio of the Bank above was calculated after consolidating relevant data of Huishang Bank Financial Leasing Co., Ltd., HSBank Wealth Management Co., Ltd., Wuwei Huiyin and Jinzhai Huiyin.

Leverage ratio

Unit: RMB million, except for percentages

Item	31 December	31 December
	2021	2020
Leverage ratio	5.96%	6.90%
Tier 1 capital, net of deductions	90,579	86,514
Adjusted balance of assets on and off the balance sheet	1,363,172	1,253,034

Note: Indicators related to leverage ratio are calculated pursuant to the "Administrative Measures for Leverage Ratio of Commercial Banks (Revised)".

5.6 SEGMENT PERFORMANCES

Operating segments

The Bank provides services through four main business segments: corporate banking, retail banking, treasury and others. The table below sets forth the segment performance of the Bank by business line as at the periods indicated.

	2021		2020	
	Total profits before taking into account credit risk impairment	Percentage (%)	Total profits before taking into account credit risk impairment	Percentage (%)
	<i>(RMB million, except for percentages)</i>			
Corporate banking business	16,815	62.07	14,878	61.12
Retail banking business	6,755	24.94	6,189	25.43
Treasury	3,348	12.36	3,685	15.14
Others	171	0.63	(411)	(1.69)
Total	27,089	100.00	24,341	100.00

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5.8 INFLUENCE OF CHANGE IN OPERATING ENVIRONMENT AND MACRO POLICY AND THE FOCUSES OF THE OPERATION

1. Economic growth faced “triple pressures” with highlights in structural optimization

China's GDP grew by 8.1% in 2021, higher than the expected target of above 6%. Divided by quarters, the GDP growth in the first to the fourth quarter in 2021 as compared with same period of last year was 18.3%, 7.9%, 4.9% and 4.0%, respectively, showing a trend of tapering down quarter by quarter. The economic growth drivers showed a pattern with “exports and production strengthened, manufacturing and infrastructure accelerated and real estate consumption slowed down significantly”. Investments in high-technology, equipment manufacturing, new energy vehicles, solar battery and other industries maintained rapid growth. The profitability of industries differentiated and industrial enterprises in the upstream and downstream recorded high and low benefits. On the whole, the economic growth still faced high “triple pressures” with shrinking demands, restrained supplies and weakened expectations.

2. Social financing and credit loans achieved steadily slow growth and the macro leverage ratio maintained a steady decline

As of the end of 2021, the existing social financing scale recorded a year-on-year increase of 10.3%, representing a year-on-year decrease of approximately RMB3.44 trillion in the increase of the social financing scale while RMB loans achieving a year-on-year increase of RMB315 billion. The increase in medium- and long-term corporate loans in China has been increasing slightly since July 2021 due to the weakened capital demands of enterprises resulting from the increased economic downward pressures in the third quarter of 2021 and the surging bulk commodity prices. At the same time, the sluggish real estate market and the reoccurrence of the pandemic caused certain impacts on the increase in the medium- and long-term and short-term loans of residents. The macro leverage ratio decreased by 7.7 percentage points nationwide during the whole year.

3. Precise and effective policy regulation boosted regulatory efforts on risk prevention

The prudent monetary policy maintained supports to economic recovery in 2021. The two cuts of the reserve requirement ratio by 0.5 percentage point promoted a steady decline in the comprehensive financing cost of enterprises. The interest rate of corporate loans of the whole year was 4.61% in 2021, representing a decrease of 0.1 and 0.69 percentage point from 2020 and 2019, respectively, hitting the lowest level in over 40 years since the reform and opening-up. It intensified structural monetary policies with precise orientations and focused on supporting green economy, scientific and technological innovation, small and micro enterprises and other industries. The proactive fiscal policy maintained appropriate expenditure scale and continued to promote tax relieves and fee reductions. Meanwhile, it continued to implement stringent regulation on real estates and intensified regulation on Internet loans to achieve various targets on stable growth, risk prevention and structural adjustment.

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5.9 BUSINESS OPERATION

5.9.1 Wholesale banking

Business overview

The Bank provides a full range of wholesale financial products and services to corporations, financial institutions and governmental and institutional customers including corporate loans, corporate deposits, investment banking, transaction banking and a series of fee and commission-based services. In particular, the Bank is committed to providing comprehensive service solutions for all types of corporations.

In 2021, persistently adhering to customer-centric service philosophy, the Bank focused on improving the quality of professional services, continuously promoted the transformation of the customer and business structure, enhanced “refined” management and accelerated the “digital” transformation in terms of the wholesale banking business. It continued the innovation of products and services and innovatively launched various targeted and distinctive financial service plans by firmly focusing on the “14th Five-year Plan” to seize development opportunities in key industries. It constantly expanded the proportions of high-quality assets and businesses and the balance of loans in key sectors such as the manufacturing industry, strategic emerging industries, private enterprises and agriculture-related industries increased rapidly. The Bank strengthened risk management and control, and comprehensively enhanced the profitability of assets, thus significantly promoting the sustainable and high-quality development of the wholesale banking business. In 2021, the Bank continued to maintain its leading advantages in Anhui Province in relation to the corporate deposits and the leading position in corporate loans among commercial banks in Anhui Province. Transformation-based business lines including investment banking and transaction banking have all achieved continuous growth and have been widely recognized by the market.

Corporate loans

The Bank’s corporate loans mainly include working capital loans, fixed asset loans and other corporate loans. In 2021, the Bank effectively carried out the renewal of emergency loans on pandemic prevention and control upon maturity and vigorously supported the fight against the reoccurrence of the pandemic. It deeply promoted loans on rural revitalization, facilitated the completion of poverty alleviation and continued to boost financial supports in green finance, strategic emerging industries, industrial parks and other key sectors, achieving continuous growth in the balance of loans to agriculture-related, manufacturing industry, strategic emerging industries and private enterprises. As of 31 December 2021, the Bank’s balance of corporate loans (including discounted bills) was RMB417,436 million, representing an increase of RMB64,564 million from the last year.

Corporate deposits

The Bank provides corporate customers with corporate deposits products and services, including corporate demand deposits, corporate time deposits, corporate call deposits, corporate agreement deposits, negotiated deposits, corporate large amount certificates of deposit and corporate intelligent call deposits. Through the application and innovation of the diversified product portfolios on corporate deposits, the Bank leveraged on the advantage on the Group’s integrated services and continued to expand the sources of low-cost deposits to promote the optimization of the deposit business structure, maintaining the continuous and high-quality development of the corporate deposit business. The Bank has maintained the leading position of the corporate deposit business in Anhui Province from 2008 to 2021. As of 31 December 2021, the Bank’s balance of corporate deposits amounted to RMB431,843 million (excluding margin deposits).

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5.9 BUSINESS OPERATION (CONTINUED)

5.9.1 Wholesale banking (Continued)

Discounted bills

In 2021, based on the overall balance of assets size, liquidity, profitability and risks, the Bank actively responded to the changes in the business environment, scientifically followed the pace of bills business development, enhanced the profitability of bills business, and facilitated the full compliance and healthy development of bills business. As of the end of 2021, the Bank's balance of discounted bills amounted to RMB49.484 billion.

Transaction banking

The Bank deeply implemented the strategic deployment of eight ministries and commissions, including the PBOC, on the development of supply-chain finance and supporting the stable circulation, optimization and upgrading of industrial chains, penetrated into real economies and industrial chain scenarios, focused on new infrastructure, high-end manufacturing, automobile, medical and other key industries and promoted product innovation with financial technology. It accelerated digital transformation and introduced "Financing Supply Link" (融鏈通), "Supply Chain e Loans" (供應鏈e貸), "Asset Pool" and other online products. The Bank focused on industrial chain scenarios and served over 1,000 core enterprises and customers in the upstream and downstream of the industrial chain through the cooperation with central enterprises, state-owned enterprises, listed companies, outstanding private enterprises and other core enterprises.

The Bank was committed to building a domestic and foreign currency integrated transaction banking and wealth and asset management platform, to give full play to advantage of professional services of cash management and meet capital management demands of customers during the entire transaction process. The Bank recorded performance highlights in serving the digital transformation of government authorities, establishing regulations on capitals in people's livelihood under multi scenarios and providing resolutions in key industries. In 2021, the Bank has signed contracts with 5,083 customers on cash management, representing an increase of 22.51% from the previous year; the annual transaction amount of the cash management business reached RMB4.93 trillion, representing an increase of 20.36% from the previous year.

In 2021, the Bank continued to accelerate the research and development of innovative products and online upgrades, launched online financing products such as "YI Series (易系列)" products for cross-border settlement, Export E Loan (出口E貸) and Electric Letters of Guarantee (電子保函), and enhanced the comprehensive cross-border financial service capabilities, steadily increasing the volume of various businesses. As of the end of 2021, the Bank completed cross-border settlement in a total of USD10,975 million, representing an increase of 26% as compared with same period of the last year.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (CONTINUED)

5.9.1 Wholesale banking (Continued)

Transaction banking (Continued)

In developing correspondent banking channels, as of the end of 2021, the number of correspondent banks of the Bank was 645, and the total number of overseas clearing accounts for the main settlement currencies amounted to 14. As the Bank constantly optimized correspondent banking structure and improved clearing channels, customers' demands for clearing and settlement services were fully satisfied.

Investment banking business

To promote its business transformation, the Bank focuses on developing investment banking services such as lead underwriting of debt financing instruments, asset securitization, M&A financing, structural financing, and investment and financing consulting. The Bank continually enriches its investment banking products by launching innovative products such as credit risk mitigating instruments, project revenue notes, equity investment notes, asset-backed notes, rural revitalization notes, green debt financing instruments and other innovative products. During the Reporting Period, the Bank vigorously promoted the underwriting business of debt financing instruments. The Bank completed the registration of 35 debt financing instruments, with a total registered amount of RMB43,000 million; and completed the issuance of 54 debt financing instruments with an underwriting amount of RMB21,411 million, increasing by 9.22% as compared to last year. In 2021, the Bank continued to make breakthroughs in the asset securitization and financing debts business, winning the bid in the lead underwriting business of multiple asset securitization products and financial bonds. It also achieved rapid growth in the sector of direct wealth management financing instruments and further satisfied the diversified corporate financing needs.

5.9.2 Retail banking business

Business overview

In 2021, through building brands for retail marketing campaigns, such as "Enjoying Huishang Bank in Four Seasons(徽享四季)" and "Enjoying Huishang Bank in Wealth Carnival(徽享财富节)", and continuously conducting people-benefit campaigns in different scenarios such as "Supermarket Carnivals(惠民超市季)", "Fruit Carnivals(惠民水果季)" and "Refueling Carnivals(惠民加油季)", intensifying its efforts in market expansion, enriching marketing campaigns and models, innovating financial products and services and accelerating business channel and team building, the Bank continually promoted the construction of inclusive finance systems, construction of wealth management and transformation and upgrade of our retails. These efforts have helped lay a solid foundation for retail business development of the Bank and improve the performance indicators and regional competitiveness of its retail business.

In 2021, as the Bank's active customers maintained a continued growth, and the number of medium-to-high-value customers grew steadily, the structure of customer base was further optimized. As of the end of 2021, the number of customers with customer equity of RMB500,000 and above amounted to 222,600, representing an increase of 20.23% as compared with the beginning of the year. Wealth management business maintained a rapid growth rate, with the Bank's personal financial assets under management (AUM) reaching RMB505,372 million, sales of wealth management products maintained its rapidly growth.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (CONTINUED)

5.9.2 Retail banking business (Continued)

Business overview (Continued)

The scale of deposits and loans of retail customers expanded continuously, market share of retail deposits in Anhui Province has kept rising since the listing of H Shares of the Bank. The business scale of retail loans continued to expand, with the pricing levels of retail loans being improved constantly.

Wealth management business

The Bank's personal wealth management business mainly includes personal wealth management services, agency service for sales of funds, agency service for sales of insurance products, agency service for sales of treasury bonds and agency service for sales of precious metal. In 2021, the personal wealth management business (excluding direct banking business) amounted to RMB216,041 million, representing an increase of RMB23,589 million or 12.26% from the beginning of the year.

Bank card business

One card

In 2021, the Bank further deepened the expansion and operation of the customer base of retail business. In adherence to the customer-centric business philosophy, the Bank proactively carried out various kinds of marketing activities for bank cards, constantly cultivated the card-using habits of customers and constantly enhanced its customer loyalty, so as to further achieve a steady and continuous growth in Huangshan Debit Cards transactions. As of the end of 2021, the Bank issued a total of 22,727,100 cards, including 17,583,600 debit cards, and 1,396,200 cards newly issued during the year; total deposits of the cards amounted to RMB154,883 million, representing an increase of 16.88% as compared with the same period of the last year, and deposit per card amounted to RMB8,800, representing an increase of 7.32% as compared with the same period of the last year.

Credit card

Adhering to the "customer-centric" development philosophy and closely following the bank-wide high-quality development strategy, the Bank, guided by the bank-wide digital transformation plan, has expanded customer base and underlying asset business; tapped into customer demands and improved scenario-based construction; established the customer growth system to enhance the customer stickiness; and optimized risk control models and the warning system and enhanced the risk control capability. The Bank strives to realize the digitization of the entire process such as customer acquisition, customer activation, products and risk control, so as to comprehensively improve the brand influence, revenue contribution and customer satisfaction of its credit card business. As of the end of 2021, the Bank issued 2,427,900 valid credit cards accumulatively. The number of valid credit cards issued during the Reporting Period was 215,000.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (CONTINUED)

5.9.2 Retail banking business (Continued)

Bank card business (Continued)

Credit card (Continued)

Throughout 2021, the transaction amount of credit cards was RMB66.288 billion in aggregate, representing an increase of 40.89% as compared with the same period of the last year. The credit card overdraft amount was RMB22.463 billion, representing an increase of RMB3.393 billion as compared with the end of the last year. Credit card income amounted to RMB1.370 billion, representing an increase of 45.90% as compared with the same period of the last year. As of 31 December 2021, credit cards overdraft default ratio was 2.12%.

Retail loans

In 2021, the Bank has fully implemented the national real estate policy and various regulatory requirements, strengthened financial support for personal housing loan business during the epidemic, and adhered to the principle of “housing is for living, not speculating”, in order to steadily increase the market expansion of personal housing loan business. As of the end of 2021, the balance of personal home loans of the Bank under the headquarters amounted to RMB122.220 billion, representing an increase of RMB12.194 billion or 11.08% as compared with the beginning of the year. As affected by the pandemic and other factors, NPL ratio of personal home loan of the Bank under the headquarters was 0.34%, representing an increase of 0.03 percentage point as compared with the beginning of the year.

As of the end of 2021, the balance of personal business loans and microloan of the Bank amounted to RMB44.520 billion, representing an increase of RMB5.618 billion or 14.44% as compared with the beginning of the year; NPL ratio of personal business loans and microloans of the Bank was 0.69%, representing a decrease of 0.56 percentage point as compared with the beginning of the year. The balance of personal non-home consumption loans of the Bank amounted to RMB10.148 billion (excluding Micro-Linked-Loan (微聯貸) and credit card consumption loan), representing an increase of RMB1.508 billion or 17.45% as compared with the beginning of the year. The NPL ratio of personal non-home consumption loan of the Bank (excluding Micro-Linked-Loan (微聯貸) and credit card consumption loan) was 1.05%, representing a decrease of 0.06 percentage point as compared with the beginning of the year.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (CONTINUED)

5.9.2 Retail banking business (Continued)

Retail customer deposits

In 2021, facing the intricate external economic environment of continuous COVID-19 pandemic and strengthened regulation, the continuous advancing of interest rate liberalization, and increasing fierce competition of financing and technology, the Bank adhered to the customer-centric operation philosophy, firmly focused on value preservation and appreciation of customers' assets, payment and settlement, consumption and traveling and other scenarios, accelerated digital transformation and focused on the key customer groups such as inclusive and high-quality customer groups and value-based care of the aged, achieving rapid growth in deposits from retail customers. As of the end of 2021, the Bank's retail customer deposits amounted to RMB292.898 billion, representing an increase of 24.3% as compared with the end of the last year, among which, the Bank's county-level retail deposits under the headquarters amounted to RMB86.352 billion, representing an increase of RMB13.633 billion or 18.75% as compared with the beginning of the year. As of the end of 2021, the market share of the Bank's retail deposits under the headquarters in Anhui Province reached over 8.0%, representing an increase of 0.55 percentage point from the beginning of the year.

5.9.3 Financial market business

China's economy generally maintained stable operation in 2021, achieving quality development at a relatively great growth and low inflation. The PBOC implemented prudent monetary policies and reasonably adopted structural tools in precise regulation, maintaining reasonable and sufficient market liquidity with the declined market yield amid fluctuations. Firstly, the Bank adhered to the principle of serving real economies and increased the allocation of treasury bonds, local government bonds and credit bonds. Secondly, the Bank grasped the market opportunities in bonds, and actively participated in secondary market transactions, increasing spread income of the transactions. Thirdly, the Bank improved market influence by completing the signing of market making agreements on spot bonds in the interbank market and becoming a comprehensive market maker in the first half of the year. The Bank actively fulfilled its obligation as a market maker. Fourthly, the Bank focused on customer expansion in the market, enhanced the business innovation and linkage, and made additional efforts to improve intermediate business income through first- and second-tier market linkage.

5.9.4 Asset management business

During the Reporting Period, the Bank strictly followed regulatory requirements, completed rectifications during the transition period under new rules on asset management and advanced the transfer of its wealth management products under the headquarters to HSBank Wealth Management Co., Ltd. in a smooth and orderly manner. As at the end of the Reporting Period, the balance of the Bank's net-worth wealth management products under the headquarters meeting the requirements of new rules on asset management amounted to RMB11.155 billion.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (CONTINUED)

5.9.5 Custody business

During the Reporting Period, the Bank's custody business closely focused on the strategic planning and work deployment, continued to increase efforts in marketing, actively promoted brand building, and focused on improving core competitiveness, achieving steady growth in scale and intermediary business income. As of 31 December 2021, the balance of assets under custody (excluding regulating products of corporate and investment banking) of the Bank amounted to RMB910.735 billion, representing an increase of RMB26.985 billion or 3.05% as compared with the corresponding period of the last year. The Bank's custody asset business (excluding regulating products of corporate and investment banking) generated a custody fee income of RMB474.7272 million, representing an increase of RMB28.8974 million or 6.48% as compared with the corresponding period of the last year.

5.9.6 Distribution channels

The Bank uses a variety of distribution channels to provide products and services. The Bank's distribution channels are mainly divided into physical distribution channels and electronic banking channels.

Physical distribution channels

As of 31 December 2021, the Bank had a total of 609 self-service banks (including single points) with 2,002 cash self-service equipment (including 1,213 cash recycling machines and 789 smart self-service terminals).

Mobile banking

As of the end of the Reporting Period, the total number of mobile banking customers reached 7.0493 million. The number of mobile banking transactions reached 217.0822 million, representing a year-on-year increase of 34.85%. The transaction amount accumulated to RMB1,675.575 billion, representing a year-on-year increase of 27.85%.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (CONTINUED)

5.9.6 Distribution channels (Continued)

Online banking

As of the end of the Reporting Period, the total number of personal online banking customers of the Bank reached 6.7403 million. In 2021, the Bank's personal online banking business maintained a steady development. To ensure the information and capital security of personal online banking customers, the Bank strengthened the construction of personal online banking security mechanisms, optimized business processes and customer service experience, as well as continuously improved the deep integration of personal online banking channels with business. As of the end of 2021, the Bank's total number of enterprise online banking customers reached 310,900 with 27.1969 million enterprise online banking transactions, representing a year-on-year increase of 29.08%. The transaction amount of enterprise online banking accumulated to RMB5.31 trillion, representing a year-on-year increase of 16.07%.

Online payment

The Bank actively promotes the rapid development of various online payment services such as fast payment, gateway payment and non-inductive payment, and focuses on providing payment services for government, public welfare and merchants engaging in basic living services to meet new consumer needs. In 2021, the number of online payment transactions amounted to 344,509,100, representing a year-on-year increase of 35.30%, and the amount of which totaled RMB216.495 billion, representing a year-on-year increase of 25.95%.

Direct banking

As of the end of 2021, the total number of the Bank's direct banking customers reached over 24.1760 million, the accumulated amount of various loans was RMB57.046 billion and the balance of various loans was RMB6.662 billion. In 2021, the Bank's direct banking realized a total revenue of RMB397 million. With changes in the Internet-based financial environment, the Bank's direct banking gradually transformed towards the development model with Internet-based loans as the main source of revenue, and the Bank will actively respond to the situation and deliberate on policies. With "the digital transformation as the core", it will focus on key areas and explore new development paths from the perspective of core customers, assets investment, income from intermediary businesses and online risk control, and develop Internet loan business steadily and improve the level of income from comprehensive business.

5.9.7 Financial business for small and micro enterprises

In 2021, the Bank continued to implement the decision and deployment of the competent authorities and regulatory authorities on strengthening services for small and micro financial, to continuously improve its ability of providing financial services to small and micro enterprises, and to facilitate high-quality development of services for small and micro financial. As of the end of 2021, the balance of national-standard small and micro enterprises loans of the Bank was RMB256,041 million, representing a net increase of RMB20,855 million as compared with the beginning of the year. Among them, the balance of bill discounting for the credit granted to a single customer less than RMB10 million (inclusive) of the inclusive small and micro enterprises was RMB82,905 million, representing a net increase of RMB15,484 million or 22.97%; the number of accounts was 127,800, achieving a positive growth from the beginning of the year; the average interest rate was 4.92%, decreasing by 71 basis points from that in 2020.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (CONTINUED)

5.9.8 Fintech business

In 2021, the Bank thoroughly implemented the national innovation-driven strategic deployment. With the integration of the Yangtze River Delta, the construction of the G60 Science and Technology Innovation Corridor and the free trade zones, it has taken the initiative to focus on technology-based enterprises, and innovatively develop scientific and technological financial services through the integration of industry and finance, investment and loan linkage, etc., in order to create a scientific and efficient system of scientific and technological financial service. As of the end of 2021, the balance of technology-based enterprises loans of the Bank amounted to RMB43,897 million, representing a net increase of RMB8,608 million or 24.39% as compared with the beginning of the year. The number of customers from technology-based enterprises loans amounted to 3,353, representing an increase of 43.36%. As of the end of 2021, the Bank had cooperated with external investment institutions and provided investment and loan linked business of approximately RMB6,414 million for 381 technology-based enterprises, representing a net increase of RMB2,564 million or 66.60% as compared with the beginning of the year. Meanwhile, the Bank successfully joined the Financial Alliance of G60 Science and Technology Innovation Corridor and entered into the Agreements of Strategic Cooperation, in order to intensify and support the integration of the Yangtze River Delta and provide support to the technology innovation and development of emerging industries.

5.9.9 Subsidiaries and major companies in which the Bank has shareholdings

Subsidiaries

Huishang Bank Financial Leasing Co., Ltd.

Registered in Hefei, Huishang Bank Financial Leasing Co., Ltd. (“Huishang Bank Financial Leasing”) officially commenced its business on 30 April 2015 with an initial registered capital of RMB2,000 million. The Bank contributed RMB1,020 million to the registered capital of Huishang Bank Financial Leasing, accounting for 51% of its shareholding. The registered capital of Huishang Bank Financial Leasing increased to RMB3,000 million in March 2018, to which the Bank contributed RMB1.62 billion, accounting for 54% of its shareholding. As of the end of 2021, the principal balance of lease assets of Huishang Bank Financial Leasing amounted to RMB56.083 billion, it had total assets, total liabilities and owners’ equity of RMB57.759 billion, RMB51.696 billion and RMB6.063 billion, respectively, achieving net profit of RMB730 million for the year.

HSBank Wealth Management Co., Ltd.

HSBank Wealth Management Co., Ltd. (徽銀理財有限責任公司) (“HSBank Wealth Management”) officially commenced business on 28 April 2020. Incorporated in Hefei with a registered capital of RMB2 billion, HSBank Wealth Management was wholly funded by the Bank. As of the end of 2021, HSBank Wealth Management had total assets, total liabilities and owners’ equity of RMB3.214 billion, RMB398 million and RMB2.816 billion, respectively, achieving net profit of RMB696 million for the year.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (CONTINUED)

5.9.9 Subsidiaries and major companies in which the Bank has shareholdings (Continued)

Subsidiaries (Continued)

Wuwei Huiyin Rural Bank Co., Ltd.

Registered in Wuwei city, Wuwei Huiyin officially commenced its businesses on 8 August 2010. Its registered capital was RMB100 million, to which the Bank contributed RMB40 million, accounting for 40% of its shareholdings. As of the end of 2021, Wuwei Huiyin had total assets, balance of various loans and balance of various deposits of RMB2.948 billion, RMB2.068 billion and RMB2.702 billion, respectively.

Jinzhai Huiyin Rural Bank Co., Ltd.

Registered in Jinzhai County of Lu'an City, Jinzhai Huiyin officially commenced its businesses on 28 June 2013 with a registered capital of RMB80 million, to which the Bank contributed RMB32.80 million, accounting for 41% of its shareholdings. As of the end of 2021, Jinzhai Huiyin had total assets, balance of various loans and balance of various deposits of RMB2.491 billion, RMB1.468 billion and RMB2.205 billion, respectively.

Major companies in which the Bank has shareholdings

Chery Huiyin Motor Finance Service Co., Ltd.

Chery Huiyin Motor Finance Service Co., Ltd. ("Chery Huiyin") registered in Wuhu City and was established on 13 April 2009. Its initial registered capital was RMB500 million, to which the Bank contributed RMB100 million, accounting for 20% of its shareholdings. As at December 2012, the registered capital of Chery Huiyin increased to RMB1,000 million, to which the Bank contributed RMB200 million, accounting for 20% of its shareholdings and the registered capital of Chery Huiyin increased to RMB1,500 million in December 2017, to which the Bank held 300 million shares, accounting for 20% of its shareholdings.

Mengshang Bank Co., Ltd.

Mengshang Bank Co., Ltd. was established on 30 April 2020 in Baotou City. Its registered capital was RMB20 billion, to which the Bank held 3.0 billion shares, accounting for 15% of its shareholdings.



Chapter V Management Discussion and Analysis

5.10 RISK MANAGEMENT

Facing the severe situation at home and abroad in 2021, the Bank took digital transformation as the lead, held onto the bottom line of maintaining asset quality and strove to enhance the risk management ability. The Bank practiced the prudent operation philosophy in a drive to ensure the prudence of business development and the objectivity of asset classification and maintain sufficient risk provisions and capital adequacy. In the principle of stable operation, the Bank built a comprehensive, full-process risk management system covering all employees and strove to realize coordinated development that balances scale, quality and efficiency on the premise that risks are under control, so as to realize the value of comprehensive risk management and the strategic objective of transformation and upgrading of the Bank.

5.10.1 Credit risk management

Credit risk refers to the risk of loss due to the default of the debtors or counterparties or the reduction in their credit ratings and performance capabilities. Credit risk is the major risk currently faced by the Bank, mainly involving on- and off-balance credit risk exposures in relation to loans, interbank lending, funds, guarantees, commitments, etc.

In 2021, guided by comprehensive risk management, the Bank formulated risk preference, risk quota, loan credit policy systems on the basis of comprehensive risk management measures. The Bank let policy guide its optimization of the credit structure; continued to promote the construction and application of the internal evaluation system to provide effective support for credit granting, credit use, and risk measurement; and studied and formulated action plans on the “control” of key institutes and key projects for the year to improve the quality and efficiency of collection and resolution. During the Reporting Period, the Bank actively carrying out the “four batches” project to speed up the disposal of risky assets, the structure and quality of its assets were effectively improved. Please refer to Section 5.4 “Loan Quality Analysis” in this annual report for the distribution structure.

5.10.2 Market risk management

Market risk refers to the risk of on- or off-balance-sheet loss caused by changes in interest rates, foreign exchange rates and other market factors.

In 2021, in the face of complex and volatile external environment, the Bank focused on improving market risk management tools, optimizing market risk management processes, and promoting daily market risk management in an all-round manner. The Bank continued to measure and analyze market risks, by comprehensively using fair value assessment, sensitivity analysis, stress testing and other methods to measure and analyze market risks. It also continued to carry out market risk limit management, by setting different types of market risk limits based on the nature, scale, complexity and capital strength of the business, strengthening the limit monitoring and early warning and enhancing the market risk control. Under the comprehensive risk management framework, the Bank fully identified, accurately measured and continuously monitored market risks in various business lines to control market risks within a tolerable range.

Chapter V Management Discussion and Analysis

5.10 RISK MANAGEMENT (CONTINUED)

5.10.3 Operational risk management

Operational risk refers to the risk of loss arising from flawed or problematic internal procedures, personnel, IT systems and external events.

The Bank continued to promote the construction of an operational risk management system, and strengthened the development of three major instruments for operational risk management to improve the key operational risk indicators, optimize the information system for operational risk management, and improve the IT level of operational risk management; and sorted out the key risk points in the business guarantee stage and prevented operational risks therein. The Bank also promoted the application of operational risk management tools and strengthened the data gathered on operational risk losses to realize the informatization of collection and report, and carried out information technology risk assessment, with a view to playing the role of the second line of defense.

5.10.4 Liquidity risk management

Liquidity risk refers to the risk that the Bank is unable to satisfy its customers' needs for repayment of liabilities due, new loans and reasonable financing, or to satisfy these needs at a reasonable cost. The Risk Management Committee under the Board of the Bank and the Assets and Liabilities Management Committee and the Risk and Internal Control Management Committee under the senior management assume joint responsibilities for formulating policies and strategies on overall liquidity risk management.

The Bank's liquidity risk management aims to balance the relationship among "liquidity, safety and profitability", improve the liquidity management level, safeguard the sustainable and healthy development of various businesses, and implement the risk appetite featuring "prudence, rationality and soundness" of the Board of Directors, and to ensure that the Bank has sufficient funds to meet expected and unexpected capital requirements (including loan growth, deposit withdrawals, debt maturity, and changes in off-balance sheet irrevocable commitments) in a normal operating environment or under stress, so as to create a stable liquidity environment for continuing operations and promote positive interaction between liquidity management and business development. The Bank intensifies its efforts on the refined management of its assets and liabilities with emphasis on risk prevention and mitigation while promoting business development and profit growth. The Bank stresses the importance of "ensuring adequate liquidity" and flexibly manages and controls the percentage of liquidity asset portfolio with the highest efficiency. According to its own characteristics and external market environment, the Bank has formulated liquidity scenarios under stress, and conducted stress tests of liquidity risks regularly to analyze the ability of coping with liquidity risks or shocks. Meanwhile, the Bank has formulated contingency plans to prevent potential liquidity crisis and takes effective emergency measures to control the spread of risks under liquidity crisis scenarios.

Chapter V Management Discussion and Analysis

5.10 RISK MANAGEMENT (CONTINUED)

5.10.4 Liquidity risk management (Continued)

According to the business development of assets and liabilities of the Bank and the liquidity position, the Bank kept a close attention on the macro regulatory policies and the situation of fund markets, and adjusted the current management strategy and the pace of funds operation in a dynamic manner in response to the impact related to stage and season factors on the liquidity position, in order to improve the ability of handling current risks. As of the end of the Reporting Period, the liquidity coverage ration of the Bank was 260.87%, while the qualified quality liquidity assets amounted to RMB129.032 billion and net cash outflow in the next 30 days was RMB49.462 billion. The net stable capital ratio was 104.15% at the end of September 2021, while the available stable capitals reached RMB847.590 billion and the required stable capitals amounted to RMB813.840 billion. As of the end of 2021, the net stable capital ratio of the Bank was 107.44%, while the available stable capitals reached RMB857.797 billion and the required stable capitals amounted to RMB798.385 billion.

5.10.5 Interest rate risk management

Interest rate risk refers to the risk of fluctuation in interest rates which results in adverse impact on the financial position of the Bank. Interest rate risk of the Bank primarily arises from the structural mismatch of maturity dates or re-pricing periods for our banking portfolio. Currently, the Bank primarily measures its exposure to interest risk in account books through methods such as gap analysis, scenario analysis and stress testing. The Bank manages its interest rate risk exposure primarily by adjusting the duration of our banking portfolio based on its assessment of potential changes in the interest rate environment.

The Bank's financial assets and liabilities are mainly denominated in RMB. As the benchmark interest rates for RMB deposits and loans are determined by the PBOC and the RMB loan prime rate (LPR) is released by the National Interbank Funding Center upon the authorization of the PBOC, the Bank follows the interest rate policies issued by the PBOC when carrying out deposit taking and lending activities.

In 2021, the Bank proactively coped with interest rate liberalization and increased its efforts in optimizing asset-liability structure and customer structure. First, the Bank strengthened deposit and loan pricing management in an effort to improve its risk pricing capability and return on loans. Second, the Bank strengthened the analysis of customers' comprehensive contribution using data from management accounting, thus effectively improving its pricing management. Third, the Bank conducted regular stress tests for interest rate risk in its account books, followed by responding strategies to effectively improve its capability to prevent interest rate risks.

Chapter V Management Discussion and Analysis

5.10 RISK MANAGEMENT (CONTINUED)

5.10.6 Exchange rate risk management

Exchange rate risk is the risk of loss in the Bank's earnings arising from the duration mismatch of over-bought and over-sold positions in a particular foreign currency and non-RMB denominated asset and liability due to adverse changes in exchange rate. The Bank's foreign currency assets and liabilities are mainly denominated in U.S. dollars, while the rest are denominated in Euros, Hong Kong dollars, Japanese yen, etc.

The Bank measured its exchange rate risk through qualitative and quantitative analyses. The major methods included gap analysis, duration analysis, exposure analysis, VAR analysis, stress testing and back testing etc. In order to maintain its exchange rate risk within an acceptable range, the Bank implemented stringent limit-based management measures, primarily including trading limits, risk limits, foreign exposure limits and stop loss limits.

The spot and forward foreign exchange transactions of the Bank are mainly transactions conducted on behalf of customers. They are effected by way of "back-to-back" square trading that avoids exchange rate risk to a large extent. Under the new normal of bilateral exchange rate fluctuations of RMB, the Bank will maintain reasonable proprietary position exposures in line with the Bank's limit-based management within the limit of combined exposures approved by Anhui Branch of the State Administration of Foreign Exchange. In addition, the Bank proactively utilized derivatives to prevent exchange rate risk.

5.10.7 Reputation risk management

Reputation risk refers to the risk of negative comments to the Bank by relevant stakeholders, the public and the media as a result of the operation and management of the Bank, the behavior of its practitioners or external events, which may damage its brand value, adversely affect the normal operation, or even affect market stability and social stability.

Reputational risk management, as an important part of the Bank's corporate governance and comprehensive risk management systems, covers all behaviors, business activities and business areas of the Bank and its subsidiaries. The Bank has developed reputational risk management measures and requirements to actively and effectively prevent reputational risk and cope with reputation events, with a view to minimizing the resulting losses and negative impacts. The Bank prioritizes risk prevention and focuses on monitoring, analysis and early warning of public opinions in its daily operation, and actively carries out external publicity. In addition, the Bank quickly resolves any misunderstanding or misinterpretation of information with an effective management system. Meanwhile, the Bank actively carries out external publicity and participates in a broad range of social welfare undertakings and public activities to live up to its corporate social responsibility, in an effort to build a sound corporate image. In 2021, the Bank effectively managed its reputation risk. There is no reputation risk incident occurred throughout the year. The Bank maintained a good relationship with the media, and the media provided favorable overall feedback.

Chapter V Management Discussion and Analysis

5.10 RISK MANAGEMENT (CONTINUED)

5.10.8 Compliance risk management

Compliance risk refers to the risk that commercial banks may be subject to legal sanctions, regulatory punishments, major financial losses, or reputation damage as a result of their violation of laws and regulations, rules and criteria.

The Board of Directors of the Bank takes the ultimate responsibility for the compliance of the Bank's operation activities. The Risk Management Committee under the Board of Directors monitors compliance risk management effectively. The Board of Supervisors is responsible for supervising the performance of the Board of Directors and the senior management of their duties on compliance management. The senior management is responsible for managing compliance risk, conducting regular assessment on compliance risk and submitting compliance risk management report to the Board. The Bank has established a robust compliance risk management system and organizational structure, forming three defense lines at front, middle and back offices interactive with each other, and the vertical double-line reporting system amongst the head office, branches and sub-branches. It was also able to constantly improve the compliance risk management system and mechanism as well as the risk management level and efficiency so as to ensure effective management and control of compliance risk.

During the Reporting Period, the Bank strived to put internal control as its priority, and established the philosophy of facilitating development through compliance and preventing risks through internal control. The Bank constantly implemented various requirements of external regulatory authorities, and strengthened the establishment of internal control system. Hence, the compliance risk management mechanism operated effectively, with favorable comments coming from external regulatory authorities. In 2021, the Bank launched special campaigns such as "Year of Internal Control and Compliance Management Construction" and "Brightening the Branches" Civil Code Education Campaign ("典亮分行"《民法典》送分行), developed the assessment on compliance and risk management, the self-assessment on anti-money laundering and terrorist financing risk work for 2021 and education on case warning, and carried out business process analysis and internal balanced system construction to actively promote the establishment of compliance culture, and continued to improve its internal rules and regulations, optimize the compliance risk identification and assessment process, continuously enhance the quality and efficiency of on-site inspection, intensify the results of issues rectification, strengthen accountability system for non-compliance, further improve compliance performance evaluation system and increase the support for legal compliance review and product innovation, thereby offering protection for the operation of the Bank in compliance with laws.

5.10.9 Anti-money laundering management

The Bank attached great importance to anti-money laundering and strictly complied with relevant laws and regulations aiming at preventing and controlling money laundering activities, with sound measures vigorously carried out across the Bank.

Chapter V Management Discussion and Analysis

5.10 RISK MANAGEMENT (CONTINUED)

5.10.9 Anti-money laundering management (Continued)

During the Reporting Period, the Bank put into practice the principle of “laying emphasis on risks, management, quality and effects” by applying it to anti-money laundering as well. With the reform of the operation model of anti-money laundering as the driver, the Bank promoted the intensive, standard and professional operation of anti-money laundering to effectively strengthen concerted efforts in anti-money laundering. Based on the thinking of establishing “systematic models for capturing indicators of the characteristics of cases”, the Bank comprehensively analyzed cases reminded in regulatory reports and typical cases of money laundering in the region, judged the latest money laundering trends in its operation areas and the types of major money laundering risks faced by the Bank, sorted out the customer identification characteristics and fund transaction patterns of relevant upstream criminal cases and explored the use of graph computing, machine learning algorithms and other technologies in achieving the exploration of customer related relationship and the optimization of model weights. The Bank continuously developed new self-monitoring indicators, verified, assessed and optimized existing monitoring indicators based on its business development to achieve full life cycle management of models for monitoring. The Bank strictly carried out money laundering risk prevention and control. Under the revised Anti-Money Laundering Law, the Bank invited experts to interpret relevant laws and regulations to provide trainings to the grassroots level and online centralized learning courses, facilitating the latest laws, regulations and regulatory policies in relation to the anti-money laundering having been implemented across the Bank. The Bank actively participated in anti-money laundering themed publicity activities and anti-money laundering research activities organized by regulatory authorities, and cultivated a group of national-leading talents on anti-money laundering regulation and policy study, promoting the study results to serve business development and improving the anti-money laundering performance capabilities of all of its employees.

5.11 INFORMATION TECHNOLOGY

During the Reporting Period, in terms of information technology, the Bank centered on the goals of the digital banking system construction and promoted proprietary controllable development of financial technology products based on the positioning of value creation. It focused on the improvement of technological guarantee and support capabilities and provided customers with higher-quality technical services. The number of information technology staff of the Bank was 404, accounting for 3.79% of the total number of employees.

Firstly, promoting the in-depth development of digital transformation of the Bank. Leveraging on the data science platform of the big data laboratory, decision-making engine, knowledge maps and other instruments and infrastructure, the Bank established individual anti-fraud models, customer related relationship models, targeted marketing models, early risk warning models and other data application models at the corporate level using machine learning, big data and other technical means. It consolidated the basic platform of big data, promoted the construction of a unified data portal for the whole Bank and provided high-quality data services for the business development of the whole Bank. It integrated internal and external data resources, built the corporate customer labeling system and constructed the credit risk data mart and the customer credit risk data view.

Chapter V Management Discussion and Analysis

5.11 INFORMATION TECHNOLOGY (CONTINUED)

Secondly, comprehensively enhancing the R&D and management capability on information systems. The Bank deeply advanced the proprietary controllable development of financial technology products, carried out practice on the agile development model on the integration of business and technology and sped up in the results delivery in the development of information systems on digital products, digital channels, digital services, digital management and other sectors. The Bank promoted the construction of new common development platforms, carried out preparation for the construction of the cloud platform for Internet-based finance, the individual customer management platform, the data management system of the Group and other basic business platforms to consistently enhance the technological power in transformation and development.

Thirdly, achieving new leaps in technological support and guarantee capabilities. The Bank has completed traffic attraction on the core, counter and other information systems and achieved “active-active” operation of all important information systems; organized and completed the first real switchover exercises on the core, counter and ESB systems across the Bank. It overcame difficulties, successfully completed the working target on the transformation and operation of the information system on information technology application innovation and established three network security technology systems, namely the network security system of domain protection, the network security system of defense-in-depth and the network security system of active defense, through various measures. The automatic operation and maintenance of the data center, the backbone network and the information system advanced to a new level.

5.12 SOCIAL RESPONSIBILITY

The Bank has always actively fulfilled its social responsibilities, winning universal good appraisal from all walks of life with a number of awards and honors in 2021. During the Reporting Period, the Bank honored the mission of “achieving dreams for customers, creating value for shareholders, promoting employee development and assuming responsibility of citizenship”, actively performed social responsibilities, coordinated shareholders, customers, employees and other stakeholders, achieving the full improvement of economic, environmental and social benefits. In the context of ongoing COVID-19 response, the Bank continued to implement policies on “ensuring stability on the six fronts” and “security in the six areas”, and focused on strengthening financial services to support real economic demands. The Bank continuously strengthened the role of green credit in leverage adjustment by promoting green credit to support low-carbon economy; made targeted efforts in promoting inclusive finance to reduce corporate financing costs and support the development of small and micro enterprises; broadened the coverage of financial services to support the development of “Three Dimensional Rural Issues” and contribute to rural revitalization. In order to firmly guard against systemic risks, the Bank continuously developed a “secure Huishang Bank”, focused on building a comprehensive, full-process risk management system covering all employees in the long term to enhance its risk management and operational exposure management capabilities and to resolutely maintain the bottom line of non-occurrence of systemic risks. The Bank advocated green office, energy saving and environmental protection to reduce the negative effects of its daily operation on the environment as much as possible. It vigorously advocated public spirit, continuously promoted concepts and activities on people’s livelihood, environmental protection and charities and called on employees to practice environmental protection and charities as volunteers, fully displaying the image of the Bank as an excellent corporate resident. The Bank has also been concerned about the physical and mental health of its employees, and has created a positive and harmonious corporate culture by adhering to people-oriented and focusing on employee capacity building. The Bank maintained its market positioning as a city commercial bank and customer-centric approach, focused on digital transformation as the main line with the institutional business as the body and corporate light-asset business and digital retail business as two wings to establish efficient operating and management mechanism and high-quality business development model, and build a “mainstream bank, digital bank and value bank” in all respects to serve the economic and social development of Anhui Province. In this way, the Bank strives to be a leading medium-sized bank with good customer experience, distinctive advantages, solid risk control capability and diversified comprehensive services.

Chapter V Management Discussion and Analysis

5.13 CONSUMER PROTECTION

In 2021, the Bank continued to enhance the awareness on consumer protection, perfected the working mechanism on consumer protection, implemented the primary responsibility on consumer protection and improved the quality, effects and satisfaction in handling complaints in the Bank. Leveraging on the demonstration base for financial education in Anhui Province, the Bank consolidated the “three-in-one” financial publicity and education system and fully improved the consumer protection of the Bank. It formulated or amended the Administrative Measures on Review of Consumer Protection of Huishang Bank and other management systems, consistently enhanced compliant management and treatment from the source, achieving 7*24-hour access to consumer’s right and interest protection hotline and online pre-examination on consumer’s right and interest protection matters. It established the first provincial demonstration base for financial education in Anhui Province.

5.14 PROSPECTS AND MEASURES

5.14.1 Trend of economic development

1. *Prospect on the global economy*

Looking into 2022, major economies are well prepared to coexist with the virus for a long time. As the sensitivity of real economies to the pandemic has declined, the global economic growth will gradually return to the trend of low-to-medium-speed growth. The outputs of developed economies are expected to resume to the level before the outbreak of the pandemic; the supply and demand imbalance on global energy is likely to mitigate; and the prices of bulk commodity and intermediate inputs are expected to become stable. The accelerated development of global green economy and digital economy has become a key driver to economic recovery. With the gradual weakening of global fiscal supports and the tightening of monetary policies, the global liquidity will see the inflection point and the financial market will experience risks on fluctuation.

2. *Economic development trend in China*

The impact of the pandemic on economy will reduce significantly and the economic operation will gradually resume stable in 2022. Monetary policies may see easy adjustments under the keynote of prudence and more structural instruments will be adopted to provide precise orientation to real economies, key sectors such as small and micro enterprises, technology innovation and green industries in particular. Under the proactive fiscal policies, a new round of tax and fee reduction will be implemented. Meanwhile, it will appropriately carry out infrastructure investment in advance and in particular, investment efforts in pollution and carbon emission reduction, digital economy, new energy, new materials, new industrial clusters and other sectors will be boosted.

Chapter V Management Discussion and Analysis

5.14 PROSPECTS AND MEASURES (CONTINUED)

5.14.2 Measures of the Bank

1. *Devoted to serving real economies*

Firstly, seizing government assets. The Bank will serve significant strategies, comprehensively adopt “commercial banking + investment banking + transaction banking + digital banking” and other service means to be a wealth and asset management bank of governments at all levels within the province. Secondly, seizing industrial assets. The Bank will serve the development and expansion of emerging industries, the transformation and upgrading of traditional industries and expand the market share of the Bank. Thirdly, seizing policy assets. The Bank will resolutely implement government and regulatory policies and comprehensively complete the tasks on the policy-based and structural issuing of loans. Fourthly, seizing consumption assets. The Bank will innovate financial services in health care for the elderly, medical treatment and healthcare, children’s education, cultural tourism and other industries and expand the scenarios and channels for rural subsidy program for vehicles, household decoration and studying abroad, replacement of household appliances and furniture, new energy vehicles as well as other sectors.

2. *Continuously optimizing the business structure*

Firstly, diversifying the customer structure. The Bank will speed up in the transformation of the retail business and promote the transformation of the corporate business towards corporate customers. Secondly, balancing the liability structure. For corporate deposits, the Bank will step up efforts in account opening by core enterprises in the upstream and downstream and further consolidate its leading position in market share in the province. It will continue to expand the market share of retail deposits. Thirdly, promoting the light asset structure. The Bank will vigorously facilitate the turnover of existing assets and achieve the optimization of the asset structure. Fourthly, diversifying the revenue structure. The Bank will stabilize the source of traditional intermediary business income and intensify the expansion in bank card, agency and off-balance sheet businesses.

3. *Vigorously developing financial technology*

Firstly, displaying the strategic leadership. The Bank will advance professional businesses, comprehensive services, digital capabilities and agile organization and strive to build a Huishang Bank with organic online and offline integration. Secondly, improving the efficiency in the construction of middle offices. The Bank will focus on four middle offices on marketing, operation, data and risk management to meet market demands rapidly and improve the efficiency of operation and management. Thirdly, committed to promoting digital application. The Bank will give full display to “big data + technology” as the “dual growth drivers” and enhance digital application in all dimensions, all procedures and the full life cycle.

Chapter V Management Discussion and Analysis

5.14 PROSPECTS AND MEASURES (CONTINUED)

5.14.2 Measures of the Bank (Continued)

4. *Comprehensively optimizing financial supply*

Firstly, speeding up in pooling new capabilities. The Bank will adhere to the customer-centric service philosophy, develop investment banking and transaction banking as two knock-out corporate products and penetrate into the full chain of “investment banking + asset management + wealth management”. Secondly, innovatively serving new economies. The Bank will study new economies, new industries and new business types and establish the appropriate product and service system and business review mechanism on them. Thirdly, intensifying new measures on risk control. The Bank will enhance the capability on risk judgment and forecast and strive to be visionary and receptive.

5. *Effectively responding to the impact of the pandemic and balancing stable growth and risk prevention*

Firstly, carrying out normalized pandemic prevention and control and guaranteeing stable business operation. The Bank will enhance the judgment on credit risk, liquidity risk and other risks and improve rules and systems, the information system and other internal control measures. It will strengthen employee care and safety protection and guarantee the provision of items for pandemic prevention. Secondly, fully supporting pandemic prevention and control and work and production resumption with various measures. The Bank will give priority to meeting the credit demands in pandemic prevention and control, work and production resumption and relevant industries, inclusive finance and manufacturing industries. Thirdly, perceptively and proactively dissolving risks and consolidating the quality foundation of assets. The Bank will intensify the disposal of risky assets and improve risk compensation capabilities. It will continuously conduct post-lending monitoring and management and dissolve risks in advance to guarantee stable business development.



Chapter VI Report of the Board of Directors

The Bank presents the annual report and audited financial statements of the Bank and its subsidiaries for the year ended 31 December 2021.

6.1 PRINCIPAL BUSINESS

The Bank's principal activities in the PRC include the taking of deposits from corporate and retail customers, the granting of loans using the deposits received, and the conducting of capital business, which includes money market activities, investment and trading activities and transactions on behalf of customers.

6.2 PARTICULARS OF BUSINESS

6.2.1 External environment faced by and business and operation development of the Bank

1. *Analysis of the environment of our main operating areas*

In 2021, facing major changes and a pandemic both unseen in a century, the economy of Anhui Province continued to recover steadily, demonstrating strong resilience and robust vitality. The major targets and tasks have been well accomplished with the growth rate of the key indicators outperforming the national level. The GDP of Anhui Province amounted to RMB4,295.92 billion, representing an increase of 8.3% from the previous year and an average increase of 6% for the past two years. The added value of the industries above the designated scale increased by 8.9% from the previous year, with an average growth rate of 7.4% for the past two years; fixed asset investment increased by 9.4% from the previous year, which was 4.5 percentage points higher than the national level; the total retail sales of consumer goods increased by 17.1% from the previous year, which was 4.6 percentage points higher than the national level. The general public budget revenue increased by 8.8% from the previous year. Anhui Province's development capacity has been increasingly enhanced with accelerating industrial transformation and strong guarantee in people's livelihood, achieving a good start in the "14th Five-Year Plan".

2. *Impact of the COVID-19 pandemic*

Although the containment of the Covid-19 was generally in stable condition in 2021, in the second half of the year, with the emergence of mutated viruses, scattered and repeated outbreaks of the pandemic occurred in certain regions in the PRC, coupled with factors such as weather and policy adjustments heightened the downward pressure on the economy since the second quarter. Overall, the impact of the pandemic on the economy still existed. Domestic consumption such as catering and long-term vacation tourism recovered slowly, along with under-performance in leasing and commercial services, the operating pressure of micro, small and medium enterprises is still relatively high. Banking regulators continued to increase policy support efforts in structural monetary policy, loan extension, etc., in a bid to maintain the stable operation of market players. During the Reporting Period, the Bank implemented two extension policies of monetary policy tools directly available to entities, namely the Inclusive Micro and Small Enterprise Loans Deferred Repayment of Principal and Interest Plan and the Support Plan on Credit Loan, renewed emergency loan for pandemic prevention and control in a timely manner, deepened the liability exemption mechanism for the due diligence on micro and small enterprises in the Bank, and supported the sustained recovery of the real economy. Meanwhile, risk early warning and control of deferred loans were implemented to ensure stable asset quality.

Chapter VI Report of the Board of Directors

6.2 PARTICULARS OF BUSINESS (CONTINUED)

6.2.1 External environment faced by and business and operation development of the Bank (Continued)

3. *Business performance of the Bank in 2021*

Firstly, serving local development delivered fruitful results. Based in Anhui, serving the overall strategy, and the Bank was awarded “Excellent” grade in the assessment on support for local development by the provincial government for five consecutive years. The regulatory indicators of “two increases and two controls” reached the standard, and RMB12.28 billion of emergency loans for pandemic prevention and control renewed.

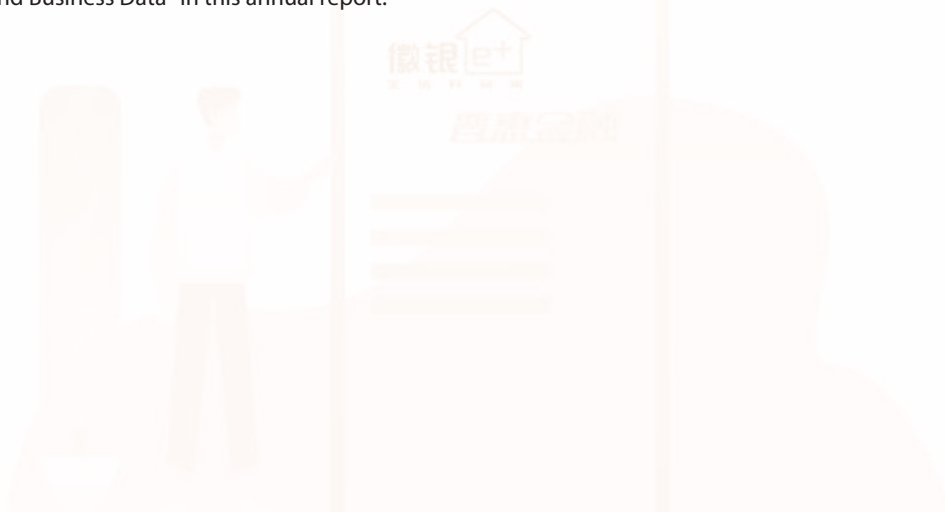
Secondly, strategic transformation and development achieved breakthroughs. The Bank formulated and published the 2021-2025 strategic plan, implemented the five-year development plan for branches outside Anhui province, and promoted key tasks such as corporate banking transformation, retail banking transformation, financial technology and risk prevention and control in all respects.

Thirdly, comprehensive operating capacities have been steadily boosted. It has reached an another RMB100 billion in assets, served more than 42 million customers, and the market share of savings deposits in Anhui province exceeded 8%. The key operating indicators ranked top among the city commercial banks in the PRC, and was awarded the “Good” grade in the comprehensive assessment by the Provincial Party Committee.

Fourthly, the risk-resistance capacity has been enhanced. The non-performing loan ratio was 1.78%, down 0.20 percentage points, and provision coverage rate of the non-performing loan was 239.74%, representing an increase of 57.84 percentage points as compared with the end of last year. Asset quality indicators maintained stable and improved, and the ability to resist risks have been increasingly enhanced.

4. *Analysis of key financial performance indicators of the Bank during the year*

Key financial data and key regulatory indicators adopted by the Bank reflect the Bank’s operating results, profits and risk control level in 2021. During the Reporting Period, the Bank achieved satisfactory performance in its various financial data as compared with the corresponding period of last year, and all of its supervisory indicators met regulatory requirements. See details in Chapter II “Summary of Accounting Data and Business Data” in this annual report.



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6.2 PARTICULARS OF BUSINESS (CONTINUED)

6.2.1 External environment faced by and business and operation development of the Bank (Continued)

5. *Environmental policy, performance and compliance with laws and regulations*

(1) *Environmental policy and performance of the Bank*

Guiding by “carbon peaking and carbon neutrality”, the Bank faithfully implements national environmental protection laws and regulations, industrial policies, industry access policies and other policies and regulations, as well as the regulatory requirements of regulators, actively pursues green finance, and supports green, low-carbon and recycling economy development. As of the end of 2021, the green loan balance of the Bank amounted to RMB32.181 billion in total, representing an increase of RMB11.265 billion or 53.86% as compared with the beginning of the year. The Bank constantly improves its environmental and social performance, actively fulfills its corporate social responsibility, vigorously promotes the development of a social responsibility system, establishes correct values and business philosophy, builds a corporate culture with a sense of social responsibility, continuously enhances awareness of social responsibility across the Bank, and strengthens the environmental, social and governance information disclosure and communication with stakeholders, conserves resources, protects the environment, advocates sustainable operation, and promotes the sustainable development of the Bank.

(2) *Compliance with laws and regulations by the Bank*

All routine operating activities of the Bank were conducted on the basis of strict compliance with existing laws and regulations and all transactions complied with laws and regulations with the support of the corresponding legal documents. The Bank continued to improve and optimize the rules and regulations of the whole Bank in accordance with external laws and regulations. It always adhered to the concept of compliance operations. The Bank strictly followed regulatory policies in business and operation management activities and implemented regulations and policies in all processes and links of business.

Chapter VI Report of the Board of Directors

6.2 PARTICULARS OF BUSINESS (CONTINUED)

6.2.1 External environment faced by and business and operation development of the Bank (Continued)

5. *Environmental policy, performance and compliance with laws and regulations (Continued)*

(3) *Relationship between the Bank and its employees*

a. Remuneration of employees

The Bank has established a unified remuneration management structure and system and continuously optimized management on the remuneration and benefits of employees. Following the principle of prioritizing efficiency while ensuring fairness and highlighting the protection of grassroots and front-line employees with remuneration resources, the Bank has ensured the basic living standards of its employees, and activated the incentive effect of appraisal to maintain the stability of staff teams and enhance external competitiveness and attractiveness of remuneration of the Bank.

b. Staff employment

The Bank has enhanced staff employment management by formulating a standardized set of recruitment criteria and procedure regulating internal recruitment, deployment and other aspects of internal staff management. The Bank has also expanded efforts in recruiting through external channels such as schools, other industry players and headhunters. The Bank has adopted strict procedures in credential checks, written tests, interviews and background checks to ensure that the recruitment process is open, just and fair.

c. Staff training and career development

For staff learning and development and the education and training for them, the Bank actively builds a professional training system, to create a good atmosphere of learning from, and catching up with others. Currently, the Bank has established online and offline learning and training platforms covering all scenarios including the PC end and the mobile end, providing employees with diversified learning and promotion opportunities with different categories and levels through various channels. In 2021, the Bank actively responded to the impacts of the epidemic, optimized online training platforms and enriched mobile learning materials. The enrolled individuals through "Zhiniao" mobile learning platform reached 1,170,100 during the year, and the percentage of active users was 99.18%.

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6.2 PARTICULARS OF BUSINESS (CONTINUED)

6.2.1 External environment faced by and business and operation development of the Bank (Continued)

5. *Environmental policy, performance and compliance with laws and regulations (Continued)*

(4) *Relationship between the Bank and its customers*

See details in section 5.9 “Management Discussion and Analysis – Business Operation” in this annual report.

6.2.2 Subsequent events

For subsequent events of the Bank from 1 January 2022 to the Latest Practicable Date, please refer to Note 53 to the financial statements. Save as disclosed above, from 1 January 2022 to the Latest Practicable Date, there has not been any non-financial event that may cause material effects on the results of the Bank.

6.2.3 Future business development trends of the Bank

See details in section 5.14 “Management Discussion and Analysis – Prospects and Measures” in this annual report.

6.2.4 Major risks and uncertainties faced by the Bank

See details in section 5.10 “Management Discussion and Analysis – Risk Management” in this annual report.

6.3 RESERVES

Please refer to the financial statements for details of the movements in the reserves of the Bank.

6.4 RESERVES AVAILABLE FOR DISTRIBUTION

Please refer to the financial statements for details of the reserves available for distribution as at 31 December 2021.

6.5 FIXED ASSETS

Please refer to Note 26 to the financial statements for details of movements in the fixed assets of the Bank as of 31 December 2021.

6.6 HOLDING AND TRADING OF SHARES OF OTHER LISTED COMPANIES

During the Reporting Period, due to matters such as corporate bankruptcy and reorganization, as ruled by the people’s court, the Bank held 13,704,900 shares of Shenzhen Feima International Supply Chain Co., Ltd. (stock code: 002210), 12,165,100 shares of Antong Holdings Co., Ltd. (stock code: 600179), 9,646,300 shares of Chenzhou City Jingui Silver Industry Co., Ltd. (stock code: 002716), 12,811,700 shares of Henan Zhongfu Industrial Co., Ltd. (stock code: 600595), 9,260,200 shares of Jiangsu Guoxin Corporation Limited (江蘇國信股份有限公司) (stock code: 002608), 198,184,300 shares of Hainan Airlines Holding Co., Ltd. (海南航空控股股份有限公司) (stock code: 600221) and 44,266,600 shares of Oriental Network Media Co., Ltd. (東方時代網絡傳媒股份有限公司) (stock code: 002175).

Save as disclosed above, the Bank has not held nor traded shares of other listed companies during the Reporting Period.

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6.7 PURCHASE, SALE OR REDEMPTION OF THE BANK'S LISTED SECURITIES

Please refer to section 7.7.1 "Issuance, Listing and Redemption of Offshore Preference Shares" in this annual report for the details of redemption of the Offshore Preference Shares by the Bank. Save as disclosed above, there was no purchase, sale or redemption of listed securities of the Bank by the Bank and its subsidiaries during the Reporting Period.

6.8 PRE-EMPTIVE RIGHTS

The Articles of Association of the Bank does not provide for pre-emptive rights. There are no pre-emptive rights for the shareholders of the Bank.

6.9 RETIREMENT BENEFITS

In addition to these basic social pension schemes, employees of the Bank participate in an enterprise annuity plan established by the Bank according to the state enterprise annuity system. The Bank contributes to the annuity plan based on certain percentages of the employees' gross salaries. Provided that employees are dismissed or cancelled the employment contract due to the violation of laws or disciplines, unvested enterprise annuity contributions will be transferred back to the Bank's enterprise annuity account. The amount of forfeited contributions is not material. Please refer to Note 37 to the financial statements for details of the retirement benefits provided to employees by the Bank.

6.10 MAJOR DEPOSITORS/BORROWERS

The Bank is not dependent too much on a single major depositor/borrower. As of the end of the Reporting Period, the operating income generated from the five largest depositors/borrowers of the Bank represented an amount not exceeding 30% of the total operating income of the Bank. The directors of the Bank and its connected persons did not have any significant interest in the aforementioned five largest depositors/borrowers.

6.11 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Please refer to Chapter VIII "Profile of Directors, Supervisors, Senior Management, Employees and Institutions" in this annual report.



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6.12 INTERESTS AND SHORT POSITIONS HELD BY THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE BANK UNDER HONG KONG LAWS AND REGULATIONS

As at 31 December 2021, the following directors, supervisors and chief executives of the Bank and their respective associates had the interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Hong Kong Listing Rules. The table below reflects the number of shares, any interests or short positions in underlying shares and debentures held by the directors, supervisors and chief executives of the Bank:

Name	Position	Class of Shares	Status	Number of shares (share) (Long position)	Percentage in issued shares of relevant class (%)	Percentage in all issued ordinary shares (%)
Dai Peikun	Independent Non-executive Director	Domestic Shares	Interest of the Spouse	3,079	0.0000	0.0000
Wang Zhaoyuan ⁽¹⁾	Non-executive Director	Domestic Shares	Beneficial Owner	11,811	0.0001	0.0001
He Jiehua	Chairman of the Board of Supervisors, Employee Supervisor	Domestic Shares	Interest of the Spouse	8,928	0.0001	0.0001
Tang Chuan	Employee Supervisor	Domestic Shares	Beneficial Owner	56,009	0.0005	0.0004
Zhong Qiushi	Employee Supervisor	Domestic Shares	Beneficial Owner	32,133	0.0003	0.0002
Sun Zhen	Employee Supervisor	Domestic Shares	Beneficial Owner	38,085	0.0004	0.0003

Note: (1) For details of the position changes of Mr. Wang Zhaoyuan, please refer to Section 8.2 "Changes in Directors, Supervisors and Senior Management of the Bank" in this annual report.

Save as disclosed above, as at 31 December 2021, the Bank was not aware of any other directors, supervisors and chief executives of the Bank and their respective associates having any interests or short positions in any shares, underlying shares and debentures of the Bank or its associated corporations.

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6.13 DIRECTORS AND SUPERVISORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

During the Reporting Period, none of the directors, supervisors of the Bank or their respective spouses or children under the age of 18 years acquired any right by the way of purchase of shares or bonds of the Bank or exercised any such related rights; and none of the Bank or any of its subsidiaries had made any arrangements to enable the directors, supervisors of the Bank or their respective spouses or children under the age of 18 years to obtain such rights in any other body corporate.

6.14 DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors of the Bank had any interest in any business that constitutes or may constitute, directly or indirectly, a competing business of the Bank.

6.15 FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS AMONG DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

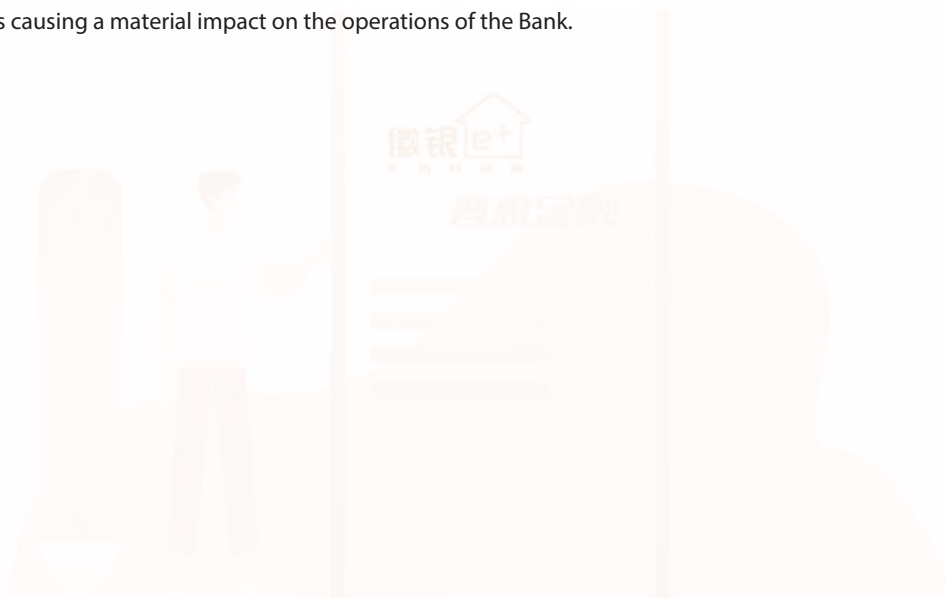
Save as disclosed in this annual report, there are, to the knowledge of the Bank, no other relationships among the directors, supervisors and senior management of the Bank, including financial, business, family or other material or related relationships.

6.16 DIRECTORS AND SUPERVISORS' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS

During the Reporting Period, no director or supervisor of the Bank (or its connected entities) had any direct or indirect significant interest in any transaction, arrangement or contract of significance entered into by the Bank or other subsidiaries. None of the directors and supervisors of the Bank has entered into service contracts with the Bank that cannot be terminated by the Bank within one year without payment of compensation (other than statutory compensation). During the Reporting Period, none of the Bank or its subsidiaries had any arrangement that enables the directors and supervisors of the Bank to acquire benefits by acquiring shares in and debentures of companies or any other corporate body.

6.17 PENALTIES AND INVESTIGATIONS OF DIRECTORS AND SUPERVISORS OF THE BANK

During the Reporting Period, no director or supervisor of the Bank has been subject to penalties or investigations by competent authorities causing a material impact on the operations of the Bank.



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6.18 CONNECTED TRANSACTIONS

In the ordinary course of business, the Bank provides commercial banking services and products to the public in China, including the Bank's directors, supervisors and/or their respective associates. During the Reporting Period, connected transactions carried out between the Bank and connected persons were conducted under normal commercial principles, which were not favorable than the conditions for similar transactions with non-connected persons. The transaction terms were fair and reasonable and in the interests of the Bank and shareholders as a whole. For a series of connected transactions with connected persons (as defined under the Hong Kong Listing Rules) conducted by the Bank, all complied with the aforementioned conditions for connected transactions and were exempted from the requirements of reporting, announcement, annual review, circular and independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

During the Reporting Period, the Bank continuously strengthened the management of related party (connected) transactions to prevent unfair prices and credit methods of related party (connected) transactions. It strictly performed approval and filing procedures on related party (connected) transactions, regularly organized and conducted special audit on related party (connected) transactions and enhanced the internal supervision mechanism to practically improve the refined management of related party (connected) transactions of the Bank. During the Reporting Period, the Bank's independent non-executive directors issued independent opinions on the Bank's related party transactions.

The Note 50 to the financial statements discloses the related party transactions of the Bank in accordance with the International Accounting Standards. The transactions disclosed therein between the Bank and Zhongjing Xinhua Asset Investment Management Company Ltd. and between the Bank and Deposit Insurance Fund Management Co., Ltd. and the partial transactions disclosed therein between the Bank and Anhui Energy Group Co., Ltd. constitute the connected transactions of the Bank under the requirements of Chapter 14A of the Hong Kong Listing Rules and part of the connected transactions conducted by the Bank in the ordinary course of business, and are exempted from compliance with the reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

6.19 MATERIAL LITIGATION AND ARBITRATIONS

Insofar as the Bank is aware, as of the end of the Reporting Period, the Bank, as a plaintiff, was involved in the following litigation proceeding in its regular course of business: the aggregate number of material pending litigation and arbitrations involving the Bank amounted to 52, with a total amount of approximately RMB8.392 billion. The number of pending litigation and arbitration, to which the Bank is a defendant, each with an amount of more than RMB0.5 million, amounted to 10, totaling approximately RMB310 million. The Bank made full provisions for doubtful accounts of loans involved in the cases above according to expected losses prudently, which will have no material adverse effect on the Bank's financial position and operating results.

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6.20 ASSET ACQUISITION, DISPOSAL AND REORGANIZATION

During the Reporting Period, some assets of the Bank had been pledged to other banks and the Ministry of Finance of the PRC as collaterals for a sale and repurchase agreement and treasury deposits.

Apart from above, the Bank has no other asset acquisition, disposal or reorganization outside the normal scope of business.

6.21 USE OF FUNDS BY RELATED PARTIES

During the Reporting Period, neither the major shareholders nor the related parties of the Bank used any funds of the listed company for non-operating purposes, and no proceeds of the listed companies were used in any unfair connected transactions.

6.22 REVIEW OF ANNUAL RESULTS

The financial report of the Bank prepared under IFRS has been audited by Ernst & Young and a standard audit report with unqualified opinions has been issued. The Bank's Audit Committee of the Board has reviewed the results and the financial reports of the Bank for the year ended 31 December 2021. Any discrepancies between the total amount and percentages and the sum of items shown in the tables in this report are due to rounding.



Chapter VI Report of the Board of Directors

6.23 PROFIT AND DIVIDENDS

The Board is required to submit the proposals in respect of dividend payments to a shareholders' general meeting for approval. The Board will, according to the relevant laws, regulations and regulatory requirements, consider whether to pay dividends and the amount of dividend payments based on the Bank's results of operations, cash flow, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions and other factors that the Board of Directors of the Bank deems relevant.

The profit of the Bank for the year ended 31 December 2021 and the Bank's financial position as at that date are set out in the consolidated financial statements section of this annual report.

In accordance with the resolutions passed at the 2020 annual general meeting held on 30 June 2021, no dividend was distributed for the year 2020.

As to the 2021 profit distribution plan, the Board of Directors recommends a cash dividend of RMB0.89 (including tax) for every 10 shares to all shareholders in an aggregate amount of approximately RMB1.236 billion (including tax), accounting for approximately 12% of the audited net profit of the Bank under the headquarters in 2021. The above profit distribution plan shall be submitted at the 2021 annual general meeting for approval by the Board of Directors. The Bank shall announce the relevant arrangement on the 2021 annual general meeting in due course. The Bank shall also make timely announcement if there are any changes to the said expected dividend declaration.

6.24 ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of shareholders who are entitled to attend and vote at the 2021 annual general meeting to be convened on 30 June 2022, the register of members of the Bank will be closed from 31 May 2022 to 30 June 2022 (both days inclusive). In order to be entitled to attending and voting at the 2021 annual general meeting, unregistered H Shareholders of the Bank shall lodge relevant share transfer documents for registration with the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 30 May 2022.

Chapter VI Report of the Board of Directors

6.25 PUBLIC FLOAT

Based on the public information available to the Bank and to the knowledge of the Board of Directors, from April 2016 to the Latest Practicable Date, the Bank's H Share public float was below 25%, the minimum level as required in Rule 8.08(1)(a) of the Hong Kong Listing Rules. On 4 January 2021, the Bank's public float increased from 15.66% to 16.08% as the Bank completed the non-public issuance of Domestic Shares under the general mandate. Please refer to the Bank's announcement dated 4 January 2021 for details. As at the Latest Practicable Date, the Bank's H Share public float maintained at 16.08%.

According to the Board resolutions, the Bank will proactively promote the initial public offering and listing of A Shares so as to restore its public float as soon as practicable. For details on the public float of the Bank's H Shares, please refer to the several announcements published by the Bank since 11 May 2016 in relation to the public float of the Bank's H Shares.

6.26 TAX DEDUCTION

6.26.1 Overseas shareholders

According to the "Notice on the Collection of Personal Income Tax after the Expiration of National Tax Bureau Notice [1993] No. 045" (Guo Shui Han [2011] No. 348), which was released by the State Administration of Taxation on 28 June 2011, the responsible party should withhold personal income tax by law from overseas resident individual shareholders on their dividend income deriving from shares in domestic non-foreign invested companies issued in Hong Kong. However, the overseas resident individual shareholders who hold shares of domestic non-foreign invested companies issued in Hong Kong may be entitled to the relevant favorable tax treatments based on the tax treaties between the countries in which they are domiciled and China and the tax arrangements between Mainland China and Hong Kong (or Macau).

Based on the tax regulation mentioned above, the Bank will withhold personal income tax of the dividend at 10% tax rate for the overseas individual H Shareholders. However, where there are different requirements otherwise specified in relevant tax regulations and tax agreements, the Bank will follow such requirements of the tax authorities.

The Bank will withhold 10% enterprise income tax of the dividend for non-resident corporate overseas H Shareholders based on the "Law of the People's Republic of China on Enterprise Income Tax" and relevant implementation rules which have been effective since 1 January 2008.

If the overseas H Shareholders of the Bank have any queries regarding the tax arrangements mentioned above, please consult your tax consultants regarding the tax implications in Mainland China, Hong Kong and other countries (regions) for holding and disposing the Bank's H Shares.

Chapter VI Report of the Board of Directors

6.26 TAX DEDUCTION (CONTINUED)

6.26.2 Mainland's shareholders of Shanghai-Hong Kong stock connect and Shenzhen-Hong Kong stock connect

Pursuant to the "Notice on the Tax Policies Concerning the Pilot Program of the Shanghai-Hong Kong Stock Connect" (Cai Shui [2014] No. 81) and the "Notice on the Tax Policies Concerning the Pilot Program of the Shenzhen-Hong Kong Stock Connect" (Cai Shui [2016] No. 127), which were jointly released by the Ministry of Finance, the State Administration of Taxation and the CSRC on 31 October 2014 and 5 November 2016, respectively, for dividends obtained by the mainland individual investors from H shares listed on the Hong Kong Stock Exchange invested by them through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, such H Share companies shall apply to China Securities Depository and Clearing Corporation Limited (hereinafter referred to as the "CSDC") for providing the register of mainland individual investors and withhold personal income tax at 20% tax rate from mainland individual investors. While for dividends obtained by the mainland individual investors from non-H Shares listed on the Hong Kong Stock Exchange invested by them through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the CSDC will withhold personal income tax at 20% tax rate. Individual investors may, by producing valid tax payment certificates, apply to the competent tax authority under the CSDC for tax credit relating to the withholding tax already paid abroad.

For dividend income obtained by the mainland security investment funds from shares listed on the Hong Kong Stock Exchange invested by them through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, personal income tax shall be withheld according to the above regulations.

For dividend income obtained by the mainland corporate investors from shares listed on the Hong Kong Stock Exchange invested by them through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, such income shall be included in their total revenue and enterprise income tax shall be withheld by law. Meanwhile, for dividend income obtained by mainland resident enterprises from holding H shares for 12 consecutive months, enterprise income tax shall be exempted by law. H Share companies listed on Hong Kong Stock Exchange shall apply to the CSDC for providing the register of the mainland enterprise investors. The H-share companies shall not withhold income tax of dividends for mainland enterprise investors and such investors shall declare and pay relevant tax themselves.

6.27 PERMITTED INDEMNITY PROVISIONS

The Bank has maintained appropriate director liability insurance to indemnify the directors for liabilities arising from corporate affairs.

6.28 DONATION

In 2021, the Bank made a total donation of approximately RMB1,570,400, providing great support to the COVID-19 pandemic control, flood control and disaster relief and rescue as well as other public welfare undertakings.

Chapter VI Report of the Board of Directors

6.29 MANAGEMENT CONTRACTS

Except for the service contracts of the management of the Bank, the Bank did not enter into any other contract with any individual, company or body corporate to manage or deal with the whole part or any significant part of the Bank's business.

6.30 STOCK-LINKED AGREEMENTS

The Bank did not enter into any stock-linked agreement in 2021, and there was no stock-linked agreement remaining effective by the end of 2021.

6.31 ISSUE OF DEBENTURES

To supplement capital of the Bank and expand the sources of liabilities of the Bank to enhance the maturity matching of assets and liabilities, the Bank issued various types of debentures, the details of which are presented as follows:

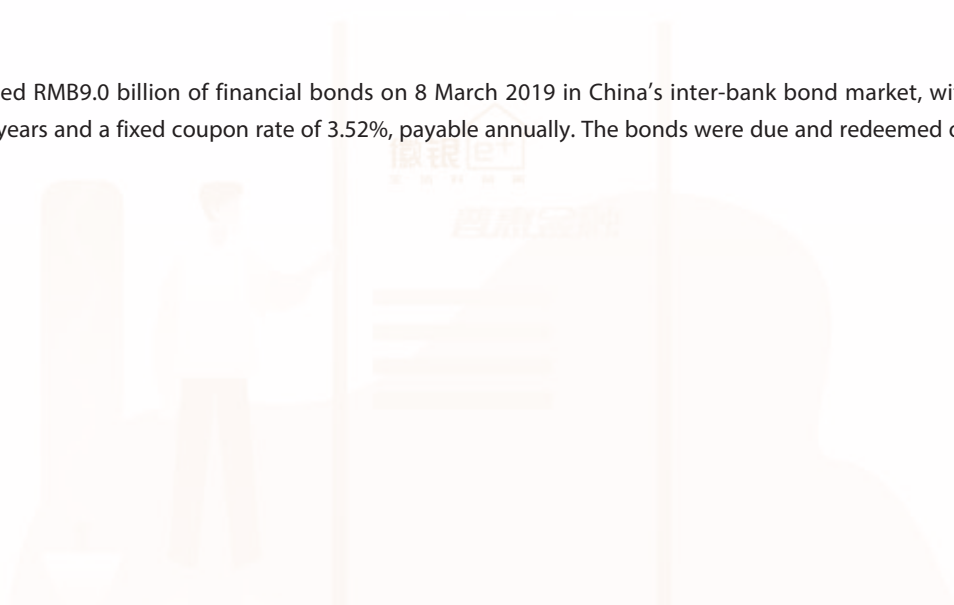
6.31.1 The Bank issued RMB4.0 billion of 2011 subordinated bonds on 2 April 2011 in China's inter-bank bond market, with a maturity of 15 years and a fixed coupon rate of 6.55%, payable annually. The Bank has an option to redeem all of this tranche of bonds at nominal value on the last day of the tenth year of interest accrued of this tranche of bonds. Such bonds have been early redeemed in full on 2 April 2021.

Claims on subordinated bonds are subordinate to other liabilities but superior to the Bank's share capital. From 1 January 2013, they are qualified for inclusion as tier 2 capital in the calculation of capital adequacy ratio in accordance with the "Trial Measures for Capital Management of Commercial Banks".

6.31.2 The Bank issued RMB3.0 billion of financial bonds on 12 August 2016 in China's inter-bank bond market, with a maturity of 5 years and a fixed coupon rate of 3.09%, payable annually. The bonds were due and redeemed on 12 August 2021.

6.31.3 The Bank issued RMB4.0 billion of green financial bonds on 29 May 2018 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 4.50%, payable annually. The bonds were due and redeemed on 29 May 2021.

6.31.4 The Bank issued RMB9.0 billion of financial bonds on 8 March 2019 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 3.52%, payable annually. The bonds were due and redeemed on 8 March 2022.



Chapter VI Report of the Board of Directors

6.31 ISSUE OF DEBENTURES (ASSETS AND LIABILITIES DEPARTMENT) (CONTINUED)

6.31.5 The Bank issued RMB1.0 billion of financial bonds on 8 March 2019 in China's inter-bank bond market, with a maturity of 5 years and a fixed coupon rate of 3.80%, payable annually.

6.31.6 The Bank had issued perpetual bonds in China's national inter-bank bond market with an offering size of RMB10.0 billion on 3 December 2019, with a coupon rate of 4.90%, which was payable once a year. The coupon rate of the bonds may be adjusted at different intervals, subject to adjustment in every five years. In any adjusted coupon rate period, the interests of the bonds will be paid at the same prescribed interest rate. The Bank may redeem the bonds in whole or in part on each distribution payment date after 5 years (including the distribution payment date of the fifth year) after the issuance date of the bonds.

6.31.7 The Bank issued RMB2.0 billion of financial bonds on 16 April 2020 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.90%, payable annually.

6.31.8 The Bank issued RMB10.0 billion of financial bonds on 27 April 2020 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.30%, payable annually.

6.31.9 The Bank issued RMB8.0 billion of tier 2 capital bonds on 28 September 2020 in China's inter-bank bond market, with a maturity of 10 years and a fixed coupon rate of 4.50%, payable annually. The Bank has an option to redeem part or all of these bonds at nominal value on the last day of the fifth year of interest accrued of bonds, subject to the approval from relevant regulatory authorities.

Tier 2 capital bond's right of recourse is subordinate to depositors and ordinary creditors and is superior to equity capital, other tier 1 capital instruments and mixed capital debts.

6.31.10 In 2021, the Bank issued 169 zero-coupon interbank certificates of deposit in total face value of RMB241.960 billion, with maturities ranging from one month to one year. As of 31 December 2021, the aggregate face value of undue interbank certificates of deposit issued of the Bank amounted to RMB147.590 billion.

6.31.11 The Bank issued RMB6.0 billion of tier 2 capital bonds on 26 October 2021 in China's inter-bank bond market, with a maturity of 10 years and a fixed coupon rate of 4.09%, payable annually. The Bank has an option to redeem part or all of these bonds at nominal value on the last day of the fifth year of interest accrued of bonds, subject to the approval from relevant regulatory authorities.

Tier 2 capital bond's right of recourse is subordinate to depositors and ordinary creditors and is superior to equity capital, other tier 1 capital instruments and mixed capital debts.

By order of the Board
Yan Chen
Executive Director, Chairman

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.1 CHANGES IN ORDINARY SHARES OF THE BANK DURING THE REPORTING PERIOD

	31 December 2021		Changes during the Reporting Period	31 December 2020	
	Number of shares (share)	Percentage (%)	Number of shares (share)	Number of shares (share)	Percentage (%)
Domestic Shares ⁽¹⁾	10,411,051,211	74.95	1,735,000,000	8,676,051,211	71.38
H Shares	3,478,750,000	25.05	–	3,478,750,000	28.62
Total number of ordinary shares	13,889,801,211	100.00	1,735,000,000	12,154,801,211	100.00

- Notes: 1. On 4 January 2021, the Bank completed the share registration for the non-public issuance of 1,735,000,000 Domestic Shares under the general mandate. For details of the non-public issuance, please refer to Section 7.6 “Non-Public Issuance” in this annual report.
2. As of 31 December 2021, the Bank had a total of 17,620 shareholders of ordinary shares, including 1,438 shareholders of H Shares and 16,182 shareholders of Domestic Shares.
3. As of 31 December 2021, the Bank had no controlling shareholders or de facto controller.



Chapter VII Changes in Share Capital and Particulars of Shareholders

7.2 INFORMATION ON THE SHAREHOLDINGS OF THE TOP TEN HOLDERS OF ORDINARY SHARES

As of 31 December 2021, the order of the top ten holders of ordinary shares of the Bank was sorted by: (1) (for H Shares) the aggregate of the H Shares of the Bank held by investors which were deposited into the Central Clearing and Settlement System of the Hong Kong Stock Exchange and registered under the name of HKSCC NOMINEES LIMITED, a wholly-owned subsidiary of the Hong Kong Stock Exchange, representing 25.02% of the total share capital of ordinary shares and representing 99.89% of the total H Shares issued; and (2) for Domestic Shares, the order was based on the number of shares held directly under the domestic shareholders register kept by CSDC.

No.	Name of shareholder	Nature of shareholder	Number of shares held as at the end of the Reporting Period (share)	Percentage to total share capital of ordinary shares (%)	Type of shares	Increase/decrease during the Reporting Period (share)	Pledged or frozen (share)
1	HKSCC Nominees Limited	– ⁽¹⁾	3,474,911,858	25.02	H Share	151,980	– ⁽¹⁾
2	Deposit Insurance Fund Management Co., Ltd	State-owned legal person	1,559,000,000	11.22	Domestic Share	1,559,000,000	0
3	Anhui Energy Group Co., Ltd.	State-owned legal person	843,363,819	6.07	Domestic Share	0	0
4	Anhui Guoyuan Financial Holding Group Co., Ltd.	State-owned legal person	837,810,695	6.03	Domestic Share	0	0
5	Anhui Credit Financing Guaranty Group Co., Ltd.	State-owned legal person	827,658,091	5.96	Domestic Share	0	0
6	Anhui Transportation Holding Group Co., Ltd.	State-owned legal person	691,935,874 ⁽²⁾	4.98	Domestic Share	176,000,000	0
7	Zhongjing Sihai Co., Ltd.	Domestic non-state-owned legal person	506,102,476	3.64	Domestic Share	0	368,540,000
8	Hefei Xingtai Financial Holding Group Co., Ltd.	State-owned legal person	378,395,999	2.72	Domestic Share	0	0
9	Wuhu Construction Investment Co., Ltd	State-owned legal person	294,012,833	2.12	Domestic Share	0	0
10	CCB Trust Co., Ltd.	State-owned legal person	248,102,994	1.79	Domestic Share	0	0

Notes: (1) The relevant information has not yet been obtained by the Bank, nor can it be verified based on the existing information.

(2) Anhui Transportation Holding Group Co., Ltd. intends to be transferred 13,414,063 Domestic Shares of the Bank held by Anqing Wanning Investment Management Co., Ltd. (安慶皖寧投資管理有限公司), representing approximately 0.10% of the total share capital of the Bank; After the completion of this transaction, Anhui Transportation Holding Group Co., Ltd. will hold 705,349,937 Domestic Shares of the Bank, with the shareholding ratio increasing from 4.98% to 5.08%. The aforesaid matter is subject to the approval of CBIRC Anhui Office.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES

According to the relevant requirements of the Interim Measures for the Equity Management of Commercial Banks of CBIRC, based on the register of members maintained by trustee agency of ordinary shares of the Bank and the information publicly disclosed and submitted by substantial shareholders to the Bank, etc., the substantial shareholders of ordinary shares of the Bank as at the end of the Reporting Period are as follows:

No.	Name of substantial shareholder	Number of shares	Individual shareholding ratio (%)	Joint shareholding ratio (%)	Increase/Decrease of shareholding during the Reporting Period (share)
1	Deposit Insurance Fund Management Co., Ltd.	1,559,000,000	11.22	11.22	1,559,000,000
2	Zhongjing Xinhua Asset Investment Management Co., Ltd.	224,781,227	1.62	10.59	0
	Wealth Honest Limited	590,615,400	4.25		0
	Golden Harbour Investments Management Limited	440,000,000	3.17		0
	Zhongjing Xinhua Property Management (Hong Kong) Co., Limited	215,249,000	1.55		0
3	Anhui Energy Group Co., Ltd.	843,363,819	6.07	9.70	0
	Anhui Wenergy Company Limited	150,814,726	1.09		0
	Xing An Holding Limited	329,973,600	2.38		0
	Anhui Natural Gas Development Co., Ltd.	23,579,472	0.17		5,764
4	Wkland Finance Holding Company Limited	562,254,000	4.05	7.00	0
	Wkland Finance Holding II Company Limited	410,130,600	2.95		0
5	Anhui Guoyuan Financial Holding Group Co., Ltd.	837,810,695	6.03	6.29	0
	Anhui Guoyuan Trust Co., Ltd.	35,751,470	0.26		0
	Anhui Guoyuan Ma'anshan Asset Management Co., Ltd.	361,662	0.00		0
6	Anhui Credit Financing Guaranty Group Co., Ltd.	827,658,091	5.96	5.98	0
	Anhui Guaranteed Asset Management Co., Ltd.	2,524,326	0.02		0
7	Anhui Transportation Holding Group Co., Ltd.	691,935,874	4.98	5.01	176,000,000
	Anhui Transportation Holding Group (H.K.) Limited	3,299,700	0.02		0
8	Hefei Xingtai Financial Holding Group Co., Ltd.	378,395,999	2.72	4.51	0
	CCB Trust Co., Ltd.	248,102,994	1.79		0
9	Sunshine Life Insurance Corporation Limited	598,094,200	4.31	4.31	0
10	Zhongjing Sihai Co., Ltd.	506,102,476	3.64	3.64	0
11	Anhui Publishing Group Co., Ltd.	103,693,815	0.75	0.75	0

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES (CONTINUED)

- (1) Deposit Insurance Fund Management Co., Ltd. was established on 24 May 2019. It was registered in Beijing with a registered capital of RMB10 billion. Its legal representative is Huang Xiaolong. Its scope of business includes conducting investment in equity, debts, funds, etc.; managing relevant assets of the deposit insurance fund according to law; acquiring, operating, managing and disposing of assets directly or by entrustment; handling deposit insurance related businesses according to law; asset evaluation; as well as other businesses as approved by the relevant state departments. According to the information submitted by shareholders, its controlling shareholder is The People's Bank of China. It has no de facto controller. Its ultimate beneficiary is Deposit Insurance Fund Management Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Deposit Insurance Fund Management Co. Ltd. did not pledge any shares of the Bank. Deposit Insurance Fund Management Co., Ltd. has appointed Ma Lingxiao to the Bank as a director.
- (2) Zhongjing Xinhua Asset Investment Management Co., Ltd. was established on 14 June 2003. It was registered in Huangshan of Anhui Province with a registered capital of RMB2.875 billion. Its legal representative is GAO YANG. Its scope of business includes enterprise investment management; enterprise management, enterprise mergers and acquisitions as well as asset restructuring planning; project investment consultation, economic information consultation, business information consultation, market information consultation and research, asset operation, industrial investment, investment consultation, technology consultation, and technical service. According to the information submitted by shareholders, its controlling shareholder is Jing'An Shanghai Silver Investment Co., Ltd., its de facto controller is Shanghai Soong Ching Ling Foundation. Its ultimate beneficiaries are women and children who received charitable donations from Shanghai Soong Ching Ling Foundation across the country and it does not have any persons acting in concert. As at the end of the Reporting Period, Zhongjing Xinhua Asset Investment Management Co., Ltd. did not pledge any shares of the Bank and 224,781,227 Domestic Shares were judicially frozen.

Wealth Honest Limited was incorporated in British Virgin Islands on 30 March 2006. Its legal representative is GAO YANG. Its scope of business includes investment. According to the information submitted by shareholders, its controlling shareholder is Zhongjing Xinhua Property Management (Hong Kong) Co., Limited, its de facto controller is Shanghai Soong Ching Ling Foundation, its ultimate beneficiaries are women and children who received charitable donations from Shanghai Soong Ching Ling Foundation across the country and it does not have any persons acting in concert. As at the end of the Reporting Period, Wealth Honest Limited did not pledge any shares of the Bank.

Golden Harbour Investments Management Limited was incorporated in British Virgin Islands on 28 October 2016. Its general manager is Zhang Qinbao. Its scope of business includes investment. According to the information submitted by shareholders, its controlling shareholder is Wealth Honest Fund LP, its de facto controller is Shanghai Soong Ching Ling Foundation, its ultimate beneficiaries are women and children who received charitable donations from Shanghai Soong Ching Ling Foundation across the country and it does not have any persons acting in concert. As at the end of the Reporting Period, Golden Harbour Investments Management Limited did not pledge any shares of the Bank.

Zhongjing Xinhua Property Management (Hong Kong) Co., Limited was incorporated in Hong Kong on 28 January 2014. Its legal representative is GAO YANG. Its scope of business includes investment. According to the information submitted by shareholders, its controlling shareholder is Zhongjing Xinhua Asset Investment Management Co., Ltd., its de facto controller is Shanghai Soong Ching Ling Foundation, its ultimate beneficiaries are women and children who received charitable donations from Shanghai Soong Ching Ling Foundation across the country and it does not have any persons acting in concert. As at the end of the Reporting Period, Zhongjing Xinhua Property Management (Hong Kong) Co., Limited did not pledge any shares of the Bank.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES (CONTINUED)

- (3) Anhui Energy Group Co., Ltd. was established on 9 April 1990. It was registered in Hefei of Anhui Province with a registered capital of RMB4.375 billion. Its legal representative is Chen Xiang. Its scope of business includes state-owned assets operation, project investment and management, economic and technological cooperation, exchanges and services with foreign countries, business information and investment information consultation services, and investment evaluation of construction projects. According to the information submitted by shareholders, its controlling shareholder is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its ultimate beneficiary is Anhui Energy Group Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Energy Group Co., Ltd. did not pledge any shares of the Bank. Anhui Energy Group Co., Ltd. has appointed Zhu Yicun to the Bank as a director.

Anhui Wenergy Company Limited was established on 13 December 1993. It was registered in Hefei of Anhui Province with a registered capital of RMB2,266,863,331. Its legal representative is Li Ming. Its scope of business includes investment and operation of electricity, energy-saving and related projects; development of raw materials related to electricity power construction; development, investment and operation of high and new technology and export-oriented foreign exchange generating projects. According to the information submitted by shareholders, its controlling shareholder is Anhui Energy Group Co., Ltd., its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its ultimate beneficiary is Anhui Wenergy Company Limited and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Wenergy Company Limited did not pledge any shares of the Bank.

Xing An Holdings Limited was incorporated in Hong Kong in June 2004. Its legal representative is Li Ming. Its scope of business includes electricity investment. According to the information submitted by shareholders, its controlling shareholder is Anhui Energy Group Co., Ltd., its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its ultimate beneficiary is Anhui Energy Group Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Xing An Holdings Limited did not pledge any shares of the Bank.

Anhui Natural Gas Development Co., Ltd. was established on 14 February 2003. It was registered in Hefei of Anhui Province with a registered capital of RMB336,000,000. Its legal representative is Jia Huabin. Its scope of business includes construction, operation and management of the natural gas trunk and branch pipeline network in the province; participation in the development, construction, operation and management of urban natural gas pipeline network; purchase of natural gas resources upstream on behalf of Anhui Province, and sale of natural gas to urban pipeline network and major users; development of natural gas and coal seam gas and other energy applications and related projects, including liquefied natural gas (LNG), compressed natural gas (CNG), natural gas vehicle refueling stations; engagement in other businesses related to or supporting the above. According to the information submitted by shareholders, its controlling shareholder is Anhui Energy Group Co., Ltd., its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its ultimate beneficiary is Anhui Natural Gas Development Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Natural Gas Development Co., Ltd. did not pledge any shares of the Bank.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES (CONTINUED)

- (4) Wkland Finance Holding Company Limited was incorporated in British Virgin Islands on 28 October 2013. It has two directors, namely Zhang Xu and Mo Fan. According to the information submitted by shareholders, its controlling shareholder is Wkland Limited, its de facto controller is China Vanke Co., Ltd., its ultimate beneficiary is China Vanke Co., Ltd. and it acts in concert with Wkland Finance Holding II Company Limited. As at the end of the Reporting Period, Wkland Finance Holding Company Limited did not pledge any shares of the Bank.

Wkland Finance Holding II Company Limited was incorporated in British Virgin Islands on 28 October 2013. It has two directors, namely Zhang Xu and Mo Fan. According to the information submitted by shareholders, its controlling shareholder is Wkland Limited, its de facto controller is China Vanke Co., Ltd., its ultimate beneficiary is China Vanke Co., Ltd. and it acts in concert with Wkland Finance Holding Company Limited. As at the end of the Reporting Period, Wkland Finance Holding II Company Limited did not pledge any shares of the Bank. Wkland Finance Holding II Company Limited has appointed Wang Wenjin to the Bank as a director.

- (5) Anhui Guoyuan Financial Holding Group Co., Ltd. was established on 30 December 2000. It was registered in Hefei of Anhui Province with a registered capital of RMB6 billion. Its legal representative is Fang Xu. Its scope of business includes the operation of all state-owned assets and state-owned shares of state-authorized group companies and their holding companies, capital operations, asset management, mergers and acquisitions, asset restructuring and investment consultation. According to the information submitted by shareholders, its controlling shareholder is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its ultimate beneficiary is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Guoyuan Financial Holding Group Co., Ltd. did not pledge any shares of the Bank and has appointed Wu Tian to the Bank as a director.

Anhui Guoyuan Trust Co., Ltd. was established on 14 January 2004. It was registered in Hefei of Anhui Province with a registered capital of RMB4.2 billion. Its legal representative is Xu Bin. Its scope of business includes fund trusts, movable property trusts, real estate trusts, negotiable securities trusts, other property or property rights trusts, as promoters of investment fund or fund management company to be engaged in investment fund business, restructuring, mergers and acquisitions and project financing of enterprise assets; financial management, financial advisory and other services for companies; entrusted to operate the securities underwriting business approved by the relevant departments of the State Council; handling intermediation, consulting, credit investigation and other business, custody service and safe deposit box service business, utilization of inherent property by way of deposits at banks and other financial institutions, call loans to banks and other financial institutions, loans, leasing and investments, providing guarantees for others with inherent property, engaged in interbank lending, and other business required by the laws and regulations or approved by the CBRC. According to the information submitted by shareholders, its controlling shareholder is Anhui Guoyuan Financial Holding Group Co., Ltd., its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its ultimate beneficiary is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Guoyuan Trust Co., Ltd. did not pledge any shares of the Bank.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES (CONTINUED)

(5) (Continued)

Anhui Guoyuan Ma'anshan Asset Management Co., Ltd. was established on 31 March 2004. It was registered in Ma'anshan of Anhui Province with a registered capital of RMB65 million. Its legal representative is Zhou Daici. Its scope of business includes investment activities with self-owned funds; asset management services for investment of self-owned funds; non-financial guarantee services; business management consulting; information technology consulting services; financial consulting; social and economic consulting services; hospital management; marketing planning; medical research and experimental development; medical equipment leasing; machinery and equipment leasing; automobile leasing; non-residential real estate leasing; sales of agricultural products; purchase of aquatic products; wholesale of aquatic products; retail of aquatic products; retail of fresh vegetables; wholesale of fresh fruits; sales of metal materials; sales of metal products; sales of special equipment for environmental protection; sales of construction materials; sales of machinery for construction; production of chemical products (excluding licensed chemical products); wholesale of hardware products; retail of hardware products; sales of household appliances; sales of daily-use department stores. According to the information submitted by shareholders, its controlling shareholder is Anhui GuoYuan Investment Co., Ltd., its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its ultimate beneficiary is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Guoyuan Ma'anshan Asset Management Co., Ltd. did not pledge any shares of the Bank.

(6) Anhui Credit Financing Guaranty Group Co., Ltd. was established on 25 November 2005. It was registered in Hefei of Anhui Province with a registered capital of RMB18.686 billion. Its legal representative is Wu Xuemin. Its scope of business includes performance guarantee business such as loan guarantee, promissory notes guarantee, trade finance guarantee, project financing guarantee, letter of credit guarantee; re-guarantee and bond issuance guarantee business; procedural preservative guarantee, tender guarantee, prepayment guarantee, project performance guarantee, final payment guarantee, etc.; financing consultancy, financial advisory services and business information consultation relating to the provision of guarantee; investment with self-own capital. According to the information submitted by shareholders, its controlling shareholder is the People's Government of Anhui Province, its de facto controller is the People's Government of Anhui Province, its ultimate beneficiary is Anhui Credit Financing Guaranty Group Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Credit Financing Guaranty Group Co., Ltd. did not pledge any shares of the Bank. Anhui Credit Financing Guaranty Group Co., Ltd. has appointed Wang Zhaoyuan to the Bank as a director.

Anhui Guaranteed Asset Management Co., Ltd. was established on 9 July 2015. It was registered in Hefei of Anhui Province with a registered capital of RMB1.5 billion. Its legal representative is Xu Wenqing. Its scope of business includes entrusted disposal of guaranteed non-performing assets, acquisition of guaranteed non-performing assets, idle capital operation, house leasing, and guarantee business consulting. According to the information submitted by shareholders, its controlling shareholder is Anhui Credit Financing Guaranty Group Co., Ltd., its de facto controller is the People's Government of Anhui Province, its ultimate beneficiary is Anhui Guaranteed Asset Management Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Guaranteed Asset Management Co., Ltd. did not pledge any shares of the Bank.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES (CONTINUED)

- (7) Anhui Transportation Holding Group Co., Ltd. was established on 27 April 1993. It was registered in Hefei of Anhui Province with a registered capital of RMB16 billion. Its legal representative is Xiang Xiaolong. Its scope of business includes investment, building, supervision, inspection, design and construction of road and other transportation infrastructure; tolling, road maintenance, operation and management of road properties and rights of road; technical service and consultation; real estate development and operation, property management, real estate leasing and operation; road transportation, multimodal transportation and transportation agency; logistics, warehousing and materials trade; investment and asset management; operation of service areas alongside highways, including refueling (excluding hazardous chemicals), catering and accommodation, rescue and vehicles repairing, automobile spare parts and commodities sales, property management, logistic delivery, warehousing, tourism, cultural entertainment services; production, distribution and operation of media advertisements; buildings construction, installment, decoration and EPC contracting. According to the information submitted by shareholders, its controlling shareholder is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its ultimate beneficiary is Anhui Transportation Holding Group Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Transportation Holding Group Co., Ltd. did not pledge any shares of the Bank and has appointed Qian Dongsheng as a director of the Bank.

Anhui Transportation Holding Group (H.K.) Limited was incorporated in Hong Kong in September 2013 with a registered capital of US\$24.80 million. Its legal representative is Tao Wensheng. Its scope of business includes investment, planning, design, construction, supervision, operation, technical consultation and supporting services for high-class highway; investment, development and operation as well as sales of real estate, property management, house rental; import and export of construction materials, automobile spare parts, mechanical equipment and technology, trade agency, warehousing; equity investment, etc. According to the information submitted by shareholders, its controlling shareholder is Anhui Transportation Holding Group Co., Ltd., its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its ultimate beneficiary is Anhui Transportation Holding Group Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Transportation Holding Group (H.K.) Limited did not pledge any shares of the Bank.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES (CONTINUED)

- (8) Hefei Xingtai Financial Holding Group Co., Ltd. was established on 18 January 1999. It was registered in Hefei of Anhui Province with a registered capital of RMB7 billion. Its legal representative is Cheng Rulin. Its scope of business includes operation of state-owned assets within the authorization, corporate planning, management consultation, financial advisory, corporate wealth management, industrial investment as well as other approved operating activities. According to the information submitted by shareholders, its controlling shareholder is the State-owned Assets Supervision and Administration Commission of Hefei City, its de facto controller is the State-owned Assets Supervision and Administration Commission of Hefei City, its ultimate beneficiary is Hefei Xingtai Financial Holding Group Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Hefei Xingtai Financial Holding Group Co., Ltd. did not pledge any shares of the Bank and has appointed Chen Rui to the Bank as a supervisor.

CCB Trust Co., Ltd. was established on 31 December 2003. It was registered in Hefei of Anhui Province with a registered capital of RMB10,500 million. Its legal representative is Wang Baokui. Its scope of business includes fund trusts, movable property trusts, real estate trusts, negotiable securities trusts, other property or property rights trusts, as promoters of investment fund or fund management company to be engaged in investment fund business, restructuring, mergers and acquisitions and project financing of enterprise assets; financial management, financial advisory and other services for companies; entrusted to operate the securities underwriting business approved by the relevant departments of the State Council; handling intermediation, consulting, credit investigation and other business, custody service and safe deposit box service business, utilization of inherent property by way of deposits at banks and other financial institutions, call loans to banks and other financial institutions, loans, leasing and investments, providing guarantees for others with inherent property, engaged in interbank lending, and other business required by the laws and regulations or approved by the CBRC. According to the information submitted by shareholders, its controlling shareholder is China Construction Bank Corporation, its de facto controller is Central Huijin Investment Co., Ltd, its ultimate beneficiary is CCB Trust Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, CCB Trust Co., Ltd. did not pledge any shares of the Bank.

- (9) Sunshine Life Insurance Corporation Limited was established on 17 December 2007. It was registered in Sanya of Hainan Province with a registered capital of RMB18,342.50 million. Its legal representative is Li Ke. Its scope of business includes personal insurance business such as life insurance, health insurance, and accident insurance; re-insurance business of the aforesaid businesses; the scope of use of insurance funds permitted by the national laws and regulations; sales of securities investment funds; other business approved by CBIRC. According to the information submitted by shareholders, its controlling shareholder is Sunshine Insurance Group Corporation Limited, it does not have any de facto controller, its ultimate beneficiary is Sunshine Life Insurance Corporation Limited and it does not have any persons acting in concert. As at the end of the Reporting Period, Sunshine Life Insurance Corporation Limited did not pledge any shares of the Bank and has appointed Zhao Zongren to the Bank as a director.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES (CONTINUED)

- (10) Zhongjing Sihai Co., Ltd. was established on 28 June 1995. It was registered in Huangshan of Anhui Province with a registered capital of RMB1,261.9757 million. Its legal representative is Zheng Ju. Its scope of business includes industrial investment, asset management, investment operation management, and investment consultation service; sales of office supplies, hotel supplies, metal materials, and automobile and motorcycle accessories. According to the information submitted by shareholders, its controlling shareholder is Shanshan Group Co., Ltd, its de facto controller is Zheng Yonggang, its ultimate beneficiaries are natural persons, Zheng Yonggang and Zhou Jiqing, and it does not have any persons acting in concert. As at the end of the Reporting Period, Zhongjing Sihai Co., Ltd. had pledged 368,540,000 Shares, accounting for 72.82% of its holding Shares and accounting for 2.65% of the total share capital of ordinary shares of the Bank. Zhongjing Sihai Co., Ltd. assigned GAO YANG, a director to the Bank.
- (11) Anhui Publishing Group Co., Ltd. was established on 26 October 2005. It was registered in Hefei of Anhui Province with a registered capital of RMB1,031.704 million. Its legal representative is Ma Zhanwen. Its scope of business includes: engaged in asset management, capital operation and investment business according to the relevant requirements of the Country, as well as providing asset or equity management services and financing consultation services to wholly-owned and controlling subsidiaries according to the laws; management of the domestic and international publishing, sales, logistics and distribution, chain operation of books, journals, newspaper, electronic publications, audio and video products as well as online publications produced by subsidiaries, consultation services for book rental and leasing. According to the information submitted by shareholders, its controlling shareholder is the People's Government of Anhui Province, its de facto controller is the People's Government of Anhui Province, its ultimate beneficiary is Anhui Publishing Group Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Publishing Group Co., Ltd. did not pledge any shares of the Bank and has appointed Hu Jing to the Bank as a supervisor. Ms. Hu Jing resigned as a shareholder supervisor and a member of the nomination committee of the Bank on 4 March 2022. For details, please refer to 8.2 "Changes in Directors, Supervisors and Senior Management of the Bank" in this report. Anhui Publishing Group Co., Ltd. ceased to be a substantial shareholder of the Bank after the resignation of Ms. Hu Jing.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES (CONTINUED)

- Notes: (1) Particulars of substantial shareholders of ordinary shares are based on the information submitted to the Bank or the public disclosure information published by substantial shareholders.
- (2) The pledge of Domestic Shares of the Bank is based on the relevant information provided by CSDC and the pledge of H Shares is based on the information submitted by the shareholders.
- (3) For the detailed definitions of substantial shareholders, controlling shareholders, de facto controllers, parties acting in concert and ultimate beneficial owners, please see the relevant requirement of the Interim Measures for the Shareholding Management of Commercial Banks 《商業銀行股權管理暫行辦法》 issued by CBIRC.
- (4) Pursuant to the Enterprise Accounting Standard No. 36 – Disclosure of Related Party, related parties refer to the enterprises controlled or jointly controlled by one party or exerting significant influence on the other party, or controlled, jointly controlled or significantly influenced by two or more parties under the same control of the same party, but the enterprises controlled by the state not only have related relationship because they are jointly controlled by the state; the Interim Measures for the Shareholding Management of Commercial Banks requires commercial banks to manage major shareholders, its controlling shareholders, de facto controllers, related parties, parties acting in concert and ultimate beneficiaries as related parties of commercial banks in accordance with the principle of penetration.

As at the end of the Reporting Period, the Bank has approximately 5,068 related legal entities and approximately 14,709 related natural persons with the total balance of related transactions of approximately RMB23.123 billion. According to the relevant information publicly disclosed and submitted to the Bank by substantial shareholders, the related legal entities and related natural persons of substantial shareholders of the Bank amounts to approximately 5,128 in aggregate. As at the end of the Reporting Period, details of the related parties of substantial shareholders and the related transactions under relevant accounting standards are set out in Note 50 to the financial statements. Due to limitations on space, this annual report does not provide the list of related parties of all substantial shareholders.

- (5) On 4 January 2021, the Bank completed the share registration for the non-public issuance of 1,735,000,000 Domestic Shares under the general mandate. The number of ordinary shares of the Bank increased to 13,889,801,211, including 10,411,051,211 Domestic Shares, accounting for 74.95% of the total issued ordinary share capital; and 3,478,750,000 H Shares, accounting for 25.05% of the total issued ordinary share capital. Please refer to Section 7.6 “Non-Public Issuance” in this annual report for details of the non-public issuance.
- (6) Mr. Li Ruifeng appointed by Wuhu Construction Investment Co., Ltd. resigned as a supervisor of the Bank on 21 January 2021. Wuhu Construction Investment Co., Ltd. ceased to be substantial shareholder of the Bank after Mr. Li Ruifeng was resigned. For details, please refer to Section 8.2 “Changes in Directors, Supervisors and Senior Management of the Bank” in this report.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS

As of 31 December 2021, the following persons (other than the directors, supervisors and chief executive (as defined in the Hong Kong Listing Rules) of the Bank) had interests and short positions in the shares of the Bank as recorded in the register required to be kept by the Bank pursuant to section 336 of the SFO. In view of the Bank's profit distribution plan for 2017, where bonus shares were issued to shareholders on the basis of 1 share for every 10 shares, implemented in 2018, the number of shares held by shareholders in the table below reflects the number of shares held by shareholders after the issue of bonus shares.

Name of shareholder	Type of share	Long/short position	Capacity	Number of shares (share)	Percentage of the underlying shares in issue (%)	Percentage of all issued ordinary shares (%)	Note
Deposit Insurance Fund Management Co., Ltd.	Domestic Share	Long	Beneficial owner	1,559,000,000	14.97	11.22	1
Anhui Energy Group Co., Ltd.	H Share	Long	Interest of controlled corporation	329,973,600	9.49	2.38	2
	Domestic Share	Long	Interest of controlled corporation	174,394,198	1.68	1.26	2
	Domestic Share	Long	Beneficial owner	843,363,819	8.10	6.07	2
Xing An Holdings Limited	H Share	Long	Beneficial owner	329,973,600	9.49	2.38	2
Anhui Credit Financing Guaranty Group Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	2,524,326	0.02	0.02	3
	Domestic Share	Long	Beneficial owner	827,658,091	7.95	5.96	3
Anhui Guoyuan Financial Holding Group Co., Ltd.	Domestic Share	Long	Beneficial owner	837,810,695	8.05	6.03	4
	Domestic Share	Long	Interest of controlled corporation	36,113,132	0.35	0.26	4
Anhui Transportation Holding Group Co., Ltd.	H Share	Long	Interest of controlled corporation	3,299,700	0.09	0.02	5
	Domestic Share	Long	Beneficial owner	691,935,874	6.65	4.98	5
China Vanke Co., Ltd.	H Share	Long	Interest of controlled corporation	972,384,600	27.95	7.00	6
Wkland Finance Holding Company Limited	H Share	Long	Beneficial owner	562,254,000	16.16	4.05	6
Wkland Finance Holding II Company Limited	H Share	Long	Beneficial owner	410,130,600	11.79	2.95	6
Sunshine Insurance Group Corporation Limited	H Share	Long	Interest of controlled corporation	598,094,200	17.19	4.31	7
Sunshine Life Insurance Corporation Limited	H Share	Long	Beneficial owner	598,094,200	17.19	4.31	7
Shanghai Soong Ching Ling Foundation	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Zhongjing Industry (Group) Limited	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Modern Innovation Holdings Co., Limited	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Jing'An Shanghai Silver Investment Co., Ltd.	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Zhongjing Xinhua Asset Investment Management Company Ltd.	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Beneficial owner	224,781,227	2.16	1.62	8

Chapter VII Changes in Share Capital and Particulars of Shareholders

Name of shareholder	Type of share	Long/short		Number of shares (share)	Percentage of	Percentage	Note
		position	Capacity		the underlying shares in issue (%)	of all issued ordinary shares (%)	
Zhongjing Xinhua Property Management (Hong Kong) Co., Limited	H Share	Long	Interest of controlled corporation	1,030,615,400	29.63	7.42	10, 11, 13
Wealth Honest Limited	H Share	Long	Beneficial owner	215,249,000	6.19	1.55	9
Wealth Honest Cayman Holdings Company Limited	H Share	Long	Interest of controlled corporation	440,000,000	12.65	3.17	11, 13
Qingdao State-owned Assets Supervision & Administration Commission	H Share	Long	Beneficial owner	590,615,400	16.98	4.25	10
Qingdao City Construction Investment (Group) Limited	H Share	Long	Interest of controlled corporation	440,000,000	12.65	3.17	11, 13
Qingdao City Construction Financial Holding Group Co., Ltd.	H Share	Long	Security interest	440,000,000	12.65	3.17	11
China Golden Harbour (Holdings) Group Limited	H Share	Long	Security interest	440,000,000	12.65	3.17	11
Golden Harbour Global Holdings Limited	H Share	Long	Security interest	440,000,000	12.65	3.17	11
Wealth Honest Fund LP	H Share	Long	Interest of controlled corporation	440,000,000	12.65	3.17	11
Golden Harbour Investments Management Limited	H Share	Long	Beneficial owner	440,000,000	12.65	3.17	11
Zheng Yonggang	Domestic Share	Long	Interest of controlled corporation	730,883,703	7.02	5.26	8, 12
Zhou Jiqing	Domestic Share	Long	Interest of controlled corporation	730,883,703	7.02	5.26	8, 12
Ningbo Qinggang Investment Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	730,883,703	7.02	5.26	8, 12
Shanshan Holdings Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	506,102,476	4.86	3.64	12
	Domestic Share	Long	Beneficial owner	224,781,227	2.16	1.62	8
	H Share	Long	Interest of acting in concert	1,245,864,400	35.81	8.97	14
Shanshan Group Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	506,102,476	4.86	3.64	12
Zhongjing Sihai Co., Ltd.	Domestic Share	Long	Beneficial owner	506,102,476	4.86	3.64	12
Dragon Sound Investment Limited	Domestic Share	Long	Interest of acting in concert	730,883,703	7.02	5.26	14
	H Share	Long	Beneficial owner	273,449,000	7.86	1.97	13
Joy Glory Holdings Limited	Domestic Share	Long	Interest of acting in concert	730,883,703	7.02	5.26	14
	H Share	Long	Beneficial owner	532,415,400	15.30	3.83	13
Superior Logic Investments Limited	Domestic Share	Long	Interest of acting in concert	730,883,703	7.02	5.26	14
	H Share	Long	Beneficial owner	440,000,000	12.65	3.17	13
Wang Wenjin	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 16
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	15
Liu Jiehong	H Share	Long	Interest of the Spouse	1,245,864,400	35.81	8.97	9, 10, 11, 16
	Domestic Share	Long	Interest of the Spouse	224,781,227	2.16	1.62	15
Amer Holdings Group Limited (正威控股集團有限公司)	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 16
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	15
Shenzhen Amer (Group) Limited (深圳正威(集團)有限公司)	H Share	Long	Beneficial owner	1,245,864,400	35.81	8.97	9, 10, 11, 16
	Domestic Share	Long	Beneficial owner	224,781,227	2.16	1.62	15

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

Notes:

- (1) On 4 January 2021, Deposit Insurance Fund Management Co., Ltd. subscribed 1,559,000,000 Domestic Shares (long position) of the Bank through non-public issuance. Please refer to Section 7.6 "Non-Public Issuance" in this report for details of the non-public issuance.
- (2) Xing An Holdings Limited holds 329,973,600 H Shares (long position) of the Bank. Xing An Holdings Limited is a wholly-owned subsidiary directly controlled by Anhui Energy Group Co., Ltd. As such, Anhui Energy Group Co., Ltd. is deemed to be interested in the shares of the Bank held by Xing An Holdings Limited.

At the same time, Anhui Energy Group Co., Ltd. directly holds 843,363,819 Domestic Shares (long position) of the Bank. In addition, Anhui Energy Group Co., Ltd. is deemed to be interested in 150,814,726 Domestic Shares and 23,579,472 Domestic Shares of the Bank that were held by its controlling subsidiaries, Anhui Wenergy Company Limited and Anhui Natural Gas Development Co., Ltd., respectively.

- (3) 2,524,326 Domestic Shares (long position) of the Bank held by Anhui Guarantee Asset Management Co., Ltd. Anhui Guarantee Asset Management Co., Ltd. is a wholly-owned subsidiary of Anhui Credit Financing Guaranty Group Co., Ltd. Anhui Credit Financing Guaranty Group Co., Ltd. is deemed to be interested in the shares of the Bank held by Anhui Guarantee Asset Management Co., Ltd. Meanwhile, Anhui Credit Financing Guaranty Group Co., Ltd. directly holds 827,658,091 Domestic Shares (long position) of the Bank.
- (4) Anhui Guoyuan Ma'anshan Asset Management Co., Ltd. and Anhui Guoyuan Trust Co., Ltd. hold 361,662 Domestic Shares (long position) and 35,751,470 Domestic Shares (long position) of the Bank, respectively. Anhui Guoyuan Financial Holding Group Co., Ltd. is deemed to be interested in the Domestic Shares of the Bank that were directly held by its controlling subsidiaries, Anhui Guoyuan Ma'anshan Asset Management Co., Ltd. and Anhui Guoyuan Trust Co., Ltd. At the same time, Anhui Guoyuan Financial Holding Group Co., Ltd. directly holds 837,810,695 Domestic Shares (long position) of the Bank.
- (5) Anhui Transportation Holding Group (H.K.) Limited holds 3,299,700 H Shares (long position) of the Bank. Anhui Transportation Holding Group (H.K.) Limited is a wholly-owned subsidiary directly controlled by Anhui Transportation Holding Group Co., Ltd. As such, Anhui Transportation Holding Group Co., Ltd. is deemed to be interested in the shares of the Bank held by Anhui Transportation Holding Group (H.K.) Limited. On 4 January 2021, Anhui Transportation Holding Group Co., Ltd. subscribed 176,000,000 Domestic Shares (long position) of the Bank through Non-Public Issuance. Upon the completion of the Non-Public Issuance, Anhui Transportation Holding Group Co., Ltd. directly held 691,935,874 Domestic Shares (long position) of the Bank. Please refer to Section 7.6 "Non-Public Issuance" in this report for details of the non-public issuance.

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7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

- (6) China Vanke Co., Ltd. is deemed to be interested in a total of 972,384,600 H Shares (long position) of the Bank by virtue of its control over the following corporations which directly hold interests in the Bank:
- 6.1 Wkland Finance Holding Company Limited holds 562,254,000 H Shares (long position) of the Bank. Wkland Finance Holding Company Limited is a wholly-owned subsidiary indirectly controlled by China Vanke Co., Ltd.
- 6.2 Wkland Finance Holding II Company Limited holds 410,130,600 H Shares (long position) of the Bank. Wkland Finance Holding II Company Limited is a wholly-owned subsidiary indirectly controlled by China Vanke Co., Ltd.
- (7) Sunshine Life Insurance Corporation Limited holds 598,094,200 H Shares (long position) of the Bank. Sunshine Life Insurance Corporation Limited is a subsidiary directly controlled by Sunshine Insurance Group Corporation Limited. Sunshine Insurance Group Corporation Limited is deemed to be interested in the shares of the Bank held by Sunshine Life Insurance Corporation Limited.
- (8) Zhongjing Xinhua Asset Investment Management Co., Ltd. ("Zhongjing Xinhua") directly holds 224,781,227 Domestic Shares (long position) of the Bank. Zhongjing Xinhua is a subsidiary directly controlled by Jing'An Shanghai Silver Investment Co., Ltd. ("Jing'An Silver"). Jing'An Silver is a wholly-owned subsidiary directly controlled by Modern Innovation Holdings Co., Limited ("Modern Innovation"). Modern Innovation is a subsidiary directly controlled by Zhongjing Industry (Group) Limited ("Zhongjing Industry"). The 97.5% shares of Zhongjing Industry are held by Shanghai Soong Ching Ling Foundation. Shanghai Soong Ching Ling Foundation, Zhongjing Industry, Modern Innovation and Jing'An Silver are deemed to be interested in the shares of the Bank held by Zhongjing Xinhua.

Shanshan Holdings Co., Ltd. ("Shanshan Holdings") entered into an agreement with Zhongjing Xinhua on 20 August 2019, pursuant to which Shanshan Holdings acquired 224,781,227 Domestic Shares of Huishang Bank held by Zhongjing Xinhua, which have not been transferred. Pursuant to relevant requirements of the SFO, during the period from the signing of the agreement to prior to the completion of the transfer of shares, both Shanshan Holdings and Zhongjing Xinhua shall be deemed to be interested in such shares acquired or disposed and both of them are beneficial owners. Zheng Yonggang, Zhou Jiqing and Ningbo Qinggang are deemed to be interested in the above shares of the Bank held by Shanshan Holdings.

According to the disclosure of interest forms submitted by Zhongjing Xinhua to the Hong Kong Stock Exchange, "Zhongjing Xinhua Asset Investment Management Co., Ltd., on behalf of all vendors, issued a written notice to Shanshan Holdings Co., Ltd. on 1 June 2020, announcing the termination of the Framework Agreement signed by the parties on 20 August 2019. In this regard, the relevant vendors are not required to transfer the underlying Domestic Shares to Shanshan Holdings Co., Ltd.···".



Chapter VII Changes in Share Capital and Particulars of Shareholders

7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

(8) (Continued)

According to the "Announcement on Zhongjing Xinhua Asset Investment Management Company Ltd. Regarding the Company's Material Litigations" issued by Zhongjing Xinhua on the Shanghai Stock Exchange (the "SSE") on 9 July 2020, "... On 1 June 2020, the Company issued to Shanshan Holdings the "Notice on the Termination of the Framework Agreement between Shanshan Holdings Co., Ltd. and Zhongjing Xinhua Asset Investment Management Company Ltd. on the Transfer of Shares of Huishang Bank Corporation Limited and Zhongjing Sihai Co., Ltd."... The Company has recently filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province and has been accepted. The filing for the case has now been completed." According to the 2020 Annual Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. published on the SSE by Zhongjing Xinhua on 28 April 2021, "Progress of the dispute on transfer of equity in Huishang Bank with Shanshan Holdings Co., Ltd.: the Company has filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province. As Shanshan Holdings Co., Ltd. prosecuted first, the two cases have been consolidated to Shanghai Financial Court for trial. The above two cases were heard in the Financial Court on 18 January 2021, but pending for judgment as of the date of this report." According to the 2021 Interim Report of Corporate Bonds of Zhongjing Xinhua Asset Investment Management Company Ltd. published on the SSE by Zhongjing Xinhua on 30 August 2021, "The case was later transferred to Shanghai Financial Court and has not been concluded as of the date of this report." For details, please refer to the announcement published by Zhongjing Xinhua on the SSE.

According to the "Announcement on Shanshan Group Co., Ltd. Regarding the Company's Material Litigations" issued by Shanshan Group Co., Ltd. ("Shanshan Group") on the SSE on 10 July 2020, "... This lawsuit is a case involving Zhongjing Xinhua sued Shanshan Holdings, Shanshan Group, and Zhongjing Sihai for the equity transfer dispute. ... Shanshan Holdings ... filed a lawsuit with the Shanghai Financial Court on 2 June 2020 and completed the filing." According to the 2020 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 30 April 2021, "Progress of the dispute on transfer of equity interests in the case involving Zhongjing Xinhua Asset Investment Management Co., Ltd. against Shanshan Holdings Co., Ltd., Shanshan Group Co., Ltd. and Zhongjing Sihai Co., Ltd.: the case has been transferred to the Shanghai Financial Court for trial with the first trial completed in January 2021, but pending for judgment." According to the 2021 Interim Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 31 August 2021, "As of the date of this report, the case has been transferred from the Intermediate People's Court of Huangshan City to Shanghai Financial Court. At present, the first instance has been held but pending for judgment." For details, please refer to the announcement published by Shanshan Group on the SSE.

According to the disclosure of interests forms submitted by Zhongjing Xinhua to the Hong Kong Stock Exchange, "Zhongjing Xinhua Asset Investment Management Company Ltd. (hereinafter referred to as "Zhongjing Xinhua"), as considered and approved by its board of directors, agreed to enter into a Letter of Intent for the Transfer of Shares of Huishang Bank Corporation Limited (hereinafter referred to as the "Letter of Intent") with OCI International Holdings Limited (hereinafter referred to as "OCI International") in respect of the disposal of all H Shares and Domestic Shares of Huishang Bank Corporation Limited (hereinafter referred to as "Huishang Bank") held directly and indirectly by the company on 25 June 2021. The Letter of Intent is valid for six months from the date of execution".

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

(8) (Continued)

According to the "Announcement on Zhongjing Xinhua Asset Investment Management Company Ltd. Regarding the Disposal of Asset" issued by Zhongjing Xinhua on the SSE on 9 November 2021, "Zhongjing Xinhua Asset Investment Management Company Ltd. (on behalf of all sellers) entered into an Agreement with Shenzhen Amer (Group) Limited (深圳正威(集團)有限公司) (on behalf of all purchasers) on 6 November 2021, pursuant to which, the sellers shall sell around 1.977 billion shares of Huishang Bank Corporation Limited to the purchasers".

According to the interest form on the Hong Kong Stock Exchange, it has entered in to an agreement to sell the shares it was interested in, which do not need to be delivered within 4 trading days, involving 1,245,864,400 H Shares of the interest of corporation controlled by Zhongjing Xinhua. According to the information available to the Bank, as of the end of the Reporting Period, the delivery of these shares has not yet been completed.

(9) Zhongjing Xinhua Property Management (Hong Kong) Co., Limited ("Zhongjing Xinhua Hong Kong") holds 215,249,000 H Shares (long position) of the Bank. Zhongjing Xinhua Hong Kong is a wholly-owned subsidiary directly controlled by Zhongjing Xinhua. Shanghai Soong Ching Ling Foundation, Zhongjing Industry, Modern Innovation, Jing'An Silver and Zhongjing Xinhua are deemed to be interested in the shares of the Bank held by Zhongjing Xinhua Hong Kong.

According to the interest form on the Hong Kong Stock Exchange, it has entered in to an agreement to sell the shares it was interested in, which do not need to be delivered within 4 trading days, involving 215,249,000 H Shares held directly by and 1,030,615,400 H Shares of the interest of corporation controlled by Zhongjing Xinhua Hong Kong. According to the information available to the Bank, as of the end of the Reporting Period, the delivery of these shares has not yet been completed.

(10) Wealth Honest Limited ("Wealth Honest") holds 590,615,400 H Shares (long position) of the Bank. Wealth Honest is a wholly-owned subsidiary directly controlled by Zhongjing Xinhua Hong Kong, which in turn is a wholly-owned subsidiary directly controlled by Zhongjing Xinhua. Shanghai Soong Ching Ling Foundation, Zhongjing Industry, Modern Innovation, Jing'An Silver, Zhongjing Xinhua and Zhongjing Xinhua Hong Kong are deemed to be interested in the shares of the Bank held by Wealth Honest.

According to the interest form on the Hong Kong Stock Exchange, it has entered in to an agreement to sell the shares it was interested in, which do not need to be delivered within 4 trading days, involving 590,615,400 H Shares held directly by and 440,000,000 H Shares of the interest of corporation controlled by Wealth Honest. According to the information available to the Bank, as of the end of the Reporting Period, the delivery of these shares has not yet been completed.



Chapter VII Changes in Share Capital and Particulars of Shareholders

7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

- (11) Golden Harbour Investments Management Limited ("Golden Harbour") holds 440,000,000 H Shares (long position) of the Bank. The Bank was further informed by Zhongjing Xinhua by email that Wealth Honest Fund LP (a limited partnership established in the Cayman Islands) holds 100% equity interests in Golden Harbour; and Wealth Honest Cayman Holdings Company Limited (a direct wholly-owned subsidiary of Wealth Honest) is the sole general partner of Wealth Honest Fund LP and has absolute control over the operations of the partnership. Wealth Honest can 100% indirectly control Golden Harbour. For information about Wealth Honest, please refer to note (10) above. Shanghai Soong Ching Ling Foundation, Zhongjing Industry, Modern Innovation, Jing'An Silver, Zhongjing Xinhua, Zhongjing Xinhua Hong Kong, Wealth Honest, Wealth Honest Cayman Holdings Company Limited and Wealth Honest Fund LP are deemed to be interested in the shares of the Bank held by Golden Harbour.

According to the disclosure of interests forms submitted to the Hong Kong Stock Exchange by the State-owned Assets Supervision and Administration Commission of Qingdao City and its subsidiaries, Golden Harbour Global Holdings Limited, a wholly-owned subsidiary directly controlled by China Golden Harbour (Holdings) Group, holds 70% equity interests in Wealth Honest Fund LP; China Golden Harbour (Holdings) Group is a wholly-owned subsidiary directly controlled by Qingdao City Construction Financial Holding Group Co., Ltd.; Qingdao City Construction Financial Holding Group Co., Ltd. is a wholly-owned subsidiary directly controlled by Qingdao City Construction Investment (Group) Limited; Qingdao City Construction Investment (Group) Limited is wholly-owned by the State-owned Assets Supervision & Administration Commission of Qingdao City. The State-owned Assets Supervision and Administration Commission of Qingdao City, Qingdao City Construction Investment (Group) Limited, Qingdao City Construction Financial Holding Group Co., Ltd., China Golden Harbour (Holdings) Group and Golden Harbour Global Holdings Limited are deemed to be interested in the shares of the Bank held by Golden Harbour.

According to the interest form on the Hong Kong Stock Exchange, it has entered in to an agreement to sell the shares it was interested in, which do not need to be delivered within 4 trading days, involving 440,000,000 H Shares held directly by Golden Harbour. According to the information available to the Bank, as of the end of the Reporting Period, the delivery of these shares has not yet been completed.

- (12) Zhongjing Sihai Co., Ltd. ("Zhongjing Sihai") holds 506,102,476 Domestic Shares of the Bank. According to the relevant shareholding table from the Hong Kong Stock Exchange and business registration information publicly disclosed by Zhongjing Sihai:

In August 2019, Zhongjing Xinhua transferred its equity interests of 51.6524% in Zhongjing Sihai to Shanshan Group Co., Ltd. ("Shanshan Group"), upon which Shanshan Group owned 100% equity interests in Zhongjing Sihai. Shanshan Group is the subsidiary of Shanshan Holdings which owns its equity interests of 73.46%, which in turn is the subsidiary of Ningbo Qinggang Investment Co., Ltd. ("Ningbo Qinggang") which holds its equity interests of 48.06%. Zheng Yonggang and Zhou Jiqing hold the equity interests of 51% and 49% in Ningbo Qinggang, respectively. As such, Zheng Yonggang, Zhou Jiqing, Ningbo Qinggang, Shanshan Holdings and Shanshan Group are deemed to be interested in the shares of the Bank held by Zhongjing Sihai.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

- (13) According to the disclosure of interests forms submitted by DRAGON SOUND INVESTMENT LIMITED, JOY GLORY HOLDINGS LIMITED, and SUPERIOR LOGIC INVESTMENTS LIMITED to the Hong Kong Stock Exchange, related parties acquired 273,449,000, 532,415,400 and 440,000,000 H Shares of the Bank, respectively. According to the form of disclosure interest submitted by Zhongjing Xinhua Hong Kong, Wealth Honest and Golden Harbour to the Hong Kong Stock Exchange, related parties entered into an agreement in relation to the disposal of shares in which they were interested. The transfer of such share interests has not been completed. Pursuant to relevant requirements of the SFO, during the period from the entering of the agreement to prior to the completion of the transfer of shares, related purchasers and vendors shall be deemed to be interested in such shares they have purchased or disposed and all of them are beneficial owners.

According to the disclosure of interests forms submitted by Zhongjing Xinhua Hong Kong, Wealth Honest and Golden Harbour to the Hong Kong Stock Exchange, "Zhongjing Xinhua Asset Investment Management Co., Ltd., on behalf of all vendors, issued a written notice to Shanshan Holdings Co., Ltd. on 1 June 2020, announcing the termination of the Framework Agreement signed by the parties on 20 August 2019. In this regard, the relevant vendors are not required to transfer the underlying H Shares to Shanshan Holdings Co., Ltd.···".

According to the "Announcement on Zhongjing Xinhua Asset Investment Management Company Ltd. Regarding the Company's Material Litigations" issued by Zhongjing Xinhua on the SSE on 9 July 2020, "··· On 1 June 2020, the Company issued to Shanshan Holdings the "Notice on the Termination of the Framework Agreement between Shanshan Holdings Co., Ltd. and Zhongjing Xinhua Asset Investment Management Company Ltd. on the Transfer of Shares of Huishang Bank Corporation Limited and Zhongjing Sihai Co., Ltd.".··· The Company has recently filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province and has been accepted. The filing for the case has now been completed." According to the 2020 Annual Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. published on the SSE by Zhongjing Xinhua on 28 April 2021, "Progress of the dispute on transfer of equity interests in Huishang Bank with Shanshan Holdings Co., Ltd.: the Company has filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province. As Shanshan Holdings Co., Ltd. prosecuted first, the two cases have been consolidated to Shanghai Financial Court for trial. The above two cases were heard in the Financial Court on 18 January 2021, but pending for judgment as of the date of this report." According to the 2021 Interim Report of Corporate Bonds of Zhongjing Xinhua Asset Investment Management Company Ltd. published on the SSE by Zhongjing Xinhua on 30 August 2021, "The case was later transferred to Shanghai Financial Court and has not been concluded as of the date of this report." For details, please refer to the announcement issued by Zhongjing Xinhua on the SSE.

According to the disclosure of interests forms submitted by Zhongjing Xinhua to the Hong Kong Stock Exchange, "Zhongjing Xinhua Asset Investment Management Company Ltd. (hereinafter referred to as "Zhongjing Xinhua"), as considered and approved by its board of directors, agreed to enter into a Letter of Intent for the Transfer of Shares of Huishang Bank Corporation Limited (hereinafter referred to as the "Letter of Intent") with OCI International Holdings Limited (hereinafter referred to as "OCI International") in respect of the disposal of all H Shares and Domestic Shares of Huishang Bank Corporation Limited (hereinafter referred to as "Huishang Bank") held directly and indirectly by the company on 25 June 2021. The Letter of Intent is valid for six months from the date of execution".

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

(13) (Continued)

According to the "Announcement on Shanshan Group Co., Ltd. Regarding the Company's Material Litigations" issued by Shanshan Group on the SSE on 10 July 2020, "... This lawsuit is a case involving Zhongjing Xinhua sued Shanshan Holdings, Shanshan Group, and Zhongjing Sihai for the equity transfer dispute. ... Shanshan Holdings ... filed a lawsuit with the Shanghai Financial Court on 2 June 2020 and completed the filing." According to the 2020 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 30 April 2021, "Progress of the dispute on transfer of equity interests in the case involving Zhongjing Xinhua Asset Investment Management Co., Ltd. against Shanshan Holdings Co., Ltd., Shanshan Group Co., Ltd. and Zhongjing Sihai Co., Ltd.: the case has been transferred to the Shanghai Financial Court for trial with the first trial completed in January 2021, but pending for judgment." According to the 2021 Interim Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 31 August 2021, "As of the date of this report, the case has been transferred from the Intermediate People's Court of Huangshan City to Shanghai Financial Court. At present, the first instance has been held but pending for judgment." For details, please refer to the announcement issued by Shanshan Group on the SSE.

(14) According to the disclosure of interests forms submitted by companies including Shanshan Holdings to the Hong Kong Stock Exchange, Shanshan Holdings entered into an acting in concert agreement with SUPERIOR LOGIC INVESTMENTS LIMITED, DRAGON SOUND INVESTMENT LIMITED, JOY GLORY HOLDINGS LIMITED, respectively.

(15) According to the disclosure of interests forms submitted by Shenzhen Amer (Group) Limited ("Amer Group") to the Hong Kong Stock Exchange, Amer Group purchased 224,781,227 Domestic Shares. Amer Group is a wholly-owned subsidiary of Amer Holdings Group Limited (正威控股集團有限公司) ("Amer Holdings"), which in turn is owned as to 90% by Wang Wenyin. Liu Jiehong is the spouse of Wang Wenyin. Wang Wenyin, Liu Jiehong and Amer Holdings therefore are deemed to be interested in the Shares of the Bank held by Amer Group. According to the information available to the Bank, as of the end of the Reporting Period, the delivery of these shares has not yet been completed.

(16) According to the disclosure of interests forms submitted by Shenzhen Amer (Group) Limited to the Hong Kong Stock Exchange, Amer Group purchased 1,245,864,400 H Shares. Amer Group is a wholly-owned subsidiary of Amer Holdings, which in turn is owned as to 90% by Wang Wenyin. Liu Jiehong is the spouse of Wang Wenyin. Wang Wenyin, Liu Jiehong and Amer Holdings therefore are deemed to be interested in the Shares of the Bank held by Amer Group. According to the information available to the Bank, as of the end of the Reporting Period, the delivery of these shares has not yet been completed.

Save as disclosed above, the Bank is not aware of any other person (other than the directors, supervisors and chief executives (as defined in the Hong Kong Listing Rules) of the Bank) having any interests or short positions in the shares and underlying shares of the Bank as at 31 December 2021 as recorded in the register required to be kept by the Bank pursuant to section 336 of the SFO.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.5 INITIAL PUBLIC OFFERING OF A SHARES

The 2018 annual general meeting was convened by the Bank on 30 June 2019, at which, among others, the resolution for initial public offering and listing of A shares (“A Share Offering”) was considered and approved. The Bank proposed issuing no more than 1.5 billion A shares. The Resolution on the extension of the validity period of the A Share Offering of the Bank and Resolution on the extension of the validity period of the authorization of the Board to deal with specific matters in respect of the A Share Offering were considered and approved at the 2019 annual general meeting held on 30 June 2020 and the 2020 annual general meeting held on 30 June 2021 of the Bank. The Bank will extend the validity period of A Share Offering Plan and the Authorization Resolution for twelve months from the next day immediately after the expiration of original validity period (namely, the extended period will be from 30 June 2021 to 29 June 2022). Other contents as set forth under the A Share Offering Plan and the Authorization Resolution remain unchanged. Please refer to the circulars of the Bank dated 15 May 2019, 15 May 2020 and 24 May 2021 for the details of the resolution on the aforesaid A Share Offering.

The Bank will publish announcements, in due course, to give the shareholders and potential investors the updates on the A Share Offering. The A Share Offering may or may not be completed, and the shareholders and potential investors are advised to exercise caution when dealing in the shares of the Bank.

7.6 NON-PUBLIC ISSUANCE

A Board meeting was convened by the Bank on 20 August 2020, at which, the proposal for non-public issuance of shares (“Non-public Issuance”) under the general mandate was considered and approved. The Bank intended to issue a total of not more than 1,735,000,000 Domestic Shares to Deposit Insurance Fund Management Co., Ltd. (“DIFM”) and Anhui Transportation Holding Group Co., Ltd. (“Anhui Transportation Holding”) (collectively, the “Subscribers”) under a general mandate. On 20 August 2020, the Bank and the Subscribers entered into relevant share subscription agreements, respectively, pursuant to which the Bank has conditionally agreed to issue and the Subscribers have conditionally agreed to subscribe for an aggregate of 1,735,000,000 Domestic Shares at the subscription price of RMB5.703 per Domestic Share (the closing price of the H Shares of the Bank as quoted on the Hong Kong Stock Exchange on 20 August 2020 (i.e. the date of the Share Subscription Agreements) was HK\$2.55 per H Share). The Subscribers completed contributions on 30 December 2020. On 4 January 2021, the registration of the subscription shares under the Non-public Issuance with a total of 1,735,000,000 Domestic Shares was completed through CSDC. On 30 December 2020, Ernst & Young Hua Ming LLP (Special General Partnership) verified and issued a capital verification report, confirming that the net proceeds (after deducting relevant issuance expenses) from the Non-public Issuance was RMB9,893,752,170, namely net price per Domestic Share amounting to RMB5.702. All of the net proceeds have been used in supplementing the Bank’s core tier 1 capital. For details of the aforementioned proposal for the Non-public Issuance, subscription agreements and the completion of the non-public issuance, please refer to the Bank’s announcements dated 20 August 2020 and 4 January 2021.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.7 OFFSHORE PREFERENCE SHARES

7.7.1 ISSUANCE, LISTING AND REDEMPTION OF OFFSHORE PREFERENCE SHARES

On 10 November 2016, the Bank issued 44,400,000 Offshore Preference Shares on the offshore market through non-public offering at the issue price of US\$20 per share and raised US\$888 million. The Offshore Preference Shares were listed on the Hong Kong Stock Exchange on 11 November 2016. After deducting the issue expenses, the Bank applied all the proceeds raised from the issuance of the Offshore Preference Shares to replenish its additional tier 1 capital according to applicable laws and regulations and the approval from relevant regulatory authorities.

The Bank has redeemed all the Offshore Preference Shares on 10 November 2021. As of the end of the Reporting Period, the Bank had no existing Overseas Preferred Shares, and there were no shareholders (or nominee holders) of Overseas Preferred Shares. The redemption price of the Offshore Preference Shares shall be the liquidation preference of such Offshore Preference Shares plus the declared but unpaid dividends in respect of the period from (and including) the immediately preceding dividend payment date to (but excluding) the scheduled Redemption Date. The aggregate price of the Redemption is US\$936,840,000 (being the sum of (i) the aggregate liquidation preference of the Offshore Preference Shares in the amount of US\$888,000,000 and (ii) the Dividends in the amount of US\$48,840,000). For details, please refer to the announcements of the Bank dated 8 October 2021 and 11 November 2021.

7.7.2 PROFIT DISTRIBUTION OF OFFSHORE PREFERENCE SHARES

The Board of the Bank passed a resolution on 27 July 2021, to pay dividends to the holders of the Preference Shares in accordance with the relevant laws and regulations, the Articles of Association and the issuance terms and conditions of the Preference Shares. The total amount of dividends on the Offshore Preference Shares to be distributed shall be US\$54,266,666.67, of which, US\$48,840,000 shall be actually paid to the holders of the Preference Shares at a coupon rate of 5.5%; and US\$5,426,666.67 shall be withheld and paid as the income tax at a rate of 10% according to relevant laws and regulations. The dividend distribution date shall be 10 November 2021, and the dividend calculation period shall begin on 10 November 2020 (inclusive) and end on 10 November 2021 (exclusive). Recipients shall be the persons registered on the register of members of the Offshore Preference Shares as of the closing of such clearing systems on 9 November 2021. For more details, please refer to the announcement of the Bank dated 27 July 2021.

On 10 November 2021, the Bank completed the fifth payment of dividends for the issuance of Offshore Preference Shares.

7.7.3 OTHER INFORMATION ABOUT OFFSHORE PREFERENCE SHARES

During the Reporting Period, there was no conversion of Overseas Preferred Shares or restoration of voting rights.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.7 OFFSHORE PREFERENCE SHARES (CONTINUED)

7.7.4 ACCOUNTING POLICY ADOPTED FOR OFFSHORE PREFERENCE SHARES AND GROUNDS

Pursuant to the requirements of Accounting Standards for Enterprises No. 22 – Financial Instruments Recognition and Measurement, Accounting Standards for Enterprises No. 37 – Financial Instruments Presentation, Difference between Financial Liabilities and Equity Instruments and Relevant Accounting Requirements issued by the Ministry of Finance, and the requirements of International Accounting Standard 39 Financial Instruments: Recognition and Measurement and International Accounting Standard 32 Financial Instruments: Presentation made by the International Accounting Standards Board, the terms of the outstanding Offshore Preference Shares issued by the Bank conform to the accounting requirements for equity instruments, and are accounted for as equity instruments.



Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

					Total remuneration from the Bank during the Reporting Period before tax (RMB10 thousand)⁽²⁾
Name of current directors	Gender	Date of birth	Position held	Start of term of office	
Yan Chen	Male	August 1972	Executive Director Chairman of the Board	19 December 2019 30 July 2021	45.9
Zhang Renfu	Male	March 1962	Executive Director President	28 December 2018 30 January 2019	69.6
Ma Lingxiao	Male	July 1978	Non-executive Director	25 November 2021	–
Zhu Yicun	Male	October 1961	Non-executive Director	28 December 2018	–
Wu Tian	Male	October 1964	Non-executive Director	28 December 2018	–
Wang Zhaoyuan	Male	January 1971	Non-executive Director	28 October 2021	–
Qian Dongsheng	Male	October 1967	Non-executive Director	28 December 2018	–
Gao Yang	Male	June 1966	Non-executive Director	28 November 2018	–
Wang Wenjin	Male	December 1966	Non-executive Director	28 December 2018	–
Zhao Zongren	Male	February 1956	Non-executive Director	28 November 2018	–
Dai Peikun	Male	April 1953	Independent Non-executive Director	28 December 2018	–
Zhou Yana	Female	January 1954	Independent Non-executive Director	28 November 2018	24
Liu Zhiqiang	Male	September 1956	Independent Non-executive Director	28 December 2018	–
Yin Jianfeng	Male	December 1969	Independent Non-executive Director	28 December 2018	24
Huang Aiming	Female	December 1969	Independent Non-executive Director	21 January 2019	24

					Total remuneration from the Bank during the Reporting Period before tax (RMB10 thousand)⁽²⁾
Name of current Supervisor	Gender	Date of birth	Position held	Start of term of office	
He Jiehua	Male	March 1966	Employee Supervisor Chairman of the Board of Supervisors	13 July 2020 15 July 2020	69.6
Tang Chuan	Male	November 1962	Employee Supervisor Chairman of Labor Union	26 October 2018 30 June 2018	192.5
Zhong Qiushi	Male	February 1965	Employee Supervisor General Manager of the Risk Management Department	26 October 2018 9 April 2018	151.0
Sun Zhen	Male	September 1976	Employee Supervisor General Manager of the Compliance Department	13 July 2020 20 May 2020	142.2
Chen Rui	Male	November 1977	Shareholder Supervisor	28 November 2018	–
Dong Xiaolin	Female	September 1963	External Supervisor	28 November 2018	18.5
Zhai Shengbao	Male	November 1976	External Supervisor	30 June 2020	20
Zhou Zejiang	Male	November 1983	External Supervisor	30 June 2020	20

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Name of current Senior management	Gender	Date of birth	Position held	Start of term of office	Total remuneration from the Bank during the Reporting Period before tax (RMB10 thousand) ⁽²⁾
Zhang Renfu	Male	March 1962	Executive Director President	28 December 2018 30 January 2019	69.6
Yi Feng	Male	August 1963	Vice President	26 September 2019	57.1
Zhang Juzhong	Male	March 1969	Vice President	6 May 2021	51.7
Huang Xiaoyan	Female	December 1971	Director of Investment and Wealth Management	30 January 2019	192.7
Zhou Tong	Female	September 1965	Director of Compliance and Risk Management	30 January 2019	192.7
Li Dawei	Male	July 1964	Financial Controller	30 January 2019	193.1
Lian Baohua	Male	August 1965	Secretary to the Board	30 January 2019	191.4
Liu Fei	Male	March 1966	Assistant to President	2 March 2022	–



Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Name of resigned personnel	Gender	Date of birth	Position held	Start of term of office	Total remuneration from the Bank during the Reporting Period before tax (RMB10 thousand)⁽²⁾
Wu Xuemin	Male	February 1968	Former Chairman of the Board, Executive Director, Former Non-executive Director	28 November 2018 – 6 April 2021	23.4
Gao Guangcheng	Male	January 1964	Former Executive Vice President	6 April 2021 – 27 May 2021	24.8
Li Ruifeng	Male	February 1970	Former Shareholder Supervisor	30 January 2019 – 21 May 2021	–
Yang Mianzhi	Male	July 1969	Former External Supervisor	28 November 2018 – 21 January 2021	0
Hu Jing	Female	May 1975	Former Shareholder Supervisor	28 November 2018 – 4 March 2022	–
Ni Jianxiang	Male	November 1962	Former Director of Retail Banking	30 January 2019 – 26 May 2021	177.9
Xia Min	Male	April 1971	Former Assistant to President	30 January 2019 – 19 May 2021	13.5

Notes: (1) The above descriptions of the positions of directors, supervisors and senior management are the conditions as at the Latest Practicable Date. For details of the changes in positions, please refer to Section 8.2 “Changes in Directors, Supervisors and Senior Management of the Bank” in this annual report.

(2) Pursuant to the requirements of the relevant PRC authorities, the remuneration payable to the above is still subject to final confirmation. Further disclosure will be made after the confirmation of the final remuneration. The total remuneration before tax from the Bank during the Reporting Period includes the “five insurances and housing provident fund” and the portion of corporate contribution to enterprise annuity.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.2 CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

1. The Bank made an announcement on 21 January 2021, announcing that Mr. Li Ruifeng resigned from the positions as a shareholder supervisor and a member of the Nomination Committee of the Bank due to work adjustment. Mr. Yang Mianzhi resigned from the positions as an external supervisor, chairman and a member of the Supervision Committee of the Bank due to his heavy business commitment. The resignations of both Mr. Li Ruifeng and Mr. Yang Mianzhi took effect on 21 January 2021.
2. The Board of Directors of the Bank held a meeting on 2 February 2021 and appointed Mr. Zhang Juzhong as the vice president of the Bank. His qualification was approved by the CBIRC Anhui Office on 6 May 2021.
3. The Bank made an announcement on 26 March 2021, announcing that the Board of the Bank held a meeting on such date and proposed the election of Mr. Ma Lingxiao as an additional non-executive director of the fourth session of the Board of the Bank at the shareholders' general meeting of the Bank. The Bank made an announcement on 27 May 2021, announcing that the Board of the Bank held a meeting on such date and proposed the election of Mr. Wang Zhaoyuan as a non-executive director of the fourth session of the Board of the Bank at the shareholders' general meeting of the Bank. The Bank made an announcement on 30 June 2021, announcing that the Bank held a shareholders' general meeting on such date, at which each of Mr. Ma Lingxiao and Mr. Wang Zhaoyuan was elected as a non-executive director of the Bank, respectively. The Bank made an announcement on 29 October 2021 and 26 November 2021, respectively, announcing that the qualification of Mr. Wang Zhaoyuan and Mr. Ma Lingxiao as a non-executive director of the Bank was approved by the CBIRC Anhui Office, and their appointment as a director took effect from 28 October 2021 and 25 November 2021, respectively. The Board of the Bank held a meeting on 30 December 2021, at which a resolution on the appointment of Mr. Ma Lingxiao and Mr. Wang Zhaoyuan, both being non-executive directors, as new members of the Strategic Development and Consumer Rights Protection Committee of the fourth session of the Board of the Bank was passed, and their appointment took effect from then on.
4. The Bank made an announcement on 6 April 2021, announcing that, due to work re-designation, Mr. Wu Xuemin resigned as the chairman of the Board, the chairman of the Board Strategic Development and Consumer Rights Protection Committee of the Board and a member of the Nomination and Remuneration Committee of the Board, ceased to be the acting chairman of the Risk Management Committee of the Board and reassigned from executive director to non-executive director. His resignation took effect on such date. The Bank made an announcement on 27 May 2021, announcing that, due to work commitments, Mr. Wu Xuemin resigned as a non-executive director, member of the Strategic Development and Consumer Rights Protection Committee of the Board and member of the Risk Management Committee of the Board. His resignation took effect on such date.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.2 CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK (CONTINUED)

5. The Bank made an announcement on 12 April 2021, announcing that, at the meeting held by the Board on such date, Mr. Yan Chen was elected as the chairman of the Board of the Bank for the same term as the fourth session of the Board, and was re-designated as an executive director from a non-executive director of the Bank. Prior to the approval in respect of his qualification as the chairman of the Board, Mr. Yan Chen temporarily performed the duties of the chairman of the Board. Mr. Yan Chen was elected as the chairman of the Strategic Development and Consumer Rights Protection Committee and the Risk Management Committee of the Bank as well as a new member of the Nomination and Remuneration Committee of the Bank. The above appointments took immediate effect on such date. The Bank made an announcement on 30 July 2021, announcing that the qualification of Mr. Yan Chen as the chairman of the Board was approved by the CBIRC Anhui Office.
6. Due to work re-designation, Mr. Gao Guangcheng, an executive vice president of the Bank, ceased to serve as executive vice president of the Bank since 21 May 2021.
7. Due to job rearrangement, Mr. Ni Jianxiang, a director of retail banking of the Bank, ceased to serve as director of retail banking of the Bank since 26 May 2021.
8. Mr. Xia Min, the assistant to the president of the Bank was unable to normally perform his duties due to personal reason and resigned from his positions as the assistant to the president of the Bank as well as the director and chairman of HSBank Wealth Management, a subsidiary of the Bank on 19 May 2021.
9. The Bank made an announcement on 4 November 2021, announcing that the Board of the Bank held a meeting on such date and proposed the election of Mr. Xu Jiabin as an additional independent non-executive director of the fourth session of the Board of the Bank. The Bank made an announcement on 30 December 2021, announcing that the Board of the Bank held the 2021 first extraordinary general meeting on such date, at which Mr. Xu Jiabin was elected as an independent non-executive director of the Bank, and his qualification is subject to the approval of CBIRC Anhui Office.
10. The Board of Directors of the Bank held a meeting on 27 January 2022 to appoint Mr. Liu Fei as the Assistant to President of the Bank. His qualification was approved by the CBIRC Anhui Office on 2 March 2022.
11. The Bank made an announcement on 4 March 2022, announcing that Ms. Hu Jing resigned from the positions as a shareholder supervisor and a member of the Nomination Committee of the Bank due to her heavy business commitment. Her resignation took effect on 4 March 2022.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.2 CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK (CONTINUED)

12. Save as disclosed above, pursuant to the requirement of Rule 13.51B(1) of the Hong Kong Listing Rules, the changes in the information of directors, supervisors and senior management of the Bank during the Reporting Period and as of the Latest Practicable Date are as follows:
- (1) Mr. Yan Chen, an executive director and the chairman of the Bank, ceased to serve as the chairman of Anhui Credit Guaranty Group Co., Ltd., the chairman of Anhui Financing Re-guarantee Co., Ltd. and a director of Chery Automobile Co., Ltd.
 - (2) Mr. Zhu Yicun, a non-executive director of the Bank, ceased to serve as the chairman of Anhui Wenergy Company Limited and the chairman of Anhui Energy Group Co., Ltd.
 - (3) Mr. Gao Yang, a non-executive director of the Bank, ceased to serve as the chairman of Guosheng Huaxing Investment Co., Ltd.
 - (4) Mr. Wang Wenjin, a non-executive director of the Bank, acted as the chairman of Shenzhen Yingda Investment Fund Management Co., Ltd., a member of Vanke, and ceased to serve as a group partner of China Vanke Co., Ltd.
 - (5) Mr. Yin Jianfeng, an independent non-executive director of the Bank, acted as an independent director of Bank of Wenzhou Co., Ltd. (溫州銀行股份有限公司).
 - (6) Mr. Sun Zhen, an employee supervisor of the Bank, acted as a director of Huishang Bank Financial Leasing.
 - (7) Mr. Chen Rui, a shareholder supervisor of the Bank, acted as a director of Hefei Industrial Investment Guidance Fund Co., Ltd. and Hefei Xingtai Asset Management Co., Ltd. and Hefei Xingtai Guarantee Industry Security Operating Co., Ltd. for which he currently works, was renamed as Hefei Xingtai Guarantee Asset Management Co., Ltd.
 - (8) Ms. Dong Xiaolin, an external supervisor of the Bank, acted as an external supervisor of Wuxi Rural Commercial Bank Co., Ltd. (無錫農村商業銀行股份有限公司) and ceased to serve as an independent director of Anhui Langxi Rural Commercial Bank (安徽郎溪農村商業銀行).
 - (9) Mr. Zhai Shengbao, an external supervisor of the Bank, ceased to serve as an independent director of Wuxi Smart Auto-control Engineering Co., Ltd.
 - (10) Mr. Zhou Zejiang, an external supervisor of the Bank, ceased to be an independent director of Wuhu Conch Profiles and Science Co., Ltd.

Save as disclosed above, during the Reporting Period and as of the Latest Practicable Date, the Bank was not aware of any change in the information of directors, supervisors or senior management which required to be disclosed pursuant to the requirements of the Rule 13.51B(1) of the Hong Kong Listing Rules.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

Mr. Yan Chen, joined the Bank in December 2019, and is currently an executive director and the chairman of the Bank. He was a section-chief grade clerk of the planning division of the comprehensive planning bureau, the deputy director of the general division of the propaganda department of the party committee, and the deputy director of the rating methods and standards division of the credit administration bureau of the China Development Bank, the deputy director of the SME Development Bureau of Anhui Province, the deputy director of the Anhui Provincial Economic Commission, the deputy director of the Anhui Economic and Information Technology Commission, a member of the Standing Committee and the deputy mayor of Municipal Committee of Chizhou City, a member of the Standing Committee of the Xuancheng Municipal Committee, a minister of the Organization Department of Xuancheng City, the deputy secretary of the Xuancheng Municipal Committee, the chairman of Anhui Credit Guaranty Group Co., Ltd. and the chairman of Anhui Financing Re-guarantee Co., Ltd., the director of Chery Automobile Co., Ltd. and the non-executive director of the Bank. He holds a doctorate in economics from Renmin University of China, and is an economist.

Mr. Zhang Renfu, joined the Bank in December 2005, and is currently an executive director and the president of the Bank. His primary working experience includes: the deputy director of the liaison division, a researcher at the third division of the secretariat, the deputy director of the fifth division, the deputy director of the secretariat and the deputy director of the second division of the secretariat of the general office of Anhui Provincial Government, and the deputy director in charge of the work of the finance office of Anhui Provincial Government as well as an executive director, employee supervisor and the chairman of the Board of Supervisors of the Bank. Mr. Zhang, a senior economist, obtained a master's degree in law from Renmin University of China.

Mr. Ma Lingxiao, joined the Bank in November 2021, and is currently a non-executive director of the Bank. He was formerly the section chief of the financial stabilization division, the director of the financial research division of the People's Bank of China (during the period from August 2009 to July 2012, he joined the Post-Doctoral Mobile Station of the Institute of Finance of the People's Bank of China), and the deputy researcher of the deposit insurance division of the operation management office of the People's Bank of China. He is currently the deputy director of the early correction department of Deposit Insurance Fund Management Co., Ltd. (存款保险基金管理有限责任公司). Mr. Ma, a researcher associate, obtained a doctorate degree in economics from Xi'an Jiaotong University.

Mr. Zhu Yicun, joined the Bank in December 2018, and is currently a non-executive director of the Bank. His primary working experience includes: the head of Liuqiao No.1 Mine of Wanbei Mining Bureau, the chairman and the general manager of Anhui Hengyuan Coal-Electricity Group Co., Ltd., the deputy general manager of Wanbei Coal-Electricity Group Co., Ltd., the deputy general manager of Anhui Province Energy Group Company Limited, the general manager of Anhui Province Energy Group Company Limited and concurrently the chairman of Anhui Wenergy Company Limited, and the chairman of Anhui Province Energy Group Company Limited. He obtained a master's degree in control engineering from China University of Mining and Technology and is a senior engineer.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Directors (Continued)

Mr. Wu Tian, joined the Bank in December 2018, and is currently a non-executive director of the Bank. His primary working experience includes: the counsellor and deputy secretary of Communist Youth Party Committee at Anhui Technical Institute, the director of the third division of the general office and the deputy chief (director-level) of the second division of the general office of Anhui Provincial Government, the deputy general manager, the general counsel, a director and the general manager of Anhui Expressway Holding Corporation and the deputy general manager of Anhui Guoyuan Holding (Group) Co., Ltd. He is currently the general manager of Anhui Guoyuan Financial Holding Group Co., Ltd. He obtained a master's degree in engineering from Zhejiang University.

Mr. Wang Zhaoyuan, joined in the Bank in October 2021, and is currently a non-executive director. Mr. Wang previously held various positions in Anhui Provincial Department of Finance, including the officer, deputy section chief and section chief of the budget division, the deputy director of the rural tax and fee reform division, the deputy director of the budget division, the deputy director and director of the enterprise division (during the period from December 2009 to December 2010, Mr. Wang practiced as deputy magistrate of Yingshang County), the director of the economic construction division, and the deputy director-general. He is currently a director and the general manager of Anhui Credit Financing Guaranty Group Co., Ltd. He obtained a master's degree in economics from Anhui University.

Mr. Qian Dongsheng, joined the Bank in December 2018, and is currently a non-executive director of the Bank. His primary working experience includes: deputy chief of supervision division, chief of construction division of Anhui Provincial High Grade Highway Administration Bureau, the director of engineering construction division of Anhui Expressway Holding Corporation, and the deputy general manager of Anhui Expressway Holding Group Company Limited. He is currently the general manager and a director of Anhui Transportation Holding Group Co., Ltd. Mr. Qian, a senior engineer, obtained a master's degree in engineering from the University of Science and Technology of China.

Mr. Gao Yang, joined the Bank in December 2009, and is currently a non-executive director of the Bank. Mr. Gao was the chairman of the board of directors of China Strategic Holdings Limited, and the chairman of Zhongjing Sihai Company Ltd. (中靜四海實業有限公司) and Guosheng Huaxing Investment Co., Ltd. He is currently the chairman of Zhongjing Industry (Group) Co., Ltd. and Zhongjing Xinhua Asset Investment Management Co., Ltd., and director of WEALTH HONEST LIMITED and Zhongjing Xinhua Asset Investment Management (Hong Kong) Co., Ltd. Mr. Gao studied hotel management at Meinl Vocational School in Vienna from March 1985 to March 1987 as a guest student.



Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Directors (Continued)

Mr. Wang Wenjin, joined the Bank in December 2018, and is currently a non-executive director of the Bank. Mr. Wang was the general manager of financial management department, the financial controller, the executive vice chairman, the chief financial officer, the chief risk officer, a director and a group partner of China Vanke Co., Ltd. He is currently the chairman of Shenzhen Yingda Investment Fund Management Co., Ltd., a member of Vanke. Mr. Wang, a non-practising member of the Chinese Institute of Certified Public Accountants, obtained a master's degree from Zhongnan University of Economics and Law.

Mr. Zhao Zongren, joined the Bank in October 2014, and is currently a non-executive director of the Bank. His primary working experience includes: director of the office of Jining Branch, president of Qufu Sub-branch, vice president of Jining Branch, and chief of the planning office and the finance planning office of Shandong Branch of China Construction Bank Corporation Limited, deputy general manager of Shandong Branch and general manager of Guangxi Branch of China Cinda Asset Management Co., Ltd., and assistant to the president and chief supervisor of Sunshine Insurance Group Corporation Limited. Mr. Zhao is currently a vice chairman and executive director of Sunshine Insurance Group Corporation Limited. Mr. Zhao, a senior economist, obtained a master's degree from the investment department of Dongbei University of Finance and Economics.

Mr. Dai Peikun, joined the Bank in December 2018, and is currently an independent non-executive director of the Bank. His primary working experience includes: the deputy director (deputy director-level) of industrial economics research division of Anhui Economic and Cultural Research Center, the deputy head, the head, an assistant to the director, the deputy director and an inspector (department level) of the Finance and Trade Economics Division and International Economics Division of the Development Research Center of Anhui Provincial Government. He obtained a master's degree in economics from Peking University.

Ms. Zhou Yana, joined the Bank in August 2018, and is currently an independent non-executive director of the Bank. Ms. Zhou was a lecturer, an associate professor and a professor, and the department head, the vice president, the executive vice president of the School of Economics of Anhui University and the dean of the School of Business Administration of Anhui University and a professor of the School of Business of Anhui University. She is currently an independent director of Hefei Urban Construction Development Co., Ltd., Anhui Gourgen Traffic Construction Co., Ltd., Anhui Landun Photoelectron Co., Ltd. and Anhui Transport Consulting & Design Institute Co., Ltd. She obtained a master's degree in accounting from Anhui University.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Directors (Continued)

Mr. Liu Zhiqiang, joined the Bank in December 2018, and is currently an independent non-executive director of the Bank. His primary working experience includes: the deputy director and the director of the planning bureau and the statistics and analysis department of the PBOC, and the director of Hong Kong-Macau-Taiwan financial affair office of the PBOC, the deputy head of the economics department of Xinhua News Agency, Hong Kong Branch, the deputy general manager of Guangdong International Trust Investment Corporation, the president of Guangdong Development Bank, the vice president of China CITIC Bank, a director and the vice president of CITIC Holdings, a director of CITIC Group, the chairman of CITIC Asset Management Corporation and the chairman of CITIC Xinbang Asset Management Corporation Ltd. He obtained a doctorate degree in economics from Zhongnan University of Economics and Law.

Mr. Yin Jianfeng, joined the Bank in December 2018, and is currently an independent non-executive director of the Bank. Mr. Yin was the executive vice president of CEIBS Lujiazui Institute of International Finance, and the deputy director of the Finance Institute of Chinese Academy of Social Sciences. He is currently a professor of the finance department and an instructor of doctorate students (entitled to the “special government allowance” granted by the State Council) at the University of International Business and Economics, the chief economist of China Zheshang Bank Co., Ltd and an independent director of Bank of Wenzhou Co., Ltd. He obtained a doctorate degree in finance from Chinese Academy of Social Sciences.

Ms. Huang Aiming, joined the Bank in January 2019, and is currently an independent non-executive director of the Bank. She had worked for Agricultural Bank of China, Shenzhen Branch and Shenzhen Zhuojun Wangcai Investment Management Co., Ltd. She is currently the president of China International Capital Limited and the chairman of Shenzhen Huichuang Equity Investment Fund Management Co., Ltd. She obtained a master’s degree in economics at the Department of Political Science of Xiamen University and a Finance EMBA degree from Cheung Kong Graduate School of Business.



Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Supervisors

Mr. He Jiehua, joined the Bank in March 2019, and is currently an Employee Supervisor and Chairman of the Board of Supervisors of the Bank. He held various positions in the Audit Department of Anhui Province, including the deputy section chief and section chief of the treasury division, the assistant to director (section-chief grade) and deputy director of the finance division, director of the finance and audit division, director of the human resources and education division, and chief of retired cadre office, chief auditor and deputy director-general. He is an executive director of the Bank. He obtained a master's degree in management from Hefei University of Technology. He is a senior auditor and certified public accountant.

Mr. Tang Chuan, joined the Bank in January 2006, and is currently an employee supervisor and the chairman of labor union of the Bank. Mr. Tang once worked as deputy director of the comprehensive planning section and manager of the international business department of Ma'anshan Sub-branch of China Construction Bank, director of the construction office, deputy director of the home loans department and deputy director (leading role of the section) of the housing office of the Ma'anshan Branch of China Construction Bank, manager of the credit business department and vice president of Ma'anshan City Commercial Bank, as well as vice president (in charge of operations) and president of Ma'anshan Branch of the Bank, general manager of human resources department of the Bank, chairman of labor union and general manager of the human resources department of the Bank. Mr. Tang, a senior economist, obtained an Executive Master of Business Administration (EMBA) degree from the University of Science and Technology of China.

Mr. Zhong Qiushi, joined the Bank in January 2002, is currently an employee supervisor and the general manager of the risk management department of the Bank, as well as a supervisor of Huishang Bank Financial Leasing Co., Ltd. and a director of HSBank Wealth Management Co., Ltd. (徽銀理財有限責任公司). He once served as the vice president of Feixi County Sub-branch, vice president (in charge of operations) and person-in-charge of the credit operation department of Hefei branch of China Construction Bank, president of the Sipailou Branch and the Youth Road Branch of Hefei City Commercial Bank, and the general manager of the corporate banking department of the Hefei Branch of the Bank, an assistant to the president of the Huaibei Branch, and the deputy general manager and deputy general manager (in charge of general operations) and the general manager of the credit assessment department of the head office, the president of the Bengbu Branch of the Bank. Mr. Zhong, a senior economist, obtained an Executive Master of Business Administration (EMBA) degree from the University of Science and Technology of China.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Supervisors (Continued)

Mr. Sun Zhen, joined the Bank in March 1999, and is currently an employee supervisor and the general manager of the Compliance Department of the Bank and concurrently a director of Huishang Bank Financial Leasing Co., Ltd. He held various positions, including an assistant to the president of Huangshan Road Sub-branch of Wuhu City Commercial Bank, the deputy manager and manager of remuneration and benefits management of the Human Resources Department of the Bank, an assistant to the president of Huainan Branch, the vice president of Huainan Branch and the secretary of the discipline inspection committee of Chizhou Branch. Mr. Sun, an economist, obtained a master's degree in business administration from Anhui University.

Mr. Chen Rui, joined the Bank in November 2018, is currently a shareholder supervisor of the Bank. He had served as the secretary, the deputy director and the director of the president office of Hefei Xingtai Holdings Group Co., Ltd., the deputy general manager, the general manager and the chairman of Hefei Xingtai Asset Management Co., Ltd., and a director of Hefei Department Store Group Co., Ltd. He is currently a director and the deputy general manager of Hefei Xingtai Financial Holdings (Group) Co., Ltd., the chairman of Hefei Xingtai Financing Guarantee Group Co., Ltd., the chairman of Hefei Xingtai Guarantee Asset Management Co., Ltd., a director of CCB Trust Co., Ltd., Hefei Big Data Asset Operation Co., Ltd., Hefei Xingtai Technology Microfinance Limited, Hefei Xingtai Microfinance Limited, Hefei Industrial Investment Guidance Fund Co., Ltd and Hefei Xingtai Guarantee Asset Management Co., Ltd., and a supervisor of Anhui Xingtai Financial Leasing Co., Ltd. Mr. Chen, a senior economist, obtained a master's degree in political economics from the School of Economics of Anhui University.

Ms. Dong Xiaolin, joined the Bank in November 2018, and is currently an external supervisor of the Bank. Her primary working experience includes: a teaching assistant, a lecturer and an associate professor of Nanjing Agricultural University and an independent director of Jiangsu Gaochun Rural Commercial Bank Corporation Limited, Jiangsu Donghai Rural Commercial Bank, Jiangsu Lishui Rural Commercial Bank and Anhui Langxi Rural Commercial Bank. She is currently a professor and an instructor of doctorate students in the college of finance in Nanjing Agricultural University, and is concurrently a director of Key Research Base of Philosophy and Society Science in Jiangsu Province, namely, Rural Financial Development Research Center of Jiangsu Province in Nanjing Agricultural University, and she is a member of the Finance Institute of Nanjing City, a member of Expert Committee of Nanjing Finance Promotion Council, an independent director of Nanjing Securities Co., Ltd. and an external supervisor of Wuxi Rural Commercial Bank Co., Ltd. She obtained a doctorate degree majoring in the management of agricultural economy from Nanjing Agricultural University.



Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Supervisors (Continued)

Mr. Zhai Shengbao, joined the Bank in June 2020, and is currently an external supervisor of the Bank. Mr. Zhai served as an independent director of Wuxi Smart Auto-control Engineering Co., Ltd. He is currently the dean of the School of Accounting of Anhui University of Finance and Economics, and concurrently serves as the executive member and deputy secretary-general of the Finance Cost Branch of the Accounting Society of China, chairman of the board of supervisors of the Anhui Institute of Internal Auditors, and an independent director of Bethel Automotive Safety Systems Co., Ltd., Anhui Zhongding Sealing Parts Co., Ltd. and Anhui Deli Household Glass Co., Ltd. He holds a doctorate degree in Accounting from Dongbei University of Finance and Economics and is an instructor of doctorate students (concurrently) and postdoctor in business administration at Peking University.

Mr. Zhou Zejiang, joined the Bank in June 2020, and is currently an external supervisor of the Bank. He served as an independent director of Anhui Annada Titanium Industry Co., Ltd., Anhui Anke Biotechnology (Group) Co., Ltd., Ankai Automobile Co., Ltd and Wuhu Conch Profiles and Science Co., Ltd. He is currently a professor at School of Business, an instructor of postgraduates in accounting, and an instructor of doctoral students in finance (corporate finance and capital market) of Anhui University, and concurrently a communication evaluation expert of projects under the National Natural Science Foundation of China, the National Philosophy and Social Science Foundation and a member of the review committee of senior accountants of Anhui Province. He also serves as an independent director of Guoyuan Securities Co., Ltd., Wanxin Media Co., Ltd. and Earth-Panda Advance Magnetic Material Co., Ltd. He holds a doctorate degree in Accounting from Xiamen University.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Senior management

Mr. Zhang Renfu is an executive director and the president of the Bank. Please refer to “Directors” section in this chapter for details of his biography.

Mr. Yi Feng, joined the Bank in May 2009, and is currently a vice president of the Bank. His primary working experience includes: deputy director of the administration office of CCB Anhui Branch, president of CCB Huangshan Branch, director of the entrustment loan department of CCB Anhui Branch, general manager of the institution and investment banking department of CCB Anhui Branch, president of CCB Hefei Sanxiaokou Sub-branch, and president of CCB Hefei City West Sub-branch, and president of Hefei Branch, assistant to president and president of Hefei Branch of the Bank and assistant to the president and secretary to the board. Mr. Yi, a senior economist, obtained a master’s degree in arts from Xiamen University.

Mr. Zhang Juzhong, joined the Bank in January 2021, and is currently a vice president of the Bank. Mr. Zhang previously served as vice president (in charge of work) of Suixi Road Sub-branch of Hefei Branch of the Bank of China, vice president of Anhui Chaohu Branch of the Bank of China, vice president of Hefei Nancheng Sub-branch of the Bank of China, president of Anhui Suzhou Branch of the Bank of China, general manager of the SMEs Department of Anhui Branch of the Bank of China, president of Anhui Maanshan Branch of the Bank of China. Mr. Zhang, an accountant and a certified public accountant, obtained a bachelor’s degree in economics from Anhui Institute of Finance & Economics (安徽財貿學院).

Ms. Huang Xiaoyan, joined the Bank in February 1997, is currently the director of investment and wealth management of the Bank. She previously served as the general manager of the capital operation department of Hefei City Commercial Bank; deputy general manager in charge of the work of the capital operation department of the Bank, general manager of the financial market department, general manager of the asset and liability management department and general manager of the financial market department, general manager of the assets management department, and director of investment and wealth management and general manager of the asset and liability management department of the Bank. Ms. Huang, a senior economist, obtained an executive master of business administration (EMBA) degree from the University of Science and Technology of China.



Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Senior management (Continued)

Ms. Zhou Tong, joined the Bank in February 1997, is currently the director of compliance and risk management of the Bank. She previously served as director of Treasury Securities Services Department and deputy director of the Finance Bureau of Xishi District, Hefei City; president of Meng Cheng Road Sub-branch of Hefei City Commercial Bank; president of Changjiangxi Road Sub-branch of Hefei Branch of the Bank; an assistant to the president, vice president and president of Anqing Branch; general manager of the Compliance Department and an employee supervisor of the Bank, director of compliance and risk management and general manager of the compliance department of the Bank. She graduated from University of Science and Technology of China with an EMBA degree, and is an accountant and a senior economist.

Mr. Li Dawei, joined the Bank in February 1997 and is currently the financial controller of the Bank. He previously served as an assistant to the president of Hefei Branch of the Bank, deputy general manager of the planning and finance department, deputy general manager (in charge of work) and general manager of the accounting management department of the Bank, general manager of the accounting management department and general manager of the operations management department as well as general manager of the financial accounting department and general manager of the operations management department, financial controller and general manager of the financial accounting department of the Bank. He obtained a bachelor's degree in economics from Shanghai University of Finance and Economics, and is an accountant and a certified public accountant.

Mr. Lian Baohua, joined the Bank in July 2014, and is currently the secretary to the board of the Bank. He previously served as deputy section officer and section officer of the department of industrial economics and an assistant to the director of international economic affairs division of Development Research Center of Anhui Provincial Government; deputy director of the planning committee of Tongling City; director of international economic affairs division and finance division of Development Research Center of Anhui Provincial Government; director of Decision-Making magazine; director and deputy general manager of Anhui BBKA Pharmaceuticals Co., Ltd., general manager of the research and development department, secretary to the board and general manager of the research and development department of the Bank. He obtained a doctorate degree in economics from Nanjing University and is a researcher associate.

Mr. Liu Fei, joined the Bank in December 2001, and is currently the assistant to president of the Bank. He previously served as deputy officer of accounting division, deputy director of business department and director of planning and financial department of Wuhu Construction Bank; deputy general manager of planning and financial department and general manager of Wuhu Commercial Bank; deputy general manager of human resources department, general manager of financial market department, president of Huainan Branch and general manager of asset and liability management department of the Bank. He obtained a master's degree in economic management from Party School of Anhui Province.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.4 THE ASSESSMENT INCENTIVE MECHANISM AND ANNUAL REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank provides remunerations to independent directors and external supervisors according to the Proposals on Subsidies to Independent Directors of the Bank and Subsidies to External Supervisors of the Bank, and provides remuneration to executive directors, employee supervisors and senior management according to the “Measures of Huishang Bank on Directors’ Remuneration”, the “Measures of Huishang Bank on Supervisors’ Remuneration”, and the “Measures of Huishang Bank on Senior Management’s Remuneration”.

The non-executive directors and shareholder supervisors do not receive any remuneration from the Bank.

According to the “Performance Appraisal Measures of Huishang Bank on the Board of Directors and Directors”, the “Performance Appraisal Measures of the Board of Supervisors of Huishang Bank on Senior Management and its Members (Amended)”, and the “Performance Appraisal Measures on the Board of Supervisors and Supervisors of Huishang Bank”, the Board of Supervisors of the Bank assesses annually the duties performance by directors, supervisors and the senior management.

Mr. Dai Peikun and Mr. Liu Zhiqiang, independent non-executive directors of the Bank, voluntarily give up the remuneration from the Bank. Other than Mr. Dai Peikun and Mr. Liu Zhiqiang, no director of the Bank gave up or agreed to give up any remuneration from the Bank during the Reporting Period as described in Rule 24A of Appendix 16 to the Hong Kong Listing Rules. The details of directors, supervisors’ and senior management’s remunerations received from the Bank for the year are stated in section 8.1 “Directors, Supervisors and Senior Management” of this annual report. The top five highest paid individuals of the year are listed in Note 13 of the financial statements.

8.5 EMPLOYEES

As of 31 December 2021, the Bank had a total of 10,701 employees in service. Academic distribution: The number of employees with master’s degrees or above was 2,103, accounting for 19.65%. The number of employees with full-time bachelor’s degrees was 5,303, accounting for 49.56%. The number of employees with part-time bachelor’s degrees was 2,519, accounting for 23.54%. The number of employees with junior college degrees or below was 776, accounting for 7.25%.



Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.5 EMPLOYEES (CONTINUED)

Staff remuneration policy

The Bank's remuneration policy aims to establish a well-developed, scientific and efficient incentive and control mechanisms to give full play to the orientation of the remuneration in operation and management and risk control, and stimulate stable operation and sustainable development. The Bank sticks to the management strategy which is conducive to the achievement of strategic goals, the enhancement of competitiveness, talent cultivation and risk control, and regards the efficiency as the paramount role while following the principle of fairness. Within the unified framework, the Bank takes advantages of its initiatives and creativity.

The Bank manages remuneration through three levels, namely the Board of Directors, senior management, and head office and branches. The Board of Directors manages the total amount of remuneration and senior management's remuneration. Under the Board's request, the senior management allocates the total amount of remuneration and drafts policy management of all branches. All branches manage employee salary within the scope of unified rules and framework.

Staff training plan

Focusing on the strategic requirements on "digital transformation" and the business development needs for the year, the Bank conducted annual trainings with different categories at different levels to provide guarantees for staff professionalism enhancement and their career development and growth, and to provide talent guarantees and intellectual support for comprehensive construction of a well-developed modern bank. During the Reporting Period, the Bank organized and provided various trainings and the construction of internal trainer teams by making full use of three training channels, namely, the training center, the online training platform "Huiyin Internet School", and the mobile learning platform "Huiyin Academy". In 2021, the Bank organized a total of 1,085 training programs and 1,253,000 participants accepted trainings with a total of 1,448,600 training hours. An average of 117.09 trainings was provided for each employee with an average of 135.37 hours for each employee. The Bank continued to strengthen the leadership of party building and organized special trainings, organized 4 online special trainings on party building and a total of 323,400 participants accepted trainings with 136,700 training hours during the Reporting Period. In order to effectively respond to the COVID-19 pandemic, the Bank actively carried out online training, held 211 live training sessions, and approximately 129,000 participants participated in the training. Huiyin Internet School launched 120 courses and 211,100 participants took the courses; Zhiniao Huiyin School (知鳥徽銀學堂) launched 398 online courses and 679,400 participants viewed the courses.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

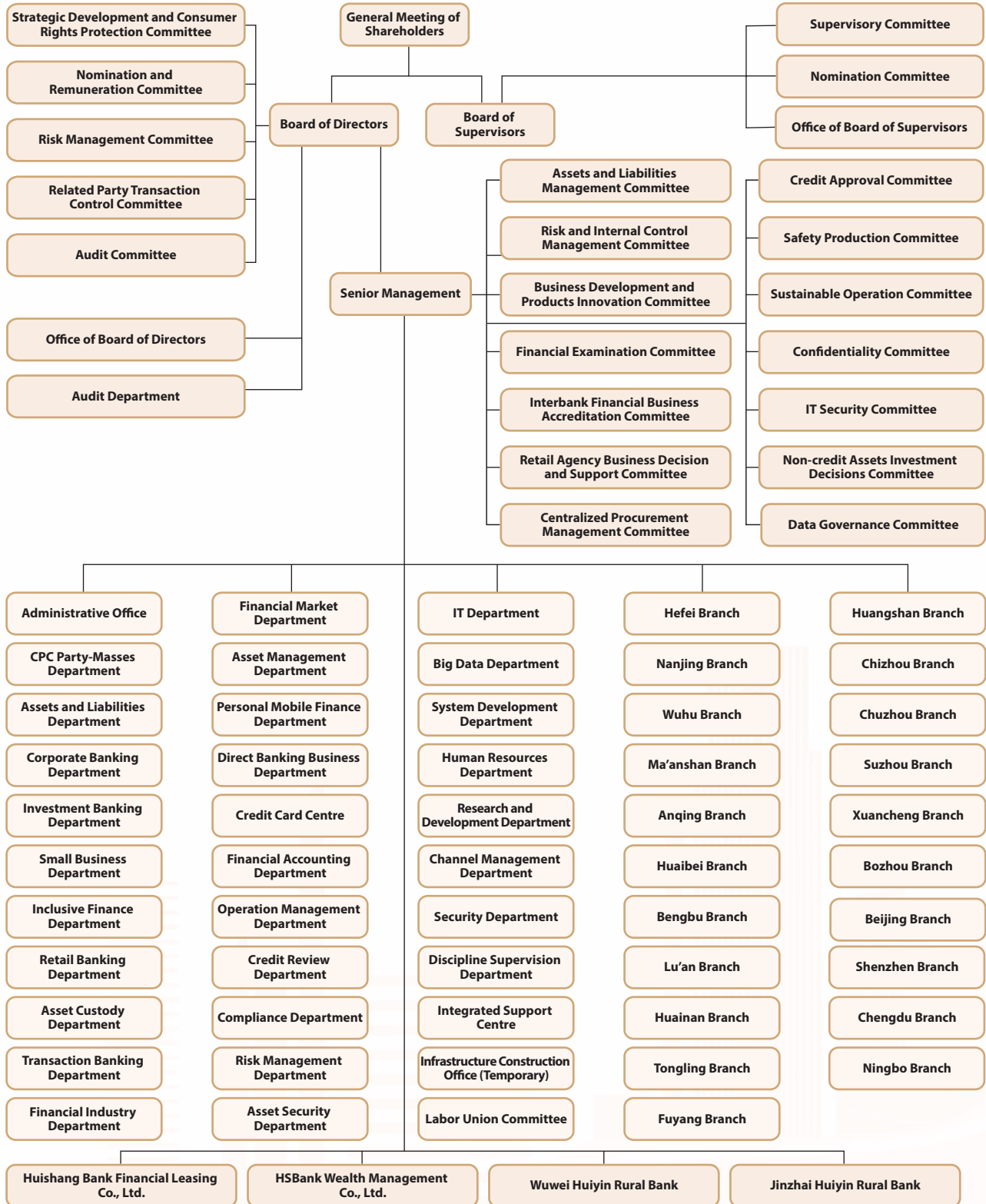
8.6 BRANCHES

As of 31 December 2021, the composition of branches of the Bank is as follows:

Region	Name of the Institution	Address (China)	Post code	Number of Branch
Head Office	Head Office	Huishang Bank Building, No. 1699 Yungu Road, Hefei	230092	1
Anhui Province	Hefei Branch	No. 626, Huangshan Road, Gaoxin District, Hefei	230031	94
	Wuhu Branch	No. 1, Beijing Road, Wuhu	241000	35
	Ma'anshan Branch	No. 3663, Taibai Road, Yushan District, Ma'anshan	243000	27
	Anqing Branch	No. 528, Renmin Road, Anqing	246000	28
	Huaibei Branch	No. 253, Renmin Zhong Road, Xiangshan District, Huaibei	235000	21
	Bengbu Branch	Floor 2-9, Block B, Financial Center Building, No. 1699 Tushan East Road, Bengbu	233000	28
	Lu'an Branch	No. 31, Meishan Middle Road, Yu'an District, Lu'an	237000	32
	Huainan Branch	Huishang Bank Huainan Branch Office Building, Shungeng West Road, Tianjia'an District, Huainan	232000	21
	Tongling Branch	Yi'an Building, Yi'an South Road, Tongling	244000	15
	Fuyang Branch	No. 668, West Lake Avenue, Yingzhou District, Fuyang	236000	29
	Huangshan Branch	No. 2, Tunguang Avenue, Tunxi District, Huangshan	245000	11
	Chizhou Branch	No. 515, Changjiang Zhong Road, Chizhou	247000	12
	Chuzhou Branch	No. 95, Longpan Main Road, Chuzhou	239000	14
	Suzhou Branch	No. 123, Yinheyi Road, Suzhou	234000	17
	Xuancheng Branch	No. 109, Meiyuan Road, Xuanzhou District, Xuancheng	242000	15
	Bozhou Branch	Xiangzhang Mansion, West Shaohua Road, Qiaocheng, Bozhou	236000	14
Jiangsu Province	Nanjing Branch	No. 231, Zhongyang Road, Nanjing	210000	12
Beijing	Beijing Branch	No. 115 Beisihuan East Road, Chaoyang District, Beijing	100020	16
Guangdong Province	Shenzhen Branch	1-3/F, Modern International Building, 3038 Jintian Road, Futian District, Shenzhen	518000	10
Sichuan Province	Chengdu Branch	Libo Building, No. 57, Jinxing Road, Jinjiang District, Chengdu	610000	23
Zhejiang Province	Ningbo Branch	No. 676, Zhongxing Road, No. 787, No. 799 and No. 809 Baizhang East Road, Yinzhou District, Ningbo	315100	20
Total				495

Chapter IX Corporate Governance Report

9.1 CORPORATE GOVERNANCE STRUCTURE



Chapter IX Corporate Governance Report

9.2 CORPORATE GOVERNANCE PRACTICES

The Bank is committed to maintaining a high standard of corporate governance and actively endeavours to adhere to international and domestic corporate governance best practices so as to safeguard the interests of shareholders and enhance corporate value. The Bank established a comparatively comprehensive corporate governance structure through clarifying the responsibilities of general meetings, the Board of Directors, the Board of Supervisors and senior management, and constantly improving the Bank's decision-making, execution and supervision mechanisms to ensure the independent operation of various parties and an effective check and balance.

During the Reporting Period, the Bank has strictly complied with the code provisions of the Corporate Governance Code and conforms to substantially all of the recommended best practices set forth therein.

The Bank has incorporated the Corporate Governance Code and the Corporate Governance Standards of Banking and Insurance Institutions issued by the CBIRC into the Bank's governance structure and policies. The general meeting, Board of Directors, Board of Supervisors and management of the Bank performed their respective duties, and formed good corporate governance structure. The Bank ensured regulated operation through this governance structure.

Ms. Hu Jing, a former shareholder supervisor of the Bank, has resigned as a shareholder supervisor of the Bank and a member of the nomination committee under the Board of Supervisors from March 4, 2022. Therefore, the existing number of the members of the Board of Supervisors is eight, which is in compliance with the statutory minimum quorum but not in compliance with the provisions of article 240 of the Articles of Association of the Bank that "The number of members of the Board of Supervisors shall be nine to eleven". The Bank will make its best efforts to identify a suitable candidate to fill the vacancy of supervisor as soon as possible and to comply with the Articles of Association of the Bank as soon as practicable and will make further announcement(s) in due course. For details, please refer to the announcement of the Bank dated March 4, 2022. For changes of positions of Ms. Hu Jing, please refer to section 8.2 "Changes in Directors, Supervisors and Senior Management of the Bank" of this report.

The Bank has also strictly complied with the management of insider information required by the relevant laws and regulations and the Hong Kong Listing Rules.

The Bank will review the corporate governance practices and strengthen management constantly to ensure compliance with the Corporate Governance Code and meet the higher expectations from the shareholders and investors.



Chapter IX Corporate Governance Report

9.2 CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Nomination of directors and Board diversity policy

It is critical to have a diversified Board of Directors for the Bank to achieve sustainable development, achieve its strategies and maintain good corporate governance. In respect of appointing the Board of Directors, the Bank will consider the diversity of the members of the Board in several aspects including but not limited to gender, age, culture, education background, region, professional experience, skills, knowledge, service term and other regulatory requirements, etc.

The Nomination and Remuneration Committee of the Board is responsible for reviewing the structure, number of members, and composition of the Board of Directors. In addition, the Committee makes recommendations to the Board relating to the size and structure of the Board of Directors based on the Bank's strategic plans, business operations, asset size and shareholding structure. The Committee also discusses and reviews the selection standard, the nomination and appointment process of relevant directors, and makes recommendations to the Board of Directors. The candidates will be approved by the Board of Directors.

The Nomination and Remuneration Committee of the Board shall observe and be responsible for monitoring the implementation of this policy and reviewing this policy at the appropriate time to ensure its effectiveness. The Nomination and Remuneration Committee will discuss any amendments when necessary and make recommendations to the Board of Directors for final approval.

This policy was followed when the Nomination and Remuneration Committee made recommendations on the candidates and when the Board made nomination. As at the end of the Reporting Period, the Board of Directors includes 2 female members and 13 male members, ranging in age from 49 to 68. The directors' residences are located in Hefei, Beijing, Shenzhen, Hong Kong and other places, and occupations include senior managers, university professors, think tank experts and other types. These directors have educational background and professional experiences covering management, economics, finance, accounting and other fields, and fully satisfied the requirements of the diversity of board members in terms of gender, age, regional, educational background, professional experiences and other aspects.

Chapter IX Corporate Governance Report

9.3 GENERAL MEETING OF SHAREHOLDERS

The general meeting of shareholders is the body of authority of the Bank and shall exercise the following powers in accordance with the laws: (I) to decide on business policies and major investment plans of the Bank; (II) to elect and replace directors and supervisors who are not employee representatives and to decide on matters relating to the remuneration of directors and supervisors; (III) to consider and approve the reports of the Board of Directors; (IV) to consider and approve the reports of the Board of Supervisors; (V) to consider and approve the annual financial budgets and final accounts of the Bank; (VI) to examine and approve the profit distribution plan and loss recovery plan of the Bank; (VII) to adopt resolutions on the increase or reduction of the registered capital of the Bank; (VIII) to adopt resolutions on the issuance and listing of corporate bonds or other negotiable securities; (IX) to adopt resolutions on the merger, division, dissolution, liquidation or change of corporate form of the Bank; (X) to amend the Articles of Association of the Bank and to consider and approve the rules of procedure of the general meeting of shareholders, the rules of procedure of the Board of Directors and the rules of procedure of the Board of Supervisors; (XI) to resolve on the appointment, dismissal or non-reappointment of accounting firms of the Bank; (XII) to consider proposals put forward by shareholders who individually or jointly hold more than 3% of the voting shares of the Bank (the "Proposing Shareholders"); (XIII) to review matters relating to the purchase or disposal of material assets by the Bank within one (1) year exceeding 30% of the latest audited total assets of the Bank; (XIV) to review external guarantees specified in Article 68 of the Articles of Association of the Bank; (XV) to review related transactions which shall be considered and approved by the general meeting of shareholders as stipulated by the laws, administrative regulations, departmental rules, regulatory documents, the regulations of the relevant regulatory authorities and the Articles of Association of the Bank; (XVI) to consider and approve the changes in the use of proceeds; (XVII) to consider and approve the share incentive plan and employee stock ownership plan; (XVIII) to decide on the issuance of preference shares; to decide or authorize the Board to decide on matters relating to the preference shares issued by the Bank, including but not limited to redemption, conversion and distribution of dividends; (XIX) to consider other matters which shall be decided by the general meeting of shareholder as stipulated by the laws, administrative regulations, departmental rules, the regulations of the relevant regulatory authorities and the Articles of Association of the Bank.

During the Reporting Period, the Bank held 2 general meetings in total.

On 30 June 2021, the Bank held the 2020 annual general meeting in Hefei, Anhui Province, at which the following resolutions were considered and approved:

To consider and approve the final financial accounts for 2020 of the Bank

To consider and approve the financial budget of capital expense for 2021 of the Bank

To consider and approve the profit distribution plan for 2020 of the Bank

To consider and approve the appointment of external auditors of the Bank for 2021

To consider and approve the Work Report of the Board of Directors of the Bank for 2020

To consider and approve the Work Report of the Board of Supervisors of the Bank for 2020

Chapter IX Corporate Governance Report

9.3 GENERAL MEETING OF SHAREHOLDERS (CONTINUED)

To consider and approve the election of Mr. Ma Lingxiao as a non-executive director of the fourth session of the Board of Directors of the Bank

To consider and approve the election of Mr. Wang Zhaoyuan as a non-executive director of the fourth session of the Board of Directors of the Bank

To consider and approve the resolution on the general mandate for the issuance of shares by the Bank

To consider and approve the resolution on the extension of the validity period of the plan on the initial public offering and listing of A Shares of the Bank

To consider and approve the resolution on the extension of the validity period of the authorization of the Board to deal with specific matters in respect of the A Share Offering

To consider and approve the resolutions on change of business scope and amendment to the Articles of Association of the Bank

The Bank held the 2020 annual general meeting. The notification, convening, holding and voting procedures of the meeting are in compliance with the Company Law of the PRC, the Articles of Association of the Bank and the Hong Kong Listing Rules. For the details of attendance, main topics and voting of this general meeting, please see the announcement in relation to the poll results of the 2020 annual general meeting dated 30 June 2021, which was published by the Bank on the websites of the Hong Kong Stock Exchange and the Bank, respectively.

On 30 December 2021, the Bank held the 2021 first extraordinary general meeting in Hefei City, Anhui Province, at which the following resolutions were considered and approved:

To consider and approve the election of Mr. Xu Jiabin as an independent non-executive director of the fourth session of the Board of Directors of the Bank

To consider and approve the resolution on the change of domicile of the Bank and the amendment to the Articles of Association

The Bank held the 2021 first extraordinary general meeting. The notification, convening, holding and voting procedures of the meeting are in compliance with the Company Law of the PRC, the Articles of Association of the Bank and the Hong Kong Listing Rules. For the details of attendance, main topics and voting of this extraordinary general meeting, please see the announcement in relation to the poll results of the 2021 first extraordinary general meeting dated 30 December 2021, which was published by the Bank on the websites of the Hong Kong Stock Exchange and the Bank, respectively.

Chapter IX Corporate Governance Report

9.4 THE BOARD OF DIRECTORS

The Bank adopts the president accountability system under the leadership of the Board of Directors. The Board is core to the corporate governance and the independent decision-making body of the Bank, which is responsible for implementing the resolution of the general meetings, formulating the Bank's major strategy, policy and development plan, approving the Bank's operation plan, investment plan, formulating the annual financial budget, final accounts and profit distribution plan, appointing the senior management. The senior management has the rights to make decision in daily operation independently and the Board of Directors will not intervene specific daily affairs.

With respect to the establishment of the Board's structure, the Bank makes the Board's decision more scientific and reasonable through the establishment of a diversified board structure, and improves the Board's efficiency in decision-making and operation through the efficient operation of the special committees. During the Reporting Period, there were a total of 14 Board meetings convened and 70 resolutions considered. The Board of Directors ensures the rapid, sustainable and sound development of the Bank through the effective management of the strategy, risk, capital, compensation and audit.

9.4.1 Members of the Board of Directors

The Bank elects its directors based on the qualification requirements and election procedures set out in the Articles of Association. As of the Latest Practicable Date, the Board of Directors consists of 15 directors, including 2 executive directors, namely Yan Chen (the chairman) and Zhang Renfu (president of the Bank); 8 non-executive directors, namely Ma Lingxiao, Zhu Yicun, Wu Tian, Wang Zhaoyuan, Qian Dongsheng, Gao Yang, Wang Wenjin and Zhao Zongren; 5 independent non-executive directors, namely Dai Peikun, Zhou Yana, Liu Zhiqiang, Yin Jianfeng and Huang Aiming. The number of directors and the composition of the Board are in compliance with relevant laws and regulations. The decision making, authorization and voting procedures of the board strictly follow the relevant rules and regulations of regulatory authorities and the Bank's Articles of Association. During the Reporting Period, the Board of Directors discharged its duties diligently, improved the Board operation mechanism, strengthened the corporate governance framework, facilitated scientific decision making, ensured financial stability and protected the interests of the Bank and its shareholders.

9.4.2 Appointment, re-election and removal of directors

According to the Bank's Articles of Association, directors shall be elected or removed from office by shareholders at a general meeting. The term of office of a director shall be three (3) years. A director may be re-elected and re-appointed upon expiry of his/her term of office, provided that such term of office of independent non-executive directors shall not be more than six (6) years on an accumulative basis. Subject to the relevant laws and administrative regulations, a director whose term of office has not expired may be removed by the general meeting, without prejudice to any claim which may be instituted under any contract.

Chapter IX Corporate Governance Report

9.4 THE BOARD OF DIRECTORS (CONTINUED)

9.4.2 Appointment, re-election and removal of directors (Continued)

The directors' appointment, re-election and removal procedures of the Bank are set forth in the Articles of Association of the Bank. The Nomination and Remuneration Committee of Board of Directors of the Bank is responsible for discussing and reviewing the qualification and experience of each candidate and recommending the suitable candidates to the Board of Directors. After the approval from the Board of Directors, the selected candidates will be recommended for further approval by the general meeting of shareholders. Except for the independent non-executive directors who have to be treated separately due to the expiration of office, the other new directors will be re-elected by general meeting at the expiration of the term of that Board session, instead of being elected during the first general meeting after his/her appointment.

According to the code provision A.4.2 of the Corporate Governance Code, each director (including directors with a specified term) shall be subject to retirement by rotation at least once every three years.

9.4.3 Responsibility of directors

During the Reporting Period, all the Bank's directors are earnest, and diligent to exercise their rights granted by the Bank and domestic and overseas regulatory authorities. The Bank's directors have spent adequate time and effort to deal with the Bank's affairs, ensuring the compliance of Bank's operation with the requirement of laws, administrative regulations and the requirements of economic policies. The Bank's directors have treated all the shareholders equally, informed themselves of the status of the Bank's business operation and management in a timely manner, implemented other diligence obligations prescribed by the laws and administrative regulations, departmental rules and the Articles of Association. The directors confirmed that they are responsible for the preparation of the annual financial report for the year ended 31 December 2021.

The independent non-executive directors of the Bank make full use of their respective professional expertise to provide professional and independent advices on the corporate governance, operation and management of the Bank in various Board committees, including the Strategic Development and Consumer Rights Protection Committee, Nomination and Remuneration Committee, Risk Management Committee, Related Party Transaction Control Committee and Audit Committee, ensuring that scientific decision-making could be made by the Board of Directors.

The Bank pays attention to the ongoing training of directors, to make sure they have proper understanding of the operation and business of the Bank and the duties and responsibilities conferred by the relevant laws and regulatory requirements of the CBIRC, the CSRC, the Hong Kong Stock Exchange and the Articles of Association of the Bank. The Bank has bought the director liability insurance for all directors.

During the Reporting Period, the Bank carried out evaluation of the performance of Board of Directors and directors by the Board of Supervisors, evaluation of the performance of senior management and its members by the Board of Supervisors, evaluation of the performance of Supervisors by the Board of Supervisors.

Chapter IX Corporate Governance Report

9.4 THE BOARD OF DIRECTORS (CONTINUED)

9.4.4 The chairman and president

The roles and work of the Chairman and President of the Bank are held by different individuals. Their respective responsibilities are clearly defined and meet the requirements of the Hong Kong Listing Rules. As of the Latest Practicable Date, Mr. Yan Chen, the chairman of the Bank, leading and managing the Board of Directors, is responsible for managing the operation of the Board, ensuring that all directors are aware of the current issues within the Board of Directors meeting. To assist the Board of Directors to discuss all important and other related matters, the chairman of the Board fully communicates with senior management to ensure that all directors receive timely, appropriate, complete and reliable information for their consideration and review. Mr. Zhang Renfu serves as the president of the Bank, who is responsible for business operations of the Bank, implementing the Bank's strategy and operation plan.

9.4.5 Summary of the directors attending the general meetings, board meetings and board committee meetings

Directors		General Meeting ⁽¹⁾		Board of Directors ⁽²⁾	Committees under the Board of Directors					
		Attendance of 2020 annual general meeting	Attendance of 2021 first extraordinary general meeting		Strategic Development and Consumer Rights Protection Committee	Nomination and Remuneration Committee	Risk Management Committee	Related Party Transaction Control Committee	Audit Committee	
						Actual attendance/Required attendance				
Executive Directors	Yan Chen ⁽⁵⁾	√	√	14/14	6/7 ⁽³⁾	2/3 ⁽³⁾	8/8	-	-	
	Zhang Renfu	-	√	14/14	7/7	6/6	-	9/9	-	
Non-executive Directors	Ma Lingxiao ⁽⁵⁾	√	-	1/1	0/0 ⁽⁶⁾	-	-	-	-	
	Zhu Yicun	-	-	9/14 ⁽³⁾	2/7 ⁽³⁾	-	3/8 ⁽³⁾	-	-	
	Wu Tian	-	-	13/14 ⁽³⁾	5/7 ⁽³⁾	-	6/8 ⁽³⁾	-	-	
	Wang Zhaoyuan ⁽⁵⁾	√	-	3/3	0/0 ⁽⁶⁾	-	-	-	-	
	Qian Dongsheng	-	-	12/14 ⁽³⁾	5/7 ⁽³⁾	-	6/8 ⁽³⁾	-	1/3 ⁽³⁾	
	Gao Yang	√	-	12/14 ⁽³⁾⁽⁴⁾	0/7 ⁽⁴⁾	0/6 ⁽⁴⁾	-	-	-	
	Wang Wenjin	-	-	14/14	-	6/6	-	-	3/3	
	Zhao Zongren	-	-	10/14 ⁽³⁾⁽⁴⁾	4/7 ⁽³⁾	-	-	6/9 ⁽³⁾	-	
Independent Non-executive Directors	Dai Peikun	-	√	14/14	-	6/6	-	-	3/3	
	Zhou Yana	-	√	14/14	-	6/6	-	-	3/3	
	Liu Zhiqiang	-	-	14/14	-	-	8/8	9/9	-	
	Yin Jianfeng	-	-	14/14	7/7	6/6	-	9/9	-	
	Huang Aiming	-	-	14/14	-	6/6	-	9/9	3/3	
Former Executive Director, Former Non-executive Director	Wu Xuemin ⁽⁵⁾	-	-	7/7	1/2 ⁽³⁾	1/2 ⁽³⁾	2/3 ⁽³⁾	-	-	

Chapter IX Corporate Governance Report

9.4 THE BOARD OF DIRECTORS (CONTINUED)

9.4.5 Summary of the directors attending the general meetings, board meetings and board committee meetings (Continued)

Notes:

- (1) For directors who were unable to attend the 2021 first extraordinary general meeting and the 2020 annual general meeting due to personal reasons, all of them have completed the formalities for leave application in writing.
- (2) During the Reporting Period, the Bank held 14 Board meetings in total.
- (3) If the actual attendance is lower than required attendance, it represents the proxy attendance when the above directors are absented from Board meeting in person.
- (4) If the actual attendance is less than required attendance, it means the director is absented from Board meeting. In particular, director, Gao Yang was absented from 1 Board meeting, 7 Strategic Development and Consumer Rights Protection Committee meetings, 6 Nomination and Remuneration Committee meetings; and director, Zhao Zongren was absented from 1 Board meeting.
- (5) For details of the changes in the positions held by Mr. Yan Chen, Mr. Ma Lingxiao, Mr. Wang Zhaoyuan and Mr. Wu Xuemin, please refer to Section 8.2 "Changes in Directors, Supervisors and Senior Management of the Bank" in this annual report.
- (6) Director Ma Lingxiao and Director Wang Zhaoyuan were appointed as new members of the Strategic Development and Consumer Rights Protection Committee under the Board on 30 December 2021. The Strategic Development and Consumer Rights Protection Committee under the Board held no meeting from 30 December 2021 to the end of the Reporting Period.

9.4.6 Securities transaction by directors, supervisors and senior management

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuer set out in Appendix 10 to the Hong Kong Listing Rules as its codes of conduct regulating securities transactions by the directors, the supervisors and the related employees (having the same meaning as defined in Corporate Governance Code) of the Bank. Having made specific enquiry of all directors, supervisors and the staff of senior management, the Bank confirmed that they had complied with the Model Code during the Reporting Period.

Chapter IX Corporate Governance Report

9.4 THE BOARD OF DIRECTORS (CONTINUED)

9.4.7 Performance of the independent non-executive directors

The Bank's Board of Directors consists of 5 independent non-executive directors and the qualification, number and proportion are in accordance with the regulations of the CBIRC and the Hong Kong Listing Rules. The 5 independent non-executive directors of the Bank are not involved in any conflict with the independence issue described in the Rule 3.13 of the Hong Kong Listing Rules. The Bank has received from each of the independent non-executive director the annual independence confirmation in accordance with the Rule 3.13 of the Hong Kong Listing Rules. Therefore, the Bank confirms that all the independent non-executive directors complied with the Hong Kong Listing Rules in respect of their independence. During the Reporting Period, independent non-executive directors represent the majority of the Bank's Audit Committee and Related Party Transaction Control Committee under the Board and serve as chairman of these committees. During the Reporting Period, the independent non-executive directors of the Bank kept in touch with the Bank through various means such as attending the meetings and symposiums. They earnestly participated in meetings of the Board of Directors and the Board committees and actively gave their opinions and emphasized on the interests of minority shareholders. The independent non-executive directors have fully discharged their responsibilities. During the Reporting Period, the Bank's independent non-executive directors issued independent opinions on the Bank's related party transactions.

9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS

The Bank's Board of Directors has delegated some of its responsibilities to the different Board committees. The Bank has set up 5 special committees under the Board, including the Strategic Development and Consumer Rights Protection Committee, Audit Committee, Nomination and Remuneration Committee, Risk Management Committee and Related Party Transaction Control Committee according to the relevant PRC laws, regulations, the Bank's Articles of Association and the Hong Kong Listing Rules.

During the Reporting Period, the Board committees of the Bank exercised their respective authorities and powers in an independent, standardized and effective manner. In 2021, they held a total of 33 meetings, at which 89 resolutions that are significant to the sustainable development of the Bank and improvement of corporate governance, were studied and considered, improving the efficiency and scientific decision-making ability of the Board while promoting the sound development of the businesses of the Bank.

9.5.1 Strategic Development and Consumer Rights Protection Committee

As of the end of the Reporting Period, our Strategic Development and Consumer Rights Protection Committee consists of 2 executive directors, namely Mr. Yan Chen and Mr. Zhang Renfu; 7 non-executive directors, namely Mr. Ma Lingxiao, Mr. Zhu Yicun, Mr. Wu Tian, Mr. Wang Zhaoyuan, Mr. Qian Dongsheng, Mr. Gao Yang and Mr. Zhao Zongren; and 1 independent non-executive director, namely Mr. Yin Jianfeng. Mr. Yan Chen is the chairman of the committee.

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9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS (CONTINUED)

9.5.1 Strategic Development and Consumer Rights Protection Committee (Continued)

The principal responsibilities of the Strategic Development and Consumer Rights Protection Committee include: (I) formulating operational and management goals, medium to long-term development strategy and listing plans of the Bank and making recommendations to the Board; (II) reviewing the strategic capital allocation and management objectives of assets and liabilities and making recommendations to the Board; (III) preparing plans for the overall development of various financial businesses and making recommendations to the Board; (IV) reviewing strategic development plans for human resources and making recommendations to the Board; (V) supervising and examining the implementation of annual operating plans and investment proposals; (VI) reviewing annual financial budgets and final reports and making recommendations to the Board; (VII) considering plans for significant institutional restructuring and re-organization and making recommendations to the Board; (VIII) reviewing the plan of significant investment and financing and relevant proposals submitted by the senior management, and making recommendations to the Board; (IX) reviewing the design of merger and acquisition plans and relevant proposals submitted by the senior management, and making recommendations to the Board; (X) reviewing plans for information technology development and other special strategic development plans and making recommendations to the Board; (XI) reviewing and evaluating the effectiveness of corporate governance structure so as to ensure that the financial reporting, risk management and internal control meet our standards for corporate governance; (XII) formulating the strategy, policy and objective for protection of consumer rights and interests across the whole Bank, and making recommendations to the Board; (XIII) reviewing the organizational structure and operating mechanism of works on protection of consumer rights and interests across the whole Bank, as well as the internal control system, and making recommendations to the Board; (XIV) guiding the senior management in conducting works on protection of consumer rights and interests from the perspective of overall planning, supervising and evaluating the comprehensiveness, promptness and effectiveness of the works on protection of consumer rights and interests across the whole Bank and relevant duty performance of senior management, listening to special reports of senior management in respect of the progress of works on protection of consumer rights and interests on regular basis, and treating relevant works as an important part of information disclosure; (XV) other issues as required by law, regulation and other regulatory documents; and (XVI) other issues authorized by the Board.

During the Reporting Period, our Strategic Development and Consumer Rights Protection Committee held 7 meetings in total, at which resolutions on the annual final financial report, annual financial budget plan and annual general business operation plan, etc. were considered and approved.

Chapter IX Corporate Governance Report

9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS (CONTINUED)

9.5.2 Nomination and Remuneration Committee

As of the end of the Reporting Period, our Nomination and Remuneration Committee consists of 2 executive directors, namely Mr. Yan Chen and Mr. Zhang Renfu; 2 non-executive directors, namely Mr. Gao Yang and Mr. Wang Wenjin; and 4 independent non-executive directors, namely Mr. Dai Peikun, Ms. Zhou Yana, Mr. Yin Jianfeng, and Ms. Huang Aiming. Currently, Mr. Dai Peikun is the chairman of the committee.

The principal responsibilities of the Nomination and Remuneration Committee include:

(I) determining the selection and appointment process and standard of directors and senior managements, and making recommendations to the Board; (II) preliminarily reviewing the qualifications of candidates for directors and candidates for senior management, and making recommendations to the Board; (III) making recommendations to the Board on the structure, number, size and composition (including the skills, knowledge and experience) of the Board based on our business operation, asset scale and shareholding structure; (IV) identifying candidates with suitable qualifications to serve as directors and senior management, and establishing a mechanism for key talents pool; (V) evaluating the independence of independent directors; (VI) developing appraisal criteria for directors and senior management, organizing performance appraisals for directors and senior management on a regular basis, and submitting the appraisal results to the Board; (VII) considering our remuneration management system and policies, preparing the appraisal and remuneration proposals for directors and senior management, making recommendations to the Board, and monitoring the implementation of such plans; (VIII) making recommendations to the Board on the remuneration package of executive directors and senior management; (IX) reviewing compensation payable to executive directors and senior management for any loss or termination of office or appointment, and making recommendations to the Board; (X) reviewing and approving compensation arrangements relating to dismissal or removal of directors for misconduct, and making recommendations to the Board; (XI) ensuring that no director or any of his or her associates (defined under the Hong Kong Listing Rules) is involved in deciding his or her own job fulfillment assessment remuneration except for the self-assessment on job fulfillment; (XII) other issues as required by law, regulation and other regulatory documents; and (XIII) other issues authorized by the Board.

During the Reporting Period, our Nomination and Remuneration Committee held 6 meetings in total, at which resolutions on the performance report of directors and senior management by the Board, the annual performance results of executive directors and senior management and review of candidates' qualifications for directors, etc. were considered and approved.

The current composition of the Nomination and Remuneration Committee of the Bank does not comply with Rule 3.27A of the Hong Kong Listing Rules which requires the Nomination and Remuneration Committee comprising a majority of independent non-executive directors. The Bank is making its best efforts to identify a suitable candidate to fill the vacancy as soon as possible and to comply with the Hong Kong Listing Rules as soon as practicable. For changes of members of the Nomination and Remuneration Committee of the Bank, please refer to the announcements of the Bank dated October 25, 2019, April 6, 2021 and April 12, 2021.

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9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS (CONTINUED)

9.5.3 Risk Management Committee

As of the end of the Reporting Period, our Risk Management Committee consists of 1 executive director, namely Mr. Yan Chen; 3 non-executive directors, namely Mr. Zhu Yicun, Mr. Wu Tian and Mr. Qian Dongsheng; and 1 independent non-executive director, namely Mr. Liu Zhiqiang. Mr. Yan Chen is the chairman of the committee.

The principal responsibilities of the Risk Management Committee include: (I) reviewing our risk management policies to ensure they are in line with our overall strategy, supervising and evaluating their implementation and effectiveness, and making relevant recommendations to our Board. Risk management policies including but not limited to: 1. risk scope intended or confined to involve by the Bank; 2. risk limitations and overall risk tolerance standard, including market risks, credit risks, liquidity risks, operation risks, compliance risks and reputation risks, etc; 3. risk management skills intended to adopt by the Bank; 4. procedures and standards of risk authorization of the Bank. (II) providing guidance on establishing our risk management systems; (III) supervising and evaluating the establishment, organizational structure, working procedures and effects of the risk management department, and making suggestions for improvement; (IV) considering our risk report, conducting regular assessments on risk policy, management status and risk tolerance of the Bank, and making suggestions on improving our risk management and internal control; (V) supervising and assessing the risk control by our senior management in respect of credit, market and operation risks; (VI) examining and approving significant risk management matters or transaction items that are beyond the license rights of the president or submitted by the president to the Risk Management Committee for consideration, in accordance with the authorization of the Board; (VII) other issues as required by law, regulation and other regulatory documents; and (VIII) other issues authorized by the Board.

During the Reporting Period, our Risk Management Committee held 8 meetings in total, at which issues related to comprehensive risk management report, asset quality analysis report, compliance risk management report and liquidity stress testing report, etc. were studied.

9.5.4 Related Party Transaction Control Committee

As of the end of the Reporting Period, our Related Party Transaction Control Committee consists of 1 executive director, namely Mr. Zhang Renfu, 1 non-executive director, namely Mr. Zhao Zongren, 3 independent non-executive directors, namely Ms. Huang Aiming, Mr. Liu Zhiqiang, and Mr. Yin Jianfeng. Ms. Huang Aiming is the chairwoman of the committee.

The principal responsibilities of the Related Party Transaction Control Committee include: (I) identifying related parties, connected relationships and connected transactions, and controlling risks of connected transactions, timely making announcement on related parties recognized; (II) identifying and reviewing significant related party transactions and submitting the same to the Board for consideration; (III) recording common connected transactions; (IV) formulating our rules for the management of connected transactions, submitting to the Board for consideration and supervising its implementation; (V) submitting to the Board, upon completion of each year, a detailed report on the implementation of connected transaction management system of the Bank for the year and our connected transactions (including overall status, risk analysis and structure) that occurred in the year shall be submitted to the Board; (VI) law, administrative regulations, department regulations and other regulatory documents, and other issues as required by securities supervision authority on which the shares of the Bank listed or as authorized by the Board.

Chapter IX Corporate Governance Report

9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS (CONTINUED)

9.5.4 Related Party Transaction Control Committee (Continued)

During the Reporting Period, our Related Party Transaction Control Committee held 9 meetings in total, at which it considered resolutions including business plans related to ordinary connected transactions, significant connected transactions and status report of the connected transactions.

9.5.5 Audit Committee

As of the end of the Reporting Period, our Audit Committee consists of 2 non-executive directors, namely Mr. Qian Dongsheng and Mr. Wang Wenjin; and 3 independent non-executive directors, namely Ms. Zhou Yana, Mr. Dai Peikun and Ms. Huang Aiming. Ms. Zhou Yana is the chairwoman of the committee.

The principal responsibilities of the Audit Committee include: (I) examining our financial statements, annual report and accounting records, interim report and quarterly reports (if drafted for publication), reviewing significant opinion on financial reporting contained in accounting statements and financial reports and other information related to our business operation, and conducting an audit on our operating efficiency, profit distribution and capital utilization; (II) checking the letter of recommendations for management (or any equivalent document) given by an external auditor to the senior management and ensuring that the Board responds to it in a timely manner, and reviewing any major questions raised by the external auditor to the senior management with respect to our accounting records, financial accounts or monitoring system, and any responses given by the senior management; (III) reviewing our disclosure made at the general meeting and to the public, and verifying the truthfulness, legality, completeness, and accuracy of our financial reports, capital utilization reports and major events; (IV) reviewing our internal control and financial control systems, and auditing our significant related party transactions, monitoring the implementation of our risk management system and its compliance, discussing the internal control system with the senior management and reporting it to the Board. Reviewing major investigation findings on matters relating to the internal control system as delegated by the Board or on its own initiative and the senior management's response to these findings; (V) overseeing the implementation of our internal audit system; (VI) organizing and guiding the internal audit under the authorization of the Board; (VII) taking in charge of our annual audit, making recommendations to the Board on the appointment, reappointment or removal of the external auditor, and preparing reports confirming the truthfulness, accuracy, completeness and timeliness of information contained in the audited financial statements based on its own judgment, and submitting them to the Board for discussion and consideration. The Audit Committee should require the appointed external auditor to give an explanation on their services provided, terms of appointment, fees charged and other relationships or matters that may affect the independence of such external auditor, make an evaluation on the independence of external auditor and submit it to the Board for approval. The Audit Committee should deal with any issue related to the resignation or removal of the external auditor; (VIII) reviewing our financial and accounting policies and practice; (IX) taking charge of the communication and coordination between the internal auditor and external auditor, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Bank; (X) evaluating the mechanisms for our employees to make whistle blowing on financial statements, internal control or other irregularities, and conducting independent and fair investigations on matters relating to whistle blowing by us, and adopting any mechanism for appropriate actions; (XI) other issues as required by law, regulation and other regulatory documents; (XII) other issues authorized by the Board.

Chapter IX Corporate Governance Report

9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS (CONTINUED)

9.5.5 Audit Committee (Continued)

During the Reporting Period, our Audit Committee held 3 meetings in total, at which it considered resolutions on the 2020 annual report, the 2020 annual profit distribution plan, the 2021 interim report, appointment of external auditors, the 2021 audit plan, etc. The Audit Committee reviewed the 2020 annual report and the 2021 interim report, discussed the key accounting policies, accounting estimates and internal control with the management. Besides, it also communicated with the external auditors and the management regarding the audit opinion and suggestions for internal control as proposed by the external auditors, reviewed and approved the 2020 annual report and the 2021 interim report of the Bank and then submitted them to the Board for consideration.

9.6 CORPORATE GOVERNANCE FUNCTION

During the Reporting Period, the Board of Directors took the responsibilities of corporate governance, which include:

revising and improving rules and regulations related to the Bank's corporate governance, and making necessary changes to ensure the effectiveness of the policy; supervising the training of directors and senior management and their sustained performance; supervising the policies and practice of the Bank with respect to the compliance with laws and regulations; supervising the code of conduct and compliance manual applicable to directors and employees; reviewing the Bank's compliance with the Corporate Governance Code and the disclosures set out in the corporate governance report.

9.7 SENIOR MANAGEMENT

The Bank shall have one president and may have several vice presidents and other members of senior management identified by the regulatory authorities. They shall be appointed or dismissed by the Board of Directors. The president shall be accountable to the Board of Directors.

The major functions and powers performed and exercised by the president of the Bank include: take charge of the daily operation and management of the Bank, organize the implementation of the resolutions of the Board of Directors and report the work to the Board of Directors; submit annual business plans and investment proposals to the Board of Directors and organize the implementation upon approval by the Board of Directors; draft proposals on the establishment of the Bank's internal management entities; draft the Bank's basic management system; formulate the Bank's specific regulations; propose to the Board of Directors to engage or dismiss the vice presidents of the Bank and other members of senior management identified by the regulatory authorities; engage or dismiss persons in charge of the internal departments and branches of the Bank other than those to be engaged or dismissed by the Board of Directors; authorize members of senior management and persons in charge of internal departments and branches to conduct operational activities; draw up the Bank's proposals on annual financial budgets and final accounts, profit distribution plan and loss remedial plan, increase or reduction of registered capital, issue and listing of bonds or negotiable securities, and put forward the proposals to the Board of Directors; review and approve general related transactions; decide on the appointment and dismissal of the Bank's staff, and approve proposals on their wages, benefits, rewards and punishment; formulate plans on emergency treatment and risk prevention; adopt emergency measures when any major emergency arises and promptly report them to the Board of Directors, the Board of Supervisors and the banking regulatory authority; and other powers and rights conferred by the laws, administrative regulations, departmental rules, the regulations of the relevant regulatory authorities, the Articles of Association and by the Board of Directors.

Chapter IX Corporate Governance Report

9.8 BOARD OF SUPERVISORS

The Board of Supervisors, our supervisory body, aims to guarantee the legitimate interests of the Bank, shareholders, employees, creditors and other stakeholders and has the obligation to oversee our financial activities, risk management and internal control, discharge of duties by the Board and its members and the senior management, and is accountable to the general meeting of shareholders.

9.8.1 Composition of the Board of Supervisors

As of the Latest Practicable Date, our Board of Supervisors consisted of 8 supervisors, of whom 4 are employee supervisors, 1 is shareholder supervisor and 3 are external supervisors. The structure of our Board of Supervisors meets the requirements of laws and regulations, and is sufficiently professional and independent to ensure the effective performance of its supervisory role. For the biographical details of members of the Board of Supervisors, please see "Profile of Directors, Supervisors and Senior Management" under section 8.3 of this annual report.

During the Reporting Period, the Board of Supervisors fulfilled its duties diligently, supervised the legal compliance of performance of duties by directors and the senior management. They also performed resignation audit to the executive directors and the senior management as required. They audited and supervised the financial activities, risk management and internal control and investigated any abnormal operating activities.

9.8.2 Responsibilities and operating model of the Board of Supervisors

The principal responsibilities of our Board of Supervisors include: reviewing periodic reports of the Bank prepared by the Board and providing written review opinions; supervising the discharge of duties by the Board of Directors and the senior management; monitoring the due diligence of directors and the senior management and their violation of laws, administrative regulations as well as the Articles of Association when discharging their duties; conducting resignation audits of our directors and the senior management when necessary; requesting directors and the senior management to rectify any acts that are detrimental to the interest of the Bank; examining and supervising financial activities of the Bank; supervising and examining our capital management, business decision-making, risk management and internal control and monitoring rectification of the deficiencies; proposing to remove, or instituting proceedings according to law, against directors and the senior management who are in violation of laws, administrative regulations or the Articles of Association or any resolutions adopted by shareholders' general meetings; proposing for an extraordinary meeting of shareholders; convening and presiding over shareholders' general meetings when the Board of Directors fails to perform its duties in accordance with the Company Law; putting forward proposals to shareholders' general meetings; proposing for an extraordinary meeting of the Board; reviewing the financial report, business report and profit distribution plans and other financial information submitted to shareholders' general meetings. The Board of Supervisors may conduct investigation when any question or abnormal operation of the Bank is identified; it may, at the expenses of the Bank, hire an accounting firm, law firm or other professional personnel to assist its investigation when necessary; making remuneration arrangement of supervisors; other functions and powers granted by laws, administrative regulations, departmental rules, relevant regulators and the Articles of Association, as well as shareholders' general meetings.

Chapter IX Corporate Governance Report

9.8 BOARD OF SUPERVISORS (CONTINUED)

9.8.2 Responsibilities and operating model of the Board of Supervisors (Continued)

Our Board of Supervisors fulfils their supervisory responsibilities mainly in the following manners: convening regular supervisor meetings, attending shareholders' general meetings, attending the Board meetings and some Board committee meetings, attending the relevant meetings of the senior management, review of various kinds of documents and materials from the senior management, listening to work report and project report of the senior management, evaluating the annual performance of directors and the senior management, conducting resignation audits of our executive directors and the senior management, conducting supervision and inspection of the Bank and its subsidiary institutions, conducting investigation and research on branches etc. Through the above work, the Board of Supervisors monitors and evaluates our operation and management, risk management and internal control, as well as the performance of directors and the senior management.

During the Reporting Period, the Board of Supervisors assessed the annual performance of the Board of Directors, directors, the senior management and its members and supervisors of the Bank, solicited written evaluation opinions from part of shareholder representatives, heads of branches and sub-branch offices and held the symposiums to elicit various comments and conduct on-site evaluation. Based on the foregoing, the Board of Supervisors prepared a performance evaluation report for the Board of Directors and the senior management as well as relevant banking regulatory bodies.

9.8.3 Meetings of the Board of Supervisors during the Reporting Period

During the Reporting Period, the Board of Supervisors duly fulfilled its duties under the Articles of Association of the Bank and held 9 meetings, at which 81 resolutions were considered.

During the Reporting Period, there was no objection to the matters concerning the supervision of the Board of Supervisors.

The attendance of supervisors at meetings during the Reporting Period

	Supervisors ⁽¹⁾	No. of Required Attendance	Attendance in Person	Attendance through Proxy
Employee Supervisor	He Jiehua	9	9	0
	Tang Chuan	9	9	0
	Zhong Qiushi	9	9	0
	Sun Zhen	9	9	0
Shareholder Supervisor	Chen Rui	9	9	0
External Supervisor	Dong Xiaolin	9	8	1
	Zhai Shengbao	9	9	0
	Zhou Zejiang	9	9	0
Former Shareholder Supervisor	Hu Jing	9	8	1

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9.8 BOARD OF SUPERVISORS (CONTINUED)

9.8.4 Attendance at the general meetings during the Reporting Period

During the Reporting Period, the Board of Supervisors designated representatives to attend the general meeting of the Bank. The Board of Supervisors presented its annual report on work and results of performance appraisal of the Board of Directors, directors, Supervisors, senior management and its members, and relevant resolutions were approved at the shareholders' general meeting.

9.8.5 Attendance at the meetings of the Board and the senior management

During the Reporting Period, the Board of Supervisors designated representatives to attend on-site meetings of the Board of Directors of the Bank, and supervised legal compliance of the meetings, procedures of voting, as well as the attendance, speech and voting of directors. The Board of Supervisors also designated representatives to attend the relevant meetings of the senior management and supervised the execution of Board resolutions by the senior management and the operating management activities conducted according to the Articles of Association and the authorization by the Board of Directors.

9.8.6 Operation of the committees of the Board of Supervisors

The Board of Supervisors has a Nomination Committee and a Supervisory Committee. As of the Latest Practicable Date, compositions of the Board of Supervisors of the Bank were as follows:

No.	Committees of the		
	Board of Supervisors	Chairman	Members
1	Nomination Committee	Dong Xiaolin	He Jiehua, Tang Chuan, Zhou Zejiang
2	Supervisory Committee	Zhai Shengbao	He Jiehua, Zhong Qiushi, Sun Zhen, Chen Rui

Nomination Committee of the Board of Supervisors

The principal responsibilities of the Nomination Committee include: formulating the selection standards and procedures of supervisors, and making recommendations to the Board of Supervisors; preliminarily reviewing the qualifications and conditions of candidates for supervisors and making recommendations to the Board of Supervisors; improving market-oriented selection and appointment mechanism, and making reservation of candidates for supervisors; conducting a comprehensive assessment and evaluation of duties performance of directors and senior management, and reporting it to the Board of Supervisors; supervising the process of election and appointment of directors; supervising the scientificity and reasonableness of the remuneration management system and policies of the Bank and the remuneration proposal for its senior management; determining the remuneration standards for supervisors and subsidy standards for external supervisors, and making recommendations to the Board of Supervisors in respect thereof; establishing and improving the incentive and control system, conducting an assessment and evaluation of duties performance of supervisors, and making recommendations to the Board of Supervisors in respect thereof; ensuring that supervisors shall not participate in the decision-making process in connection with the evaluation of their duties performance and remuneration (or subsidies), save for the self-assessment in the evaluation of duties performance; other matters authorized by the Board of Supervisors.

The Nomination Committee held a total of 3 meetings during the Reporting Period, at which 11 resolutions were considered and approved.

Chapter IX Corporate Governance Report

9.8 BOARD OF SUPERVISORS (CONTINUED)

9.8.6 Operation of the committees of the Board of Supervisors (Continued)

Supervisory Committee of the Board of Supervisors

The principal responsibilities of the Supervisory Committee include: formulating plans for supervision of duties performance of Board of Directors and the senior management of the Bank, and supervising the adoption by the Board of Directors of prudent business philosophy, value standards and formulating development strategies that are in line with the actual situations of the Bank; formulating plans for supervision of the due diligence of directors and the senior management of the Bank; formulating plans for resignation audits of executive directors and the senior management of the Bank; formulating plans for the inspection and supervision of financial activities of the Bank; formulating plans for supervision and inspection of the business decision-making, risk management and internal control of the Bank; formulating plans for assessing the scientificity, reasonableness and effectiveness of development strategies set by the Board of Directors; taking charge of the organization and implementation of the above plans; other matters authorized by the Board of Supervisors.

During the Reporting Period, the Supervisory Committee held 9 meetings in total, at which 25 resolutions were considered.

9.8.7 External supervisors work report

Chairman of the Board of Supervisors committees are served by external supervisors, which strengthens the role of external supervisors in performance assessment, internal control and other aspects of independent oversight functions, and plays a positive role in improving the management quality and governance structure of the Bank.

In 2021, external supervisors actively participated in meetings, carefully studied and actively participated in discussions and decision-making of each issue, considered each issue from the perspective of the sustainable development of the Bank and protection of its shareholders' interests, carefully gave independent opinions, and fulfilled the responsibilities of external supervisors according to laws.

9.9 TRAINING AND RESEARCH OF DIRECTORS AND SUPERVISORS DURING THE REPORTING PERIOD

Training and research of directors

Some directors took part in an online training on anti-corruption in September 2021.

Some directors took part in enhanced continuing professional development seminars held by The Hong Kong Chartered Governance Institute in October 2021.

Some directors took part in trainings provided by Clifford Chance in November 2021 on directors' responsibility, information disclosure and regulatory summary on Hong Kong listed companies.

Some directors took part in a training session held by the Bank in December 2021 on commercial banks equity management and corporate governance.

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9.9 TRAINING AND RESEARCH OF DIRECTORS AND SUPERVISORS DURING THE REPORTING PERIOD (CONTINUED)

Training and research of directors (Continued)

Some directors took part in trainings provided by Clifford Chance in December 2021 on directors' responsibility, information disclosure and regulatory summary on Hong Kong listed companies.

Some directors took part in online trainings provided by Clifford Chance in December 2021 on corporate governance on Hong Kong listed companies.

All directors have participated in part of abovementioned trainings during the Reporting Period.

Investigation, research and training of the Board of Supervisors

The Board of Supervisors commenced special supervision and investigation on collateral management of the Bank and then prepared the investigation report. Some supervisors of the Bank took part in the supervision and investigation. All supervisors participated in the trainings held by the Bank in June 2021 on how to strengthen the work of the Board of Supervisors under the current situation.

9.10 COMPANY SECRETARY UNDER HONG KONG LISTING RULES

Dr. Ngai Wai Fung is the Bank's company secretary under the Hong Kong Listing Rules. Dr. Ngai Wai Fung is a director and the chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited. Dr. Ngai took part in relevant professional trainings for no less than 15 hours during the Reporting Period. Mr. Lian Baohua, secretary to the Board of the Bank, was the primary contact of Dr. Ngai during the Reporting Period.

9.11 COMMUNICATION WITH SHAREHOLDERS

Investors relationship

We place great importance over the Bank's shareholders' opinions and suggestions. We actively take part in all kinds of communication activities with investors and analysts in order to maintain a good relationship, and meet reasonable requirements by the shareholders in a timely manner.

For investors inquiries, please contact the Board of Directors at:

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Huishang Bank Building, No. 1699 Yungu Road, Hefei, Anhui Province, PRC
Telephone: +86-551-62667729/62667806

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E-mail: djb@hsbank.com.cn

Investors can read this annual report from our website (www.hsbank.com.cn) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

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9.11 COMMUNICATION WITH SHAREHOLDERS (CONTINUED)

Information disclosure

The Board of Directors and senior management of the Bank place great importance to the information disclosure. They rely on good corporate governance and sound internal control to provide timely, accurate and fair information for the investors. During the Reporting Period, no insider dealing of the Bank's shares was identified.

In accordance with the requirements of the Corporate Governance Standards of Banking and Insurance Institutions, Measures for the Information Disclosure of Commercial Banks and other laws and regulations, the Bank continuously improved the timeliness, accuracy and completeness of the information disclosure. During the Reporting Period, the full texts of the annual report and interim report in both English and Chinese are available on the website of the Bank. Meanwhile, the Chinese and English versions of the annual report and interim report are available for review by the investors and stakeholders in the Board of Directors' office of the Bank.

9.12 SHAREHOLDERS' RIGHTS

Convening extraordinary general meetings

When individual or joint shareholders of the Bank who have more than 10% of the total voting right present a written request, the Board of Directors shall hold an extraordinary general meeting within 2 months from the date of the request:

The shareholders who presented such requests shall put forward proposals to the Board in writing. The Board of Directors shall, in accordance with laws, administrative regulations and the Articles of Association of the Bank, give a written feedback expressing an opinion of agreements or disagreements with the convening of an extraordinary general meeting or a class shareholders' meeting within 10 days from the date of receiving the proposal.

If the Board of Directors agrees to convene an extraordinary general meeting or class shareholders' meeting, it should issue a notice to call for a shareholders' general meeting within 5 days from the date on which the relevant Board resolution is made. Any amendments to the original proposal in the notice should obtain the consent from the shareholders of the Bank who initiated such proposals.

Proposing resolutions at shareholders' general meeting

Shareholders individually or jointly holding more than 3% of the voting shares of the Bank may make provisional proposal to the shareholders' general meeting and submit written request to the convener 10 days before the meeting. The convener shall issue a supplementary notice of the shareholders' general meeting within 2 days after receiving the proposal. The contents of the provisional proposal shall be announced.

Shareholders individually or jointly holding more than 3% of the total issued voting shares of the Bank may propose candidates for directors to the Board of Directors or to propose candidates for supervisors to the Board of Supervisors.

Shareholders individually or jointly holding more than 1% of the total outstanding voting shares of the Bank may nominate candidates for independent directors to the Board, who can be elected at shareholders' general meeting as independent directors. Those shareholders who have nominated directors shall not nominate independent directors.

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9.12 SHAREHOLDERS' RIGHTS (CONTINUED)

Proposing resolutions at shareholders' general meeting (Continued)

Shareholders individually or jointly holding more than 1% of the total outstanding voting shares of the Bank may nominate candidates for external supervisors, who will be elected at shareholders' general meeting as external supervisors.

Convening extraordinary Board meetings

When shareholders individually or jointly holding more than 10% of the total voting shares of the Bank raise a proposal, the chairman of the Board of Directors shall, within 10 days after receiving the proposal, calls for and presides over an extraordinary Board meeting.

Making inquiries to the Board

Our shareholders are entitled to supervise the business activities of the Bank, make recommendations or inquiries.

Shareholders of the Bank are entitled to access to the following information in accordance with the laws, administrative regulations, departmental rules, normative documents, relevant regulations of the securities regulatory authorities of the place(s) where the shares of the Bank are listed, and the provisions of the Articles of Association of the Bank, including: 1. Obtaining the Articles of Association of the Bank upon the payment of costs; 2. Inspecting, free of charge, or having the right to inspect and copy the following documents upon the payment of reasonable costs: (1) the register of all shareholders; (2) personal information of directors, supervisors and the senior management of the Bank; (3) the Bank's share capital; (4) report showing the total nominal value, quantity, highest and lowest prices of each class of shares repurchased by the Bank since the previous financial year and all costs paid by the Bank in this regard; (5) minutes of shareholders' general meetings; (6) the latest audited financial statements, and reports of the Board of Directors, auditors and the Board of Supervisors of the Bank.

Shareholders who request to inspect or obtain any such information shall provide written documentation to the Bank, certifying the type of shares they held in the Bank as well as the number of their shareholdings. The Bank shall provide such documentation as required by shareholders after their identities are verified.

9.13 APPOINTMENT OF ACCOUNTING FIRMS

The resolution on the Appointment of External Auditors of the Bank for 2021 was considered and approved at the 2020 annual general meeting held on 30 June 2021. The Bank has reappointed Ernst & Young Hua Ming LLP (Special General Partnership) as our domestic auditor and Ernst & Young as our international auditor for the year of 2021, respectively. The Bank had not changed accounting firms over the past three years.

In 2021, the total remuneration paid to Ernst & Young Hua Ming LLP (Special General Partnership) and Ernst & Young for review of the financial statements and audit of the annual financial statements as agreed by the Bank and the total remuneration from other services (audit on wealth management products, check on inter-bank transfer of wealth management products, and financial investigation on shareholders' eligibility, etc.) amounted to RMB5.15 million and RMB1.78 million, respectively.

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9.14 AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE BANK

At the 30th meeting of the fourth session of the Board held on 26 March 2021, the Resolution on the Change of Business Scope and the Amendment to the Articles of Association was considered and approved. The resolution was considered and approved at the 2020 annual general meeting held on 30 June 2021. For details, please refer to the Bank's announcement dated 26 March 2021 and the announcement of poll results of the 2020 annual general meeting dated 30 June 2021.

The Bank issued an announcement on 1 June 2021, announcing that the Bank received the "Approval from China Banking and Insurance Regulatory Commission Anhui Office on the Change of Registered Capital of Huishang Bank" (Wan Yin Bao Jian Fu [2021] No. 93) and the Bank has also made amendments to the corresponding provisions of the Articles of Association of the Bank in this regard.

At the 37th meeting of the fourth session of the Board held on 4 November 2021, the Resolution on the Change of Domicile and the Amendment to the Articles of Association was considered and approved. The resolution was considered and approved at the 2021 first extraordinary general meeting held on 30 December 2021. For details, please refer to the Bank's announcement dated 4 November 2021 and the announcement of poll results of the 2021 first extraordinary general meeting dated 30 December 2021. The Bank issued an announcement on 3 March 2022, announcing that the Bank received the "Approval from China Banking and Insurance Regulatory Commission Anhui Office on the Change of Domicile of Huishang Bank" (Wan Yin Bao Jian Fu [2022] No. 36) and the Bank has also made amendments to the corresponding provisions of the Articles of Association of the Bank in this regard.

The Bank considered and approved the Resolution of Revising the Articles of Association of Huishang Bank Corporation Limited on the 41st meeting of the fourth session of the Board of Directors held on 30 March 2022, which will be submitted on the general meeting of the Bank for consideration and approval in due course. For details, please refer to the announcement of the Bank dated 30 March 2022.

9.15 COMPLIANCE AND RISK MANAGEMENT

1. Procedures for identification, evaluation and management of material risks

Pursuant to the Administrative Measures for the Capital of Commercial Banks (Trial) issued by the former CBRC, the definition of risk and relevant terminology issued by Basel Committee and practices of other banks, the Bank has made overall identification and measurement of a series of potential quantifiable and non-quantifiable risks arising from the coupled effect of business strategies, product mix, clients' needs and external macro-economy environment combining the Bank's own practices and conducted the corresponding control and mitigation.

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9.15 COMPLIANCE AND RISK MANAGEMENT (CONTINUED)

1. Procedures for identification, evaluation and management of material risks (Continued)

Through collecting and issuing risk alerts, setting examples of and identifying, gathering and evaluating risk events and specifying key risks based on capital allocation to risk categories, regulatory identification of potential risks and regulatory requirements on capital for banks and identification and evaluation of risk events, the Bank annually identifies and evaluates major risks, and makes supplement or revision to relative systems according to the evaluation results. Such key potential risks to identify include credit risk, market risk, operational risk, liquidity risk, bank account interest rate risk, compliance risk, reputation risk and strategic risk and IT risk, which were quantified and evaluated through specific measurement methods and tools.

2. Key features of risk management system of the Bank

(I) Systemic structure

The Bank has a comprehensive risk management information system mainly comprised of three layers, namely business application, risk analysis and midway data, which mainly include: 1. The business application includes: the core system, credit management system, credit card related systems, capital transaction system, bills system and risk mitigation management system; 2. The risk analysis includes: the internal rating system on corporate clients, market risk implementation information system, portfolio risk quota management system, debt rating system and tools for measuring associated risks among the systems; and 3. The midway data includes: corporate database for storing and big data platform.

(II) Key features

The risk management system of the Bank was designed and developed by customizing practices of advanced domestic banks based on its strategic development planning and practical circumstances, with key features as follows: 1. Sound systems and data supported mechanisms under the comprehensive risk management system to underpin relevant decision-making on risk management of the Bank; 2. Collection, records and storage of relevant data to support internal rating system, risk measurement and calculation of capital and relevant management and regulatory reporting of the Bank; 3. A sound data management system of the Bank to ensure the accuracy and completeness of all kinds of risk management data.



Chapter IX Corporate Governance Report

9.15 COMPLIANCE AND RISK MANAGEMENT (CONTINUED)

3. Key features of internal control system of the Bank

The Bank attaches great importance to the implementation of the “Basic Norms of Internal Control for Enterprises” and its relevant guidelines and the “Guidelines for Internal Control of Commercial Banks” in a consistent manner, covering corporate governance, business line management and procedural operation – which horizontally cover our business processes and management activities of various business lines and vertically cover the managing bodies of the head office, branches and sub-branches and all employees. The internal control management structure was equipped with well-defined and reasonable duties and responsibilities which clarified internal control management duties of the Board of Directors, the Board of Supervisors and senior management and three defense lines. Under the structure, the Board of Directors was responsible for ensuring the Bank to establish and implement adequate and effective internal control system, the Board of Supervisors was responsible for overseeing the establishment and implementation of internal control by the Board of Directors and senior management, and the senior management was responsible for organizing the day-to-day internal control operation of the Bank. The Bank fully advanced the establishment of the system of factors on internal balanced control, established a systematic structure on internal balanced control covering internal control standardized system, internal control operation system and internal control evaluation system, and continuously improved and optimized its internal control system so as to support its business development. The Bank has also established an internal control compliance risk management system, which enables the Bank to achieve a compliance management model featured by systems, procedures and information technologies, strongly supporting the breadth and depth of internal control compliance analysis. Meanwhile, based on the strategy of digitalized transformation of the Bank, a new round of construction for risk management system on internal control and compliance was launched in view of consolidating achievements on the construction of system of internal balanced control, striving to build a digitalized operation system on internal control and compliance as well as management and analysis platform.

4. Risk management and internal control duties of the Board

On the basis of the “Guidelines for the Overall Risk Management of Banking Financial Institutions”, the “Guidelines for Internal Control of Commercial Banks” and other laws and regulations as well as the relevant requirements of the Hong Kong Stock Exchange, the Board of Directors of the Bank has established and implemented a risk management and internal control system and undertaken annual review of the effectiveness of such systems. The Board of Directors of the Bank is of the view that, the risk management and internal control system established and implemented by the Bank are sufficient and effective. The purpose of the risk management and internal control system of the Bank is to manage rather than eliminate such risks as would prevent the Bank from achieving its business goals, and such system reasonably (rather than absolutely) ensures that there would not be any material misrepresentation or loss.

Chapter IX Corporate Governance Report

9.16 PROCEDURES AND SUPERVISORY MEASURES FOR HANDLING INSIDER INFORMATION

The Bank places great importance on insider information management. In order to strengthen relevant confidentiality of insider information and protect the legitimate interests of investors by maintaining fairness with regard to information disclosure, the Bank formulated relevant management systems on insider information and insider management as well as information disclosure, strictly complied with domestic and offshore regulatory requirements, kept strengthening system management and promptly and appropriately disclosed relevant information.

The Insider Information Management System of the Bank expressly provides for the scope of operational, financial or other information that may have a material impact on the market price of securities of the Bank but has not yet been made available on any media for information disclosure designated by securities regulating authorities and the definition of insiders in connection thereof, as well as detailed requirements on management of insiders, confidentiality of such information and punishment measures for divulgence thereof.



Chapter X Internal Control

10.1 INTERNAL CONTROL

10.1.1 Internal control system and operation

Following the operation philosophy of compliant and steady development, the Bank has established a factors of internal balanced process from six dimensions, namely, the decision-making and approval process, hierarchical authorization management and control, separation of department positions, system and procedure control, information system control and internal supervision and rectification, defined the key control points for 43 business types in 11 business lines and implemented dynamic adjustment and optimization according to the provisions under laws and regulations such as the Basic Norms of Internal Control for Enterprises and its relevant guidelines, the Guidelines for Internal Control of Commercial Banks, the relevant requirements of the Hong Kong Stock Exchange as well as the relevant system requirements of the Bank. The Bank has exerted full control over the whole process of various operations and management of the Bank so as to ensure the compliant and steady development of the Bank.

The Bank established a mechanism covering standard segregation of duties and scientific and effective control and balances. In particular, the Board of the Bank takes ultimate responsibility for the establishment of the internal control system as well as the effectiveness of its implementation. The Board of Supervisors is in charge of overseeing the Board and senior management to establish and improve the internal control system; and overseeing the Board and its directors, senior management and senior officers to perform their duties on internal control. Senior management is responsible for the execution of internal control system and policies approved by the Board of Directors. Each functional department of the head office and branches, outlets and the audit department form the “third-line defence of internal control” of the Bank based on the principle of mutual checks and balances and the separation of front, middle and back offices of banking business, building a complete and effective internal control system with clear responsibilities, mutual checks and balances.

During the Reporting Period, the Bank organized and carried out the promotion of the internal balanced control system and the review of the factors on internal balanced control, advanced the construction of internal control management mechanism of branches, continuously conducted the assessment on compliance risk, the self-assessment on money laundering and terrorist financing risks for 2021 and case warning education. Based on regulatory requirements, the Bank carried out the “Year of Internal Control and Compliance Management Construction” activities and further improved the market risk, credit risk and operational risk management mechanisms. Therefore, the internal control system operated effectively. The Bank conducted self-assessment on the internal control for 2021. After inspection by the Board of the Bank, no significant deficiencies regarding the integrity, rationality and effectiveness of the internal control were identified.

Chapter X Internal Control

10.1 INTERNAL CONTROL (CONTINUED)

10.1.2 Implementation of the Basic Norms of Internal Control for Enterprises and its relevant guidelines in a consistent manner

The Bank places great importance to the implementation of the Basic Norms of Internal Control for Enterprises and its relevant guidelines in a consistent manner. Firstly, it has defined internal control and management systems and internal control and management duties of the operational department, business lines management department and compliance department. Secondly, the Bank established the internal balanced control system. Based on five elements in internal control, it set up factors of internal balanced process for all business types from six dimensions, including the decision-making and approval process, hierarchical authorization management and control, internal supervision and rectification, to clarify key control points and realize the implementation of internal control methods such as regulatory policies, system management, training management, assessment management, inspection management, rectification and accountability in a logical and closed-loop way. Thirdly, it conducted inspections on abnormal behaviors of employees, adopted big data and information technology to improve the inspection effect and continuously improved the management system of behaviors of employees based on the inspection results. Fourthly, it organized and implemented the internal control appraisal for 2021 and set up appraisal indicators on quality asset, regulation appraisal, implementation of systems and other dimensions. Based on results of the assessment, the design and execution of the internal control of the Bank were good, with basically sound internal control mechanisms and effective execution of control measures.

10.2 INTERNAL AUDIT

We have implemented an internal audit system, set up an internal audit department which consists of five audit segments by region, and established an independent and vertical management system for audit as well as the suitable reporting system and lines for internal audit, which enabled the establishment of a complete internal audit system based on the internal audit charters, including specific standards, internal requirements, guide manual, among others. We have established an audit model which combines on-site audit with off-site monitoring, developed working programs and annual working plans on auditing and implemented such programs and plans upon consideration and approval by the Board of Directors.

The internal audit department investigated, evaluated and facilitated the business activities, risk profile, internal control and compliance and corporate governance status of the Company through systematic and standardized methods with a view to promoting its sound development and value enhancement. The internal audit department shall report to the Board of Directors, the Board of Supervisors and senior management regularly on audit work.

In 2021, the internal audit department of the Bank continued to adhere to the philosophy of “risk-oriented, service-tended and appreciation-aiming” audit and act around the overall development strategy of the Bank, focus on key sectors of operation and management, make overall arrangements on auditing activities, enhance the audit and supervision capacity and play the role of internal audit. It further promoted enhancement of the internal control and risk management as well as refined management of the Bank.

Chapter X Internal Control

10.3 EVALUATION ON INTERNAL CONTROL

In 2021, in accordance with relevant requirements on internal control assessment of commercial banks under the Guidelines for Internal Control of Commercial Banks and other systems and provisions and under the guidance of the Audit Committee under the Board, the Bank organized and carried out the assessment on internal control for 2021. The assessment focused on five elements, namely internal environment, risk assessment, control measures, information and communication and internal supervision to carry out a comprehensive evaluation on the business, institutions, and risk management policies of the Bank.

Chapter XI Report of the Board of Supervisors

During the Reporting Period, the Board of Supervisors supervised the Bank's internal control, risk management, financial activities, legal compliance of operations, as well as the performance of duties of the Board of Directors and senior management in accordance with the Company Law of the People's Republic of China, the Corporate Governance Standards for Banking and Insurance Institutions, the Guidelines for the Work of the Board of Supervisors in Commercial Banks and the responsibilities defined by the Bank's Articles of Association.

The Board of Supervisors has expressed an independent opinion on following matters:

- (I) **The operation in compliance with laws.** During the Reporting Period, the Board of Directors and senior management of the Bank continued legal compliance of operations and the decision-making procedures complied with laws and regulations and the Articles of Association of the Bank. Members of the Board of Directors and senior management diligently and faithfully performed the responsibilities defined by the Bank's Articles of Association.
- (II) **Preparation of financial report.** Preparation and review procedures of the financial report were in compliance with laws, regulations and regulatory requirements. The contents of the report reflected the Bank's actual conditions in a true, accurate and complete manner. The Board of Supervisors has no objection to the standard unqualified audit report audited and issued by Ernst & Young in accordance with the ISAs.
- (III) **Related party transactions.** During the Reporting Period, related party transactions of the Bank complied with national laws and regulations and the Articles of Association of the Bank and the Board of Supervisors did not identify any circumstances that harmed the interests of the Bank and its shareholders.
- (IV) **Internal control.** During the Reporting Period, the Bank strived to put internal control as its priority, implemented the system of factors on internal balanced control and conducted in-depth activities for the topic of internal control construction year, strictly implemented regulatory requirements and continued to strengthen and improve internal control. The Board of Supervisors had no objection to the Huishang Bank 2021 Internal Control Assessment Report.
- (V) **Risk management.** During the Reporting Period, the Bank adhered to categorizing policies, addressing both root causes and symptoms, strengthened risk management and control in key areas such as implicit debts of local governments and real estate, advanced the disposal of non-performing assets in an orderly manner, completed the adjustment tasks for the existing wealth management products on schedule, continued to promote the establishment of a comprehensive risk management system. Therefore, asset quality and all risk regulatory indicators continued to be improved and the overall risk situation is controllable.
- (VI) **Implementation of resolutions of shareholders' general meetings.** The Board of Supervisors has no objection to the reports and proposals submitted by the Board of Directors of the Bank to the shareholders' general meetings convened in 2021 for consideration, supervised the implementation of the resolutions of the shareholders' general meetings, and was of the view that the Board of Directors and senior management have well implemented the relevant resolutions of shareholders' general meetings.
- (VII) **Implementation of information disclosure systems.** During the Reporting Period, the Bank carefully implemented information disclosure management systems and performed information disclosure obligations. No non-compliance with laws and regulations was identified in information disclosure.

Save as disclosed above, the Board of Supervisors had no objection to any other matters during the Reporting Period.

By Order of the Board of Supervisors
He Jiehua
 Chairman of the Board of Supervisors

30 March 2022



Chapter XII Financial Report



Chapter XII Financial Report Independent Auditor's Report



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To the Board of Directors of Huishang Bank Corporation Limited

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

OPINION

We have audited the consolidated financial statements of Huishang Bank Corporation Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 162 to 310, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Chapter XII Financial Report

Independent Auditor's Report

Key audit matter

How our audit addressed the key audit matter

Goodwill impairment assessment

On 23 November 2020, the Bank completed the acquisition of selected businesses of BaoShang bank, which included certain assets, liabilities and personnel of four branches of BaoShang bank at zero consideration. The Bank recognized goodwill of RMB14.57 billion as a result of this acquisition. The Bank assessed and determined that provision for the impairment losses of goodwill is not required as at 31 December 2021.

Under IAS 36, the management of the Bank is required to perform impairment assessment both annually and whenever there is an indication that a group of cash-generating units ("CGUs") to which goodwill has been allocated may be impaired.

The Bank engaged an independent external professional firm to assist in the goodwill impairment testing. The recoverable amounts of CGUs to which the goodwill had been allocated were determined based on the value in use by discounted cash flow projection method. The discounted cash flow projection method involved significant judgements and estimates which included assumptions such as growth rate and discount rate, etc. Goodwill impairment assessment was considered a key audit matter.

Relevant disclosures of the goodwill impairment assessment are included in Note 4 and Note 29 to the financial statements.

Our audit procedures in relation to the goodwill impairment assessment included involving our valuation specialists to assist us in evaluating the assumptions and methodologies used by the Bank, especially the discount rate and the long-term growth rate applied in the discounted cash flow projection method. We assessed the reasonableness of the forecasted earnings of the CGUs' via comparison with comparable peer companies and discussed with the management of the Bank of the business development plan.

Chapter XII Financial Report Independent Auditor's Report

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of loans and advances to customers and financial investments at amortised cost

The Group uses a number of different models and assumptions in the measurement of expected credit losses, for example:

- Significant increase in credit risk – The selection of criteria for identifying a significant increase in credit risk is highly dependent on judgement and may have a significant impact on the expected credit losses for loans with longer remaining periods to maturity;
- Model and parameters – Inherently complex models are used to measure expected credit losses. Modelled parameters have numerous inputs and the parameter estimation involves many judgements and assumptions;
- Forward-looking information – Expert judgement is used to create macroeconomic forecasts and to consider the impact on expected credit losses under multiple economic scenarios given different weights; and
- Individual impairment assessment – Identifying credit impaired loans requires consideration of a range of factors, and individual impairment assessments are dependent upon estimates of future cash flows.

We evaluated and tested the effectiveness of design and implementation of key controls related to the credit approval process, post approval credit management, loan rating system, collateral monitoring and loan impairment assessment, including relevant data quality and information systems.

We adopted a risk-based sampling approach in our loan review procedures and financial investments at amortised cost. We assessed the debtors' repayment capacity and evaluated the Group's loan grading and financial investments at amortised cost, taking into consideration post-lending investigation reports, debtors' financial information, collateral valuation reports and other available information.

With the support of our internal credit risk modelling experts, we evaluated and tested the important parameters of the expected credit loss model, management's major judgements and related assumptions, mainly focusing on the following aspects:

1. Expected credit loss model:

- Assessed the reasonableness of the expected credit loss model methodology and related parameters, including probability of default, loss given default, risk exposure, and any significant increase in credit risk;
- Assessed the forward-looking information management used to determine expected credit losses, including the forecasts of macroeconomic variables and the assumption of multiple macroeconomic scenarios;

Chapter XII Financial Report

Independent Auditor's Report

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of loans and advances to customers and financial investments at amortised cost (Continued)

Since loan impairment assessment involved many judgements and assumptions, and in view of the significance of the amount (as at 31 December 2021, net loans and advances to customers amounted to RMB628.31 billion, representing 45.42% of the total assets; financial investments at amortised cost amounted to RMB302.31 billion, representing 21.85% of total assets; loan impairment amounted to RMB27.92 billion, and allowance for impairment losses on financial investments at amortised cost amounted RMB13.88 billion), impairment of loans and advances and financial investments at amortised cost was considered a key audit matter.

Relevant disclosures are included in Note 4, Note 23, Note 24, Note 52.1.5 and Note 52.1.6 to the consolidated financial statements.

- Evaluated the models and the related assumptions used in individual impairment assessment and analysed the amount, timing and likelihood of management's estimated future cash flows, especially cash flows from collateral.
2. Design and operating effectiveness of key controls:
- Evaluated and tested the data and processes used to determine expected credit losses, including loan business data, internal credit rating data, macroeconomic data, computational logic of impairment procedures, as well as data inputs;
 - Evaluated and tested key controls over the expected credit loss models, including approval of model changes, ongoing monitoring model performance, model validation and parameter calibration.

Chapter XII Financial Report Independent Auditor's Report

Key audit matter

How our audit addressed the key audit matter

Consolidation of structured entities assessment

The Group has established various structured entities, such as bank wealth management products, funds, trust plans, in conducting asset management business and investments. The Group determines whether or not to consolidate these structured entities based on the assessment of whether the Group has control over them through taking into consideration the power arising from rights, variable returns, and the link between power and returns.

The assessment of the Group's control over structured entities involves significant judgement and estimation such as the purpose and design of structured entities, its ability to direct relevant activities, interests it holds directly or indirectly, the performance fee obtained, profit and the exposure to loss from providing credit enhancement or liquidity support, etc.

As at 31 December 2021, the carrying value of unconsolidated wealth management products managed by the Group was RMB225.23 billion, and the carrying value of investments in unconsolidated structured entities invested by the Group was RMB261.87 billion. Due to the significance of the unconsolidated structured entities and the complexity of judgement exercised by management, consolidation assessment of structured entities was considered a key audit matter.

Relevant disclosures are included in Note 4 and Note 47 to the consolidated financial statements.

We assessed and tested the design and operating effectiveness of the key controls relating to the Group's assessment of whether it controls a structured entity.

We assessed the Group's analysis and conclusions on whether or not it controls structured entities by reviewing the relevant term sheets to analyse whether the Group has the obligation to absorb any loss of structured entities, as well as the Group's analysis on its power over structured entities, the magnitude and variability of variable returns from its involvement with structured entities. We also assessed whether the Group had provided liquidity support or credit enhancement to structured entities, as well as fairness of transactions between the Group and structured entities.

Chapter XII Financial Report

Independent Auditor's Report

OTHER INFORMATION INCLUDED IN THE BANK'S 2021 ANNUAL REPORT

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Bank are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Bank either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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.

Chapter XII Financial Report Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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.

Chapter XII Financial Report

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Choi Kam Cheong, Geoffrey.

Ernst & Young

Certified Public Accountants

Hong Kong

30 March 2022

Consolidated Income Statement

For the year ended 31 December 2021

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

	Note	2021	2020
Interest income	7	57,113,918	51,309,959
Interest expense	7	(30,257,466)	(25,557,758)
Net interest income		26,856,452	25,752,201
Fee and commission income	8	4,840,731	3,963,023
Fee and commission expense	8	(410,137)	(346,478)
Net fee and commission income		4,430,594	3,616,545
Net trading gains	9	2,984,094	2,496,536
Net gains on financial investments	10	910,383	169,099
Dividend income		2,080	1,440
Other operating income, net	11	330,801	254,577
Operating income		35,514,404	32,290,398
Operating expenses	12	(8,684,416)	(7,654,324)
Impairment losses on credits	15	(13,551,546)	(12,258,771)
Impairment losses on assets		3,629	61,911
Operating profit		13,282,071	12,439,214
Investments in associates		255,246	(356,518)
Profit before income tax		13,537,317	12,082,696
Income tax expense	16	(1,752,120)	(2,161,316)
Profit for the year		11,785,197	9,921,380
Attributable to:			
Equity holders of the Bank		11,460,383	9,569,720
Non-controlling interests		324,814	351,660
		11,785,197	9,921,380
Earnings per share attributable to the ordinary shareholders of the Bank (expressed in RMB per share)			
Basic/Diluted	17	0.76	0.72

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

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

	Note	2021	2020
Profit for the year		11,785,197	9,921,380
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
– Net gains on investments in equity instruments designated at fair value through other comprehensive income	42	(9,397)	53,888
Less: associated impact of income tax	42	2,350	(13,472)
Subtotal		(7,047)	40,416
Items that may be reclassified subsequently to profit or loss			
– Net gains on investments in debt instruments measured at fair value through other comprehensive income	42	780,253	(1,221,217)
Less: associated impact of income tax	42	(195,064)	305,304
Subtotal		585,189	(915,913)
Other comprehensive income for the year, net of tax		578,142	(875,497)
Total comprehensive income for the year		12,363,339	9,045,883
Attributable to:			
Equity holders of the Bank		12,038,525	8,694,223
Non-controlling interests		324,814	351,660
		12,363,339	9,045,883

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2021

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

	Note	As at 31 December 2021	As at 31 December 2020
Assets			
Cash and balances with central bank	18	81,330,606	98,384,201
Deposits with banks and other financial institutions	19	12,745,121	11,298,071
Precious metals		–	2,396,872
Placements with banks and other financial institutions	20	15,041,312	5,276,712
Derivative financial assets	21	156,757	137,998
Financial assets held under resale agreements	22	5,452,455	249,376
Loans and advances to customers, net	23	628,305,698	553,399,162
Financial Investments			
– Financial assets at fair value through profit or loss	24	122,968,563	123,050,846
– Financial assets at fair value through other comprehensive income	24	117,929,879	120,566,048
– Financial assets at amortised cost	24	302,310,067	266,910,064
Investments in associates	25	4,715,591	4,474,260
Property, plant and equipment	26	4,702,588	4,638,273
Right-of-use assets	27	1,130,297	1,168,912
Goodwill	29	14,567,826	14,567,826
Deferred income tax assets	38	12,617,628	9,727,450
Finance lease receivables	28	54,015,776	49,053,964
Other assets	30	5,671,667	6,400,663
Total assets		1,383,661,831	1,271,700,698
Liabilities			
Borrowings from central bank		65,380,361	69,583,283
Deposits from banks and other financial institutions	32	136,985,139	93,589,884
Placements from banks and other financial institutions	33	43,224,695	35,294,576
Derivative financial liabilities	21	150,616	140,781
Financial assets sold under repurchase agreements	34	38,498,769	40,399,371
Deposits from customers	35	783,813,391	726,742,778
Taxes payable	36	3,827,948	2,628,242
Debt securities issued	39	182,887,991	180,635,695
Other liabilities	37	17,377,270	17,013,449
Total liabilities		1,272,146,180	1,166,028,059
Equity			
Share capital	40	13,889,801	13,889,801
Other equity instruments	40	9,999,811	15,989,901
Capital reserve	40	15,230,704	14,919,197
Surplus reserves	41	15,180,759	13,234,045
General reserves	41	13,531,015	12,295,832
Other comprehensive income	42	1,527,772	949,630
Retained earnings		39,204,123	31,762,661
Equity attributable to shareholders of the bank		108,563,985	103,041,067
Non-controlling interests		2,951,666	2,631,572
Total equity		111,515,651	105,672,639
Total equity and liabilities		1,383,661,831	1,271,700,698

The accompanying notes form an integral part of these consolidated financial statements.

Yan Chen

Chairman

Zhang Renfu

President

Li Dawei

Financial Controller

Fang Lixin

Head of Finance Department

Approved and authorized for issue by the Board of Directors on 30 March 2022.

Consolidated Statement of Changes In Equity

For the year ended 31 December 2021

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

	Equity attributable to shareholders of the Bank								Total equity
	Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Other comprehensive income	Retained earnings	Non-controlling interests	
	Note 40	Note 40	Note 40	Note 41	Note 41	Note 42			
As at 1 January 2021	13,889,801	15,989,901	14,919,197	13,234,045	12,295,832	949,630	31,762,661	2,631,572	105,672,639
(1) Comprehensive income									
Profit for the year	-	-	-	-	-	-	11,460,383	324,814	11,785,197
Fair value changes through other comprehensive income	-	-	-	-	-	454,905	-	-	454,905
Asset impairment through other comprehensive income	-	-	-	-	-	123,237	-	-	123,237
Total comprehensive income for the year						578,142	11,460,383	324,814	12,363,339
(2) Profit distribution									
Dividends	-	-	-	-	-	-	(837,024)	(4,720)	(841,744)
Additional capital stock	-	-	-	-	-	-	-	-	-
Appropriation to surplus reserve	-	-	-	1,946,714	-	-	(1,946,714)	-	-
Appropriation to general reserve	-	-	-	-	1,235,183	-	(1,235,183)	-	-
(3) Changes in share capital									
Capital contribution and reduction by other equity instruments holders	-	(5,990,090)	311,507	-	-	-	-	-	(5,678,583)
As at 31 December 2021	13,889,801	9,999,811	15,230,704	15,180,759	13,531,015	1,527,772	39,204,123	2,951,666	111,515,651
As at 1 January 2020	12,154,801	15,989,901	6,760,445	11,365,283	11,115,027	1,825,127	27,998,413	2,284,632	89,493,629
(1) Comprehensive income									
Profit for the year	-	-	-	-	-	-	9,569,720	351,660	9,921,380
Fair value changes through other comprehensive income	-	-	-	-	-	(615,476)	-	-	(615,476)
Asset impairment through other comprehensive income	-	-	-	-	-	(260,021)	-	-	(260,021)
Total comprehensive income for the year						(875,497)	9,569,720	351,660	9,045,883
(2) Profit distribution									
Dividends	-	-	-	-	-	-	(2,755,905)	(4,720)	(2,760,625)
Additional capital stock	1,735,000	-	8,158,752	-	-	-	-	-	9,893,752
Perpetual bonds issued	-	-	-	-	-	-	-	-	-
Appropriation to surplus reserve	-	-	-	1,868,762	-	-	(1,868,762)	-	-
Appropriation to general reserve	-	-	-	-	1,180,805	-	(1,180,805)	-	-
As at 31 December 2020	13,889,801	15,989,901	14,919,197	13,234,045	12,295,832	949,630	31,762,661	2,631,572	105,672,639

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

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

	2021	2020
Cash flows from operating activities:		
Profit before income tax	13,537,317	12,082,696
Adjustments:		
Credit losses on assets	13,551,546	12,258,771
Impairment losses on assets	(3,629)	(61,911)
Recovery of loans written off	853,762	860,902
Recovery of Financial assets held under resale agreements written off	2,000	–
Depreciation and amortization	999,313	842,314
Net losses on disposals of property, plant and equipment	12,636	150,724
Net gains on de-recognition of investment securities	(910,382)	(169,099)
Fair value changes in financial assets at fair value through profit or loss and derivatives	172,789	61,832
Share of results of associates	(255,246)	356,518
Dividend income	(2,080)	(1,440)
Interest income from investment securities	(18,663,168)	(18,388,771)
Interest expense from lease liabilities	300,431	147,142
Interest expense from debt securities issued	5,397,269	5,536,641
Net changes in operating assets:		
Net (increase)/decrease in balances with central bank	5,675,674	(8,943,097)
Net decrease/(increase) in deposits and placements with banks and other financial institutions	(8,820,380)	1,488,633
Net increase/(decrease) in financial assets at fair value through profit or loss	25,893,016	(15,444,951)
Net (increase)/decrease in financial assets held under resale agreements	(5,217,668)	28,475,352
Net increase in loans and advances to customers	(84,425,272)	(90,933,040)
Net increase in finance lease receivables	(5,944,471)	(6,221,338)
Net (increase)/decrease in other assets	(5,526,745)	354,839
Net changes in operating liabilities:		
Net increase/(decrease) in deposits and placements from banks and other financial institutions	50,601,364	(27,561,862)
Net (decrease)/increase in borrowings from central bank	(4,182,566)	29,158,318
Net decrease in financial assets sold under repurchase agreements	(1,893,473)	(9,783,785)
Net increase in deposits from customers	55,714,560	89,297,547
Net increase in other liabilities	4,075,470	7,666,062
Income taxes paid	(3,825,778)	(4,094,816)
Net cash flows from/operating activities	37,116,289	7,134,181

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

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

	2021	2020
Cash flows from investing activities:		
Dividends received	2,080	1,440
Proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets	30	922
Purchase of property, plant and equipment, intangible assets and other long-term assets	(820,849)	(968,423)
Cash received from interest income on investment securities	18,825,475	18,444,402
Cash received from sale and redemption of investment securities	112,204,824	140,505,021
Cash paid for acquisition	–	(26,930,515)
Cash paid on additional subsidiaries and affiliates	–	(3,600,000)
Purchase of investment securities	(166,401,494)	(137,250,122)
Net cash flows from investing activities	(36,189,934)	(9,797,275)
Cash flows from financing activities:		
Proceeds from issuance of debt securities	248,760,000	257,680,000
Cash paid for redemption of preference shares	(5,678,583)	–
Cash received from investment	–	9,893,752
Dividends and interests paid on debt issued	(5,786,503)	(7,159,680)
Cash paid relating to lease liabilities	(485,205)	(379,182)
Cash paid relating to debt repayment	(246,226,007)	(260,437,563)
Net cash flows from financing activities	(9,416,298)	(402,673)
Impact on cash and cash equivalents resulting from exchange rate changes	(437,468)	(235,036)
Net decrease in cash and cash equivalents	(8,927,411)	(3,300,803)
Cash and cash equivalents at beginning of year	42,395,379	45,696,182
Cash and cash equivalents at end of year (Note 48)	33,467,968	42,395,379

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

1 GENERAL INFORMATION

Huishang Bank Corporation Limited (the “Bank”) is a joint stock commercial bank registered in Anhui Province, the People’s Republic of China (the “PRC”). The Bank was formerly known as Hefei City Cooperatives Bank, which was established on 4 April 1997, and was renamed as Hefei Commercial Bank Co., Ltd. on 28 July 1998. The Bank was further renamed as Huishang Bank Corporation Limited on 30 November 2005 with the approval of the general office of the former China Banking Regulatory Commission (“CBRC”) Anhui Branch. As approved by CBRC Anhui Branch, the Bank acquired five former city commercial banks in Wuhu, Ma’ anshan, Anqing, Huaibei and Bengbu and seven city credit cooperatives in Lu’an, Huainan, Tongling and Fuyang Technology, Fuyang Xinying, Fuyang Yinhe and Fuyang Jinda on 28 December 2005. The Bank holds the financial institution licence B0162H234010001 from CBRC Anhui Branch and the business licence of legal enterprise with unified social credit code No. 913400001489746613. The registered address of the Bank is Huishang Bank Building, No. 1699 Yungu Road, Hefei, China. In November 2013, the Bank’s H shares were listed on the Hong Kong Stock Exchange (Stock Code: 3698). As at 31 December 2021, the registered and paid-in capital of the Bank was RMB13.89 billion.

The principal activities of the Bank and its subsidiaries (collectively, the “Group”) include Renminbi (“RMB”) and foreign currency deposits, loans, clearing and settlement services, asset custody services, finance leasing services, asset management and the provision of services as approved by the respective regulators.

Information of the Bank’s subsidiaries:

Company name	Place of incorporation and operation	Date of Incorporation	Principal activity	Registered capital	Equity held	Legal category
Jinzhai Huiyin Village and Township Bank Co., Ltd.(a)	Mainland China	2013/06/28	Financial services	80,000	41%	Limited liability company
Wuwei Huiyin Village and Township Bank Co., Ltd.(b)	Mainland China	2010/08/08	Financial services	100,000	40%	Limited liability company
Huiyin Financial Leasing Co.,Ltd.(c)	Mainland China	2015/04/29	Financial services	3,000,000	54%	Limited liability company
Huiyin Wealth Management Co., Ltd.,(d)	Mainland China	2020/04/26	Financial services	2,000,000	100%	Limited liability company

- (a) The Bank invested 41% of the total capital contribution to establish Jinzhai Huiyin Village and Township Bank Co., Ltd. (“Jinzhai Huiyin”) on 28 June 2013. The Bank and the other three shareholders who invested a total 30% of the capital contribution signed the Acting in Concert Agreement. These shareholders agreed to act in concert with the Bank when voting for material decisions regarding financial and operation policies. The Bank has control over Jinzhai Huiyin and has consolidated it.

In May 2017, one of the three shareholders who signed the Acting in Concert Agreement transferred its stake to external shareholders, and its Acting in Concert Agreement expired. The Bank and the two remaining shareholders who signed the Acting in Concert Agreement are persons acting in concert, these shareholders agreed to act in concert with the Bank when voting for material decisions regarding financial and operating policies. The Bank has control over Jinzhai Huiyin, so the Bank consolidates Jinzhai Huiyin.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

1 GENERAL INFORMATION (CONTINUED)

- (b) The Bank established Wuwei Huiyin Village and Township Bank Co., Ltd. (“Wuwei Huiyin”) in 2010. The registered capital of Wuwei Huiyin is RMB0.1 billion. The Group invested RMB40 million, which is accounted for 40%. Wuwei Huiyin officially commenced its business on 8 August 2010 with the approval of the CBRC. Although the Bank has no absolute controlling interest in Wuwei Huiyin, the company’s operating activities in four years after its incorporation indicated that the Bank has a dominant position and control over its operating and financing activities of Wuwei Huiyin by taking into full account various factors. The Bank consolidated Wuwei Huiyin from 31 December 2014.
- (c) The Bank invested 51% to establish Huiyin Financial Leasing Co., Ltd. on 29 April 2015. The Bank has control over Huiyin Financial Leasing Co., Ltd. and consolidates it. In March 2018, the Bank invested RMB687 million to participate in the capital increase and expansion of Huiyin Financial Leasing Co., Ltd., the registered capital of Huiyin Financial Leasing Co., Ltd. increased from RMB2 billion to RMB3 billion, and the Bank’s shareholding ratio increased to 54%.
- (d) The Bank invested RMB2 billion on 26 April 2020 to establish Huiyin Wealth Management Co., Ltd., which was included in the consolidated financial statements because it has 100% control.

These consolidated financial statements have been approved by the Board of Directors on 30 March 2022.

2 BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to the reporting period presented unless otherwise stated.

2.1 Basis of preparation and critical accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and interpretations promulgated by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. All IFRSs effective for the accounting period commencing from 1 January 2021, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the financial statements throughout the reporting period.

Financial assets at fair value through profit or loss (including derivative financial instruments), financial assets and financial liabilities at fair value through other comprehensive income are measured at their fair values in the consolidated financial statements. Assets held for sale are measured at the lower of their fair value less estimated costs and the carrying amount when the conditions for sale are met. Other accounting items are measured at their historical costs. Impairment is recognised if there is objective evidence of impairment of assets. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

2 BASIS OF PREPARATION (CONTINUED)

2.1 Basis of preparation and critical accounting policies (Continued)

2.1.1 Standards, amendments and interpretations effective in 2021

On 1 January 2021, the Group adopted the following standards, amendments and interpretations.

The Group has adopted the following amendments for the first time for the current year.

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments	Interest Rate Benchmark Reform: Phase 2
IFRS 16 Amendment	COVID-19-Related Rent Concessions beyond 30 June 2021

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendment) are designed to address accounting issues arising from the transition of financial instruments that reference interbank offered rates to an approximate risk-free rate. The amendment includes a practical variation on contract modifications, allowing companies to treat changes in cash flow as floating rate changes as a result of contract changes or changes in cash flow as a direct result of the benchmark reform. The amendment also allows hedging relationships not to be terminated as a result of changes made to the IFRS 9 and IAS 39 in the hedging documentation. In addition, IFRS 9 and IAS 39 require that the risk component (or a designated component) be “individually identifiable”, and when a risk-free interest rate instrument is designated as a risk component for hedging, the amendment provisionally provides an exemption for the subject to meet the individually identifiable requirement. The subject is required to disclose the risks arising from the reform and the management measures for the transition to an alternative base rate.

The adoption of the above amendments does not have a significant impact on the Group’s consolidated financial statements.

Except for those described above, the significant accounting policies adopted by the Group for the annual financial statements are consistent with those applied in the preparation of the Group’s annual financial statements for the year ended 31 December 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

2.1 Basis of preparation and critical accounting policies (Continued)

2.1.2 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2021

		Effective for annual periods beginning on or after
IFRS 3 Amendments	Reference to the Conceptual Framework	1 January 2022
IAS 16 Amendments	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
IAS 37 Amendments	Onerous Contracts – Costs of Fulfilling a Contract	1 January 2022
IAS 1 Amendments	Classification of Liabilities as Current or Non-current	1 January 2023
IAS 1 and IFRS Practice Statement 2 Amendments	Disclosure of Accounting Policies	1 January 2023
IAS 8 Amendments	Definition of Accounting Estimates	1 January 2023
IAS 12 Amendments	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 10 and IAS 28 Amendments	“Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Effective date has been deferred indefinitely
Annual Improvements to IFRS standard 2018-2020 (issued in May 2020)		1 January 2022

IFRS 3 Amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

IAS 16 (Amendment) prohibits an entity from deducting from the cost of real estate, site and equipment the proceeds from the sale of such assets in the course of transporting them to a designated location and to a condition expected by management to be usable. Instead, entities record the proceeds from the sale of these assets and the cost of production as profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

2.1 Basis of preparation and critical accounting policies (Continued)

2.1.2 **Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2021** (Continued)

IAS 37 (Amendment) aims to clarify the costs that entities are required to include when assessing a contract as a loss. The revision uses the “directly related cost method”. Costs directly associated with contracts for the provision of goods or services include both incremental costs and cost-sharing directly associated with contractual activities. General administrative costs are not directly related to the contract and should not be included unless the contract expressly states that such costs are to be charged to the counterparty.

IAS 1 (Amendment) aims to clarify the requirements for classifying liabilities as current or non-current. The amendment clarifies the meaning of deferred liquidation rights by requiring that deferred liquidation rights must exist at the end of the reporting period and that the classification of liabilities is not affected by the possibility of the subject exercising its deferred liquidation rights. Moreover, only if the embedded derivative in a convertible bond is itself an equity instrument will the terms of the liability not affect its classification.

IAS 1 and IFRS Practice Notice No.2 (Amendment) provide guidance for subjects to apply materiality judgments to accounting policy disclosures. The revision requires the subject to disclose its “material” accounting policies instead of “material” accounting policies, and provides an example for how the subject applies the concept of materiality in accounting policy disclosure.

IAS 8 (Amendment) introduces a new definition of “accounting estimates”. The revision aims to clarify the differences between changes in accounting estimates, changes in accounting policies and correction of errors.

Amendments to IAS 12 introduce an exception to the initial recognition exemption in IAS 12 for deferred tax assets and deferred tax liabilities, and clarify the accounting treatment method of deferred income tax for right-of-use assets and lease liabilities, and decommissioning obligations.

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

2.1 Basis of preparation and critical accounting policies (Continued)

2.1.2 *Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2021 (Continued)*

Annual Improvements to IFRS standard 2018-2020 were released in May 2020. The amendment to IFRS No. 9 – Financial instruments clarifies the expense to be taken into account in performing the “10%” test for the termination of recognition of financial liabilities when the subject assesses whether the terms of the new or amended financial liability differ materially from those of the original financial liability. These fees include only fees paid or received between the Borrower and the Lender, including fees paid or received by the Borrower or the Lender on behalf of the other. The amendment to lease incentives removes IFRS No. 16 -- the description of payments made by the lessor in relation to lease incentives item in Example 13 attached to the IFRS No. 16 to address potential confusion regarding the accounting treatment of lease incentives in the application of IFRS No. 16.

The above standards and amendments have no material impact on consolidated financial statements.

3 CRITICAL ACCOUNTING POLICIES

3.1 Business Combinations

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. If there is any indication that goodwill is impaired, recoverable amount is estimated and the difference between carrying amount and recoverable amount is recognised as an impairment charge. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.2 Subsidiaries

Subsidiaries are all entities (including corporates, divided parts of associates and joint ventures, and structured entities controlled by corporates) over which the Group has control. That is the Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible and rights arising from other contractual arrangements are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. If the changes of the relevant facts and circumstances resulting in the definition of control involved in the changes of relevant elements, the Group will re-evaluate whether subsidiaries are controlled.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Bank's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments, but does not include acquisition-related costs, which are expensed as incurred. The dividends or profits declared to distribute by the invested entity shall be recognised by the Bank as the current investment income from subsidiaries. The Group assesses at each financial reporting date whether there is objective evidence that investments in subsidiaries are impaired. An impairment loss is recognised for the amount by which the investments in subsidiaries' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the investments in subsidiaries' fair value less costs to sell and value in use.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income are reclassified to the income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.3 Associates

Associates are all entities over which the Group has significant influence but no control or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights.

Joint ventures exist where the Group has a contractual arrangement with one or more parties to undertake economic activities which are subject to joint control.

Investments in associates are initially recognised at cost and are accounted for using the equity method of accounting. The Group's "Investments in associates" includes goodwill.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of associates and have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group assesses at each financial reporting date whether there is objective evidence that investments in associates and joint ventures are impaired. Impairment losses are recognised for the amounts by which the investments in associates and joint ventures' carrying amounts exceed its recoverable amounts. The recoverable amounts are the higher of investments in associates and joint ventures' fair value less costs to sell and value in use.

3.4 Foreign currency translations

The consolidated financial statements of the Group are presented in RMB, being the functional and presentation currency of the Bank and its subsidiaries.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or the exchange rates that approximate the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rates ruling at that date. Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in other comprehensive income. Translation differences on all other monetary assets and liabilities are recognised in the income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.4 Foreign currency translations (Continued)

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 a foreign currency are translated using the exchange rates as at the date when the fair value is determined. Translation differences on non-monetary financial assets at fair value through other comprehensive income are recognised in other comprehensive income. Translation differences on non-monetary financial assets and financial liabilities at fair value through profit or loss are recognised in exchange gains of the income statement.

3.5 Cash and cash equivalents

Cash and cash equivalents refer to short term 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 comprise cash, unrestricted balances with the central bank, amounts due from banks and other financial institutions and reverse repurchase agreements with original maturity of less than three months.

3.6 Financial instruments

3.6.1 Initial recognition and measurement

An entity shall recognise a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument, which is the trade date.

At initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. For a financial asset or financial liability at fair value through profit or loss, transaction costs are directly recognised in profit or loss.

The fair value of a financial instrument at initial recognition is normally the transaction price. If an entity determines that the fair value at initial recognition differs from the transaction price, and if that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, the entity shall recognise the difference between the fair value at initial recognition and the transaction price as a gain or loss.

Notes to the Consolidated Financial Statements

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3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (Continued)

3.6.2 Classification and subsequent measurement

3.6.2.1 Financial assets

An entity shall classify financial assets as at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

- (a) the entity's business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

Business models

An entity's business model refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. If financial assets are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the business model for the financial assets is 'other'. The entity's assessment of the business model is performed on a financial asset portfolio basis, and determined on a reasonable expected scenario, taking into account: how to generate cash flows in the past, how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and how managers of the business are compensated.

The contractual cash flow characteristics

The assessment of contractual cash flow characteristics is to identify whether the cash flows are solely payments of principal and interest on the principal amount outstanding. Principal is the fair value of the financial asset at initial recognition. However, that principal amount may change over the life of the financial asset (for example, if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

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For the year ended 31 December 2021
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3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (Continued)

3.6.2 Classification and subsequent measurement (Continued)

3.6.2.1 Financial assets (Continued)

(1) Financial assets at amortised cost

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets that the Group hold mainly include loans and advances to customers, cash and due from banks and other financial institutions, Placements with and loans to banks and other financial institutions and debt securities, and are subsequently measured at amortised cost.

The amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that the initial amount and the maturity amount and adjusted for any loss allowance.

(2) Financial assets at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (Continued)

3.6.2 Classification and subsequent measurement (Continued)

3.6.2.1 Financial assets (Continued)

(2) Financial assets at fair value through other comprehensive income (Continued)

Such financial assets that the Group hold mainly include bills discounted and debt securities, and are subsequently measured at fair value. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Expected credit losses of such financial assets shall be recognised in other comprehensive income. The impairment gain or loss shall not adjust the carrying amount of such financial assets and be recognised in profit or loss.

(3) Financial assets at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, which includes financial assets held for trading, financial assets designated as at fair value through profit or loss and other financial assets at fair value through profit or loss in accordance with IFRS.

Such financial assets that the Group hold mainly include debt securities and fund investments, and are subsequently measured at fair value. A gain or loss on a financial asset that is measured at fair value shall be recognised in profit or loss unless it is part of a hedging relationship. Qualified dividends generated by such equity instruments, which the Group is entitled to collect, shall be recognised in the income statement.

(4) Equity instruments

The Group may, at initial recognition, irrevocably designate an equity instrument except trading equity instrument as financial asset measured at fair value through other comprehensive income when it meets the definition of equity instruments under IAS 32 Financial Instruments: Presentation. When the equity instrument is derecognised, the cumulative gain or loss previously recognised in other comprehensive income shall be reclassified from other comprehensive income to undistributed profits under equity. Qualified dividends generated by such equity instruments, which the Group is entitled to collect, shall be recognised in the income statement. Such equity instruments do not recognise impairment losses.

Only if the Group changes the business model for financial assets, the Group shall reclassify the affected financial assets. The reclassification shall be effective from the first day of the first reporting period after the change of its business model.

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For the year ended 31 December 2021
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3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (Continued)

3.6.2 Classification and subsequent measurement (Continued)

3.6.2.2 Financial liabilities

An entity shall classify all financial liabilities as subsequently measured at amortised cost, except for:

- (a) financial liabilities at fair value through profit or loss. Such liabilities, including financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.
- (b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
- (c) Financial guarantee contracts and loan commitments which rates are lower than market's.

Such financial liabilities measured at amortised cost that the Group hold mainly include due to customers, placements from banks and other financial institutions and bonds issued and are subsequently measured at amortised cost.

Such financial liabilities at fair value through profit or loss that the Group hold mainly include Interbank certificates of deposit issued and rental of precious metal and are subsequently measured at fair value. A gain or loss on a financial asset or financial liability that is measured at fair value shall be recognised in profit or loss unless:

- (a) it is part of a hedging relationship;
- (b) it is a financial liability designated as at fair value through profit or loss and the entity is required to present the effects of changes in the liability's credit risk in other comprehensive income; When the financial liability is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from the other comprehensive income to undistributed profits under equity.

An entity shall not reclassify any financial liability.

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For the year ended 31 December 2021
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3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (Continued)

3.6.2 Classification and subsequent measurement (Continued)

3.6.2.3 Financial assets and financial liabilities held for trading

An entity shall classify financial assets or liabilities as financial assets or financial liabilities held for trading if one of the following conditions are met:

A financial asset or financial liability that:

- (a) is acquired or incurred principally for the purpose of selling or repurchasing in the near term; or
- (b) 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
- (c) is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

3.6.2.4 Financial assets and financial liabilities designated as at fair value through profit or loss

An entity may, at initial recognition, irrevocably designate a financial instrument as measured at fair value through profit or loss when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- (b) a Group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel; or
- (c) if a contract contains one or more embedded derivatives unless the embedded derivative(s) do(es) not significantly modify the cash flows that otherwise would be required by the contract; or separation of the embedded derivative(s) is prohibited.

According to the above conditions, the financial assets and financial liabilities designated by the Group mainly include debt securities, due to and placements from banks and other financial institutions and bonds issued valued at fair value.

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For the year ended 31 December 2021
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3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (Continued)

3.6.3 Financial guarantees and loan commitments

Financial guarantee contracts are contracts that require 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 terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies to secure customer loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised at fair value on the date the guarantees were given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement less amortisation calculated and the expenditure determined by the expected credit loss model that is required to settle any financial obligation arising at the financial reporting date, and any increase in the liability relating to guarantees is taken to the income statement.

Loan commitment is a commitment provided by the Group to the customers to grant loans under the established contract terms during certain period. The Group generally shall not commit to issuing loans with an interest rate lower than market or providing customers with a loan commitment to pay cash or to settle on a net basis through delivery or issuance of other financial instruments. The impairment losses on loan commitments are measured using the expected credit loss model. The Group discloses the impairment allowances for financial guarantee contracts and loan commitments in the contingent "Provision".

3.6.4 Determination of fair value

The 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. The fair values of quoted financial assets and financial liabilities in active markets are based on current bid prices and ask prices, as appropriate. If there is no active market, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and option pricing models, and other valuation techniques commonly used by market participants.

The Group uses the valuation techniques commonly used by market participants to price financial instruments and techniques which have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. The Group makes use of all factors that market participants would consider in setting a price, and incorporates these into its chosen valuation techniques and tests for validity using prices from any observable current market transactions in the same instruments.

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3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (Continued)

3.6.5 De-recognition of financial instruments

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired, or when the Group has transferred substantially all risks and rewards of ownership, or when the Group neither transfers nor retains substantially all risks or rewards of ownership of the financial asset but has not retained control of the financial asset.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in equity through other comprehensive income is recognised in the income statement.

Financial liabilities are de-recognised when they are extinguished — that is, when the obligation is discharged, cancelled or expires. The difference between the carrying amount of a financial liability de-recognised and the consideration paid is recognised in the income statement.

3.6.6 Impairment measurement for losses on assets

On the financial reporting date, the Group evaluates and confirms the relevant impairment provisions for financial assets measured at amortised cost, measured at fair value with changes taken to other comprehensive income, and loan commitments and financial guarantee contracts on the basis of anticipated credit losses. See Note 52.1 for specific information.

3.6.7 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, the Group has a legally enforceable right to offset such amounts with the same counterparty and an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.7 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow analysis and option pricing models, as appropriate. The Group adjusts to credit risk of over-the-counter derivatives to reflect credit risk of counterparties and the Group itself. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.8 Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the hybrid (combined) instrument vary in a way similar to a stand-alone derivative.

If a hybrid contract contains a host that is an asset within the scope of this Standard, the Group applies the requirements of classification and measurement to the entire hybrid contract. If a hybrid contract contains a host that is not an asset within the scope of this Standard, the Group separates embedded derivatives from the host contract and accounts for these as derivatives, if, and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in the income statement.

These embedded derivatives separated from the host contract are measured at fair value with changes in fair value recognised in the income statement.

The Group will regard entire hybrid instrument which cannot be separately measured initially, or subsequently as financial assets or financial liabilities recognized at fair value in profit or loss.

3.9 Precious metals and precious metals swaps

Precious metals comprise gold, silver and other precious metals. The Group retains all risks and rewards of ownership related to precious metals deposited with the Group as precious metals deposits, including the right to freely pledge or transfer, and it records the precious metals received as an asset. A liability to return the amount of precious metals deposited is also recognised. Precious metals that are not related to the Group's precious metal market making and trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals that are related to the Group's market making and trading activities are initially recognised at fair value and subsequent changes in fair value included in "Net trading gains" are recognised in the income statement.

Consistent with the substance of the transaction, if the precious metal swaps are for financing purposes, they are accounted for as precious metals subject to collateral agreements. Precious metals collateralised are not de-recognised and the related counterparty liability is recorded in "Placements from banks and other financial institutions". If precious metal swaps are for trading purposes, they are accounted for as derivative transactions.

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3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.10 Repurchase and reverse repurchase transactions

Repurchase financial assets refer to the funds leased out from the financial assets which are purchased by the Group under agreements and sold at a fixed price. Reverse repurchase financial assets refer to the funds arise from the financial assets which are sold by the Group under agreements and repurchased at a fixed price. The actual payments or cash received in repurchase and reverse repurchase transactions are recognized in consolidated statement of financial position. The target assets purchased in repurchase transactions are not recognized; the target assets sold in reverse repurchase transactions are recognized in consolidated statement of financial position.

The difference between purchase and sale price is recognised as “Interest expense” or “Interest income” in the income statement over the life of the agreements using the effective interest method.

3.11 Property, plant and equipment

Fixed assets refer to the tangible assets held by the Group for business management and whose useful life exceeds one fiscal year. Construction in progress refers to the houses, buildings, machinery and equipment that are under construction or being installed, and when they are ready for their intended use, they are transferred to the corresponding fixed assets.

(a) *Cost of fixed assets*

Fixed assets are initially recognized at cost. The cost of purchased fixed assets includes the purchase price, related taxes and fees, and the costs attributable to the asset before the asset is ready for its intended use. The cost of self-constructed fixed assets consists of the necessary expenses incurred before the construction of the asset reaches its intended usable condition.

Subsequent expenses for fixed assets, including expenses related to the replacement of a component of fixed assets, are included in the cost of fixed assets when the conditions for recognition of fixed assets are met; at the same time, the carrying amount of the replaced portion is deducted. Expenditure related to the routine maintenance of fixed assets is recognized in profit or loss when incurred.

(b) *Depreciation and impairment of fixed assets*

The Group’s amount of the original asset’s estimated net residual value (if any) is depreciated on the straight-line method over the estimated useful lives of the assets and is recognized in profit or loss. For fixed assets that have been withdrawn for impairment, the accumulated amount of provision for impairment of fixed assets is deducted when depreciation is provided. Construction in progress is not depreciated.

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3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.11 Property, plant and equipment (Continued)

(b) Depreciation and impairment of fixed assets (Continued)

The estimated useful lives, depreciation rates and estimated residual value rate of fixed assets are as follows:

	Estimated useful lives	Estimated residual value rate	Annual depreciation rate
Buildings	20 years	3%	4.85%
Motor vehicles	5 years	3%	19.40%
Equipment	3-10 years	3%	9.70%-32.33%

The residual values and useful lives of assets are reviewed at least annually.

The impairment of the Group's fixed assets is treated in accordance with the accounting policy in Note 3.14.

(c) Disposal of fixed assets

The gain or loss arising from the retirement or disposal of the fixed assets is the difference between the net disposal proceeds and the carrying amount of the assets and is recognized in profit or loss on the date of retirement or disposal.

(d) Construction in progress

The cost of construction in progress is determined based on actual project expenditure, including all necessary engineering expenses incurred during construction and other related expenses.

Construction in progress is transferred to fixed assets when it is ready for its intended use.

3.12 Intangible assets

Intangible assets mainly include computer software, which is initially recognized at cost. The Group's amount of the intangible asset's estimated net residual value (if any) is amortised on the straight-line method and recognised in profit or loss. When it is amortised, the intangible assets that have been withdrawn for impairment are deducted from the accumulated amount of impairment provision.

The impairment of the Group's intangible assets is treated as described in Note 3.14.

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3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.13 Repossessed assets

Repossessed assets are initially recognised at fair value plus related costs when they are obtained as the compensation for the loans, advances and interest receivable. When there are indicators that the recoverable amount is lower than carrying amount, the carrying amount is written down immediately to its recoverable amount.

3.14 Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. The recoverable amount is estimated for assets with signs of impairment. If there are indications that an asset is impaired, but it is difficult to estimate the recoverable amount of the individual asset, the Group will assess the recoverable amount based on cash-generating unit that the asset belongs to. The cash-generating unit is the smallest portfolio of assets that the Group can identify, and the cash flow generated is essentially independent of other assets or portfolios of assets.

The recoverable amount refers to the higher value between the fair value of the assets (or cash-generating units, cash-generating unit groups) minus the disposal expenses and the present value of the estimated future cash flows of the assets. When estimating the present value of future cash flows of the assets, the Group considers factors such as the estimated future cash flows, useful life spans and discount rates.

3.15 Employee benefits

Employee benefits refer to the various forms of remuneration and other relevant payments given to employees due to the services they provide. The Group recognizes the wages payable in operation and management fees during the employees provide service.

(a) *Defined contribution plans and defined benefit plans*

In accordance with the policies of relevant state and local governments, employees in Mainland China participate in various defined contribution retirement schemes administered by local labour and social security bureaus. Operations in Chinese mainland contribute to pension and insurance schemes administered by the local pension and insurance agencies using applicable contribution rates stipulated in the relevant local regulations. Above pension and insurance expenses are recognized in current profits and losses in accordance with accrual basis principle. Upon retirement, the local labour and social security bureaus are responsible for the payment of the basic retirement benefits to the retired employees.

In addition to these basic staff pension schemes, employees in Mainland China who retired can also voluntarily participate in a defined contribution plan established by the Bank ("the Annuity Plan"). The Bank contributes to the Annuity Plan based on certain percentages of the employees' gross salaries.

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3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.15 Employee benefits (Continued)

(b) *Housing funds and other social insurance expenses*

The Group pays housing funds, basic medical insurances, unemployment insurances, employment injury insurances and maternity insurance etc. for in-service employees pursuant to relevant laws, regulations and policies. The Group pays housing funds and above social insurance expense monthly based on a certain proportion of payment basis to relevant departments and recognizes them in current profits and losses in accordance with accrual basis principle.

The Group participates social security schemes established by government, such as medical insurances, housing funds and other social security schemes. The Group has also participated medical insurance schemes issued by commercial insurance companies since October 2012.

(c) *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 differences arise from changes in evaluation assumptions and adjustments to benefits standards are recognized in current profits and losses when they occur.

3.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount initially recognised as a provision should be the best estimate of the expenditure required to settle the present obligation.

3.17 Contingent liabilities

A contingent liability is a possible obligation that arises from past transactions or events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required, or the amount of obligation cannot be measured reliably.

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3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.18 Fiduciary activities

The asset custody services of the Group refer to the service that the Group signs custody agreements with clients such as commercial banks, securities companies, fund companies, insurance companies, and annuity plans, etc. and manage assets for clients as trustee. Since the group gets paid in return of its job as stated by the fiduciary agreement but is not involved with the risk and revenue resulted by the management of the asset being custodied, fiduciary activities of the Group is treated as an off-balance-sheet item. The entrusted loans services refer to the service that the Group signs entrusted loans agreements with clients, and the clients provide fund ("entrusted loans fund") to the Group, and the Group issues loans ("entrusted loans") to the third parties according to the instructions of clients. The assets under custody are recorded as off-balance sheet items as the Group merely fulfils the responsibility as trustee and charges fees in accordance with these agreements without retaining any risks or rewards of the assets under custody.

3.19 Dividends

Dividends are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as an event after the reporting period.

3.20 Interest income and expense

The "interest income" and "interest expense" in the Group's income statement are the interest income and expense from financial assets using the effective interest rate method at amortised cost, financial assets at fair value with changes recognised through other comprehensive income and financial liabilities at amortised cost.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all amounts paid or received by the Group that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

For the financial assets acquired or originated with credit impairment, the Group calculates the interest income according to the amortized cost of the financial assets and the effective interest rate after credit adjustment since the initial recognition by the Group. The effective interest rate after credit adjustment refers to the estimated future cash flows of the acquired or originated financial assets with credit impairment in the expected duration, which is converted into the interest rate of amortized cost of the financial assets.

For the financial assets acquired or originated without any credit impairment, but incurred credit impairment in the subsequent period, the Group calculates the interest income in accordance with the amortized cost and the effect interest rate of the financial assets.

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3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.21 Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income are accrued in accordance with the actual progress. For other services, fee and commission income are recognised when the transactions are completed.

3.22 Current and deferred income tax

Income taxes comprise current income tax and deferred income tax. Tax is recognised in the current income statement as income expense or revenue except to the extent that it relates to transactions or items directly recognised in equity. In these cases, tax is also directly recognised in equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the financial reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the financial reporting date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

The principal temporary differences arise from asset impairment allowances, revaluation of certain financial assets and financial liabilities including derivative contracts, revaluation of investment properties, depreciation of Property, plant and equipment, provisions for pension, retirement benefits and salary payables.

“Deferred income tax assets” are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised except the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

For deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, a deferred tax asset is recognised to the extent that, and only to the extent that, it is probable that the temporary difference will reverse in the foreseeable future; and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax liabilities shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

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3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.22 Current and deferred income tax (Continued)

Deferred income tax liabilities on taxable temporary differences arising from investment in subsidiaries, associates and joint ventures are recognised, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

The tax effects of income tax losses available for carrying forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

3.23 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In order to determine whether the contract transfers the right to control the use of the identified assets within a certain period of time, the Group assesses whether the customers in the contract are entitled to receive almost all of the economic benefits arising from the use of the identified assets and have the right to dominate the use of identified assets during the period of use.

3.23.1 Recognition of individual leases

At inception of a contract, the Group assess 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. The Group reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

3.23.2 Spin-off of leased and non-leased parts

For a contract that is, or contains, a lease, the Group account for each lease component within the contract as a lease separately from non-lease components of the contract.

3.23.3 Evaluation of lease term

The lease term is the period during which the Group is entitled to use the leased asset and the right is irrevocable. If the Group has the option to renew the lease, that is, it has the right to choose to extend the lease and it is reasonably determined that the option will be exercised, the lease term includes the period covered by the renewal option. If the Group has the option to terminate the lease, that is, has the right to choose to terminate the lease of the asset, but it is reasonably expected that the option will not be exercised, the lease period does not exclude the period covered by the termination lease option. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

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3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.23 Leases (Continued)

3.23.4 Group as a lessee

3.23.4.1 Right-of-use assets

The Group's right-of-use assets consist of buildings and vehicles.

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

3.23.4.2 Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term, except short-term leases and leases of low-value assets. In calculating the present value of lease payments, the Group uses internal interest rate, or incremental borrowing rate when internal interest rate is not obtainable. The Group uses fixed interest rate to calculate interest expense on lease liabilities and recognises profit or loss. Variable lease payments, not included in lease liabilities, are recognized as profit or loss when made.

After the commencement date, the carrying amount of lease liabilities is remeasured if there is a change in lease payments, estimated payable amounts of guarantee residual value, discount rate, or situations that influence the Group's decision whether to exercise purchase options, extension options, or termination options.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
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3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.23 Leases (Continued)

3.23.4 Group as a lessee (Continued)

3.23.4.3 Changes in leases

Changes in lease are the changes in the lease scope, lease consideration, and lease duration. Lease changes include the addition or termination of the right to use one or more leased assets, and the extension or shortening of the lease term in the contract.

When the following conditions are met, the Group regards the change as a separate lease change in the process of accounting treatment.

- 1) The lease change expands the scope of the lease by adding the right to use one or more leased assets;
- 2) The increase in consideration is equivalent to the price of the additional part of the lease scope.

If the lease change is not regarded as a separate change, on the effective date of the lease change, the Group re-determines the lease term and calculates the present value of the lease payment to remeasure the lease liability. In the process of calculating the present value of lease payments after the change, the Group refers to the interest rate implicit in lease in the remaining lease period as the discount rate. If the leased interest rate is not available, the Group adopts incremental borrowing rate to calculate the present value of lease payment. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Based on the above lease adjustment, the Group distinguishes the following situations for accounting treatment.

- 1) If the lease change leads to a short lease term or small lease scope, the Group reduces the book value of right-of-use assets to represent the partial or complete termination of lease. The relevant gain or loss of termination are included in current profits and losses.
- 2) In terms of other lease changes, the Group adjusts the book value of the right-of-use asset accordingly.

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For the year ended 31 December 2021

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

3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.23 Leases (Continued)

3.23.4 Group as a lessee (Continued)

3.23.4.4 Short-term leases and leases of low-value assets

The Group recognises leases without purchase options that do not exceed 12 months as short-term leases; Leases are regarded as low-value asset leases if the cost of a single leased asset does not exceed RMB30,000. In each period of the lease term, the relevant asset costs or expenses are calculated in accordance with the straight-line method, and the contingent rent is included in the current profit or loss when it actually occurs.

3.23.5 Group as a lessor

A lease that essentially transfers almost all the risks and returns associated with the ownership of the leased asset on the start date of the lease is a finance lease. All other leases are operating leases.

3.23.5.1 As a lessor of financial leases

Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the income statement due to its operating nature. Variable lease payments that are not included in lease receivables are recorded in the profit or loss for the period when they actually occur.

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3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.24 Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or an associate or joint venture of fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate venture of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the legal person or other organization which is directly, indirectly or jointly controlled by the board of director, senior management of the Group and their closely related family members, or in which the person identified above is in charge of board of directors or senior management.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
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3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.25 Segment reporting

The Group determines the operating divisions based on the internal organizational structure, management requirements and internal reporting system, and determines the reporting divisions based on the operating divisions and discloses the information of the divisions.

The operating divisions are components in the Group where all of the following conditions apply:

- (1) the division generates income and expense in daily activities;
- (2) the management of the Group decides the resources allocation to the division and assessment of division's performance by regularly evaluating the operating performance;
- (3) the Group has access to relevant accounting information such as financial situation, operating performance, cash flow, etc.;

Two or more operating divisions are able to aggregated if they have similar economic characteristics and satisfy certain conditions.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

Impairment loss on financial assets

The Group measures the impairment losses on all financial assets in accordance with IFRS 9 including many estimates and judgments in the process, especially in determining the amount of impairment losses, estimating future contractual cash flows, the value of collateral and judging the significant increase in credit risk. The Group is affected by various factors in the measurement of impairment, which will result in different levels of impairment provision.

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4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Impairment loss on financial assets (Continued)

The Group's expected credit loss calculation is the result of model output, which contains many model assumptions and parameter inputs.

The accounting judgments and estimates used in the expected credit loss model include:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial asset
- Parameters for measuring ECLs
- Forward-looking information
- Modification of contractual cash flows

Impairment of non-financial assets (Except goodwill)

The Group judges whether there are indications of impairment of non-financial-and-non-current assets at the end of reporting period. Besides annual impairment tests, additional impairment tests will be carried out for intangible assets with indefinite operational life spans where exist indications of impairments. Other non-current assets are tested for impairment when there is an indication that the carrying amounts are not recoverable. When estimating the present value of future cash flows, management must estimate the future cash flows of the asset or asset group and select an appropriate discount rate to determine the present value of future cash flows.

Business combinations and goodwill

The identifiable assets, liabilities and contingent liabilities of the acquiree obtained in the business combination not under the same control are measured at fair value on the combination date. The combination date refers to the date on which the acquirer obtains control of the acquiree's business. The fair value of the acquired assets, the liabilities to be undertaken, the consideration for merger and acquisition, and the estimation should be used when allocating the consideration for merger and acquisition of identifiable assets and liabilities. The fair value of the acquired identifiable assets and liabilities is determined by valuation techniques (including discounted cash flow model). The data used in the model is obtained from the observable market when possible, and judgement and estimation are required to determine the fair value only when it is not feasible. The group shall estimate the future cash flow and discount rate to calculate the fair value.

Impairment of goodwill

The group tests goodwill for impairment at least annually. This requires that the present value of the future cash flow of the asset group or combination of asset groups to which goodwill is allocated be estimated. When predicting the present value of future cash flow, the group needs to predict the cash flow generated by the future asset group or combination of asset groups, and select the appropriate discount rate to determine the present value of future cash flow. See Note 29 for details.

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4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Fair value of derivatives and other financial instruments

The Group establishes the fair value of financial instruments with reference to a quoted market price in an active market or, if there is no active market, using valuation techniques. These valuation techniques include the use of recent arm's length transactions, observable prices for similar instruments, discounted cash flow analysis using risk-adjusted interest rates, and commonly used market pricing models. Whenever possible, these models use observable market inputs and data including, for example, interest rate yield curves, foreign exchange rates and option volatilities. The results of using valuation techniques are calibrated against industry practice and observable current market transactions in the same or similar instruments.

The Group assesses assumptions and estimates used in valuation techniques including review of valuation model assumptions and characteristics, changes to model assumptions, the quality of market data, whether markets are active or inactive, other fair value adjustments not specifically captured by models and consistency of application of techniques between reporting periods as part of its normal review and approval processes. Valuation techniques are validated and periodically reviewed and, where appropriate, have been updated to reflect market conditions at the financial reporting date.

With respect to the PRC government obligations related to large-scale policy directed financing transactions, fair value is determined using the stated terms of the related instrument and with reference to terms in similar transactions in which the PRC government engages or which are directed by the PRC government. In this regard, there are no other relevant market prices or yields reflecting arm's length transactions of a comparable size and tenor.

Early retirement benefit obligations

The Bank has established liabilities in connection with benefits payable to early retired employees. These amounts of employee benefit expense and these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, inflation rates, and other factors. Actual results that differ from the assumptions are recognized immediately and, therefore, affect recognized expense in the year in which the differences arise. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Bank's expense related to its employee early retirement benefit obligations.

Income tax

Determining income tax provisions requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimation on the tax treatments of certain transactions and also significant assessment on the probability that whether adequate future taxable profits will be available for the deferred income tax assets to be recovered.

Provisions

The Group uses judgement to assess whether the Group has a present legal or constructive obligation as a result of past events at each financial reporting date, and judgement is used to determine if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and to determine a reliable estimate of the amount of the obligation and relevant disclosure in the consolidated financial statements.

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4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Business model

The classification of financial assets at the time of initial recognition depends on the business model of the group in managing financial assets. When judging the business model, the group considers the ways of enterprise evaluation and reporting the performance of financial assets to key management personnel, the risks affecting the performance of financial assets and their management methods, as well as the ways of relevant business management personnel getting remuneration, etc. When evaluating whether the target is to collect the contract cash flow, the group needs to analyze and judge the reason, time, frequency and value of the sale of financial assets before the maturity date.

Characteristics of the contractual cash flow

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of financial assets. When it is necessary to judge whether the contractual cash flow is only the payment of principal and interest based on outstanding principal, including the correction of time value of money, it is necessary to judge whether there is a significant difference compared with the benchmark cash flow. For financial assets with prepayment characteristics, it is necessary to judge whether the fair value of prepayment characteristics is very small.

Judgement in assessing control over structured entities

The Group is involved with structured entities in its normal business course, and the Group determines whether or not to consolidate those structured entities depending on whether the Group has control over them. When assessing control over structured entities, the Group takes account of power arising from rights it directly owns or indirectly owns through subsidiaries (including controlled structured entities), variable returns, and link between power and returns.

The variable returns the Group is exposed to from its involvement with structured entities include decision makers' remuneration (such as management fees and performance-related fees), as well as other benefits (such as direct investment income, remuneration and exposure to loss from providing credit enhancement or liquidity support, and variable returns from transactions with structured entities). When assessing whether it controls a structured entity, the Group not only considers applicable legal or regulatory requirements and contractual agreements, but also other circumstances where the Group may have obligation to absorb any loss of the structured entity.

The Group reassesses whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the relevant elements of control.

5 TAXATION

The principal income and other taxes to which the Group is subject are listed below:

Taxes	Tax basis	Statutory rates
Corporate income tax	Taxable income	25%
Value-added tax	Taxable added value (tax payable is calculated by multiplying taxable sales revenue with applicable tax rate, then deducting input tax that can be credited of this period)	3%, 5%, 6%, 9%, 13%
City construction and maintenance tax	VAT payable	5%, 7%
Education surcharges	VAT payable	3%

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6 THE BANK'S STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY

	As at 31 December 2021	As at 31 December 2020
Assets		
Cash and balances with central bank	81,067,539	98,000,942
Deposits with banks and other financial institutions	10,388,752	7,420,981
Precious Metals	–	2,396,872
Placements with banks and other financial institutions	16,841,372	9,629,279
Derivative financial assets	156,757	137,998
Financial assets held under resale agreements	5,452,455	249,376
Loans and advances to customers	625,012,464	550,439,715
Financial Investments		
– Financial assets at fair value through profit or loss	121,752,685	122,616,638
– Financial assets at fair value through other comprehensive income	116,264,101	120,421,957
– Financial assets at amortised cost	302,310,067	266,910,064
Investments in subsidiaries	3,809,133	3,809,133
Investments in associates	4,715,591	4,474,260
Property, plant and equipment	4,462,295	4,538,219
Right-of-use assets	1,107,017	1,143,513
Goodwill	14,567,826	14,567,826
Deferred tax assets	11,964,032	9,132,601
Other assets	5,085,574	6,294,523
Total assets	1,324,957,660	1,222,183,897
Liabilities		
Borrowings from central bank	65,347,098	69,463,123
Deposits from banks and other financial institutions	137,485,285	95,356,670
Placements from banks and other financial institutions	4,802,095	2,002,166
Derivative financial liabilities	150,616	140,781
Financial assets sold under repurchase agreements	38,498,769	40,399,371
Deposits from customers	778,793,383	722,366,381
Taxes payable	3,614,266	2,461,763
Debt securities issued	180,343,134	178,585,042
Other liabilities	9,752,146	9,608,141
Total liabilities	1,218,786,792	1,120,383,438
Equity		
Share capital	13,889,801	13,889,801
Other equity instruments	9,999,811	15,989,901
Capital reserve	15,221,300	14,909,793
Surplus reserve	15,180,759	13,234,045
General reserve	12,961,130	11,877,308
Other comprehensive Income	1,515,986	949,630
Retained earnings	37,402,081	30,949,981
Total equity	106,170,868	101,800,459
Total equity and liabilities	1,324,957,660	1,222,183,897

Yan Chen

Chairman

Zhang Renfu

President

Li Dawei

Financial Controller

Fang Lixin

Head of Finance Department

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6 THE BANK'S STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Total equity
As at 1 January 2021	13,889,801	15,989,901	14,909,793	13,234,045	11,877,308	949,630	30,949,981	101,800,459
(1) Comprehensive income								
Profit for the year	-	-	-	-	-	-	10,319,660	10,319,660
Other comprehensive income, net of tax	-	-	-	-	-	444,047	-	444,047
Asset impairment through other comprehensive income	-	-	-	-	-	122,309	-	122,309
Total comprehensive income for the year	-	-	-	-	-	566,356	10,319,660	10,886,016
(2) Profit distribution								
Dividends	-	-	-	-	-	-	(837,024)	(837,024)
Additional capital stock	-	-	-	-	-	-	-	-
Perpetual bonds issued	-	-	-	-	-	-	-	-
Appropriation to surplus reserve	-	-	-	1,946,714	-	-	(1,946,714)	-
Appropriation to general reserve	-	-	-	-	1,083,822	-	(1,083,822)	-
(3) Changes in share capital								
Capital contribution and reduction by other equity instruments holders	-	(5,990,090)	311,507	-	-	-	-	(5,678,583)
As at 31 December 2021	13,889,801	9,999,811	15,221,300	15,180,759	12,961,130	1,515,986	37,402,081	106,170,868
As at 1 January 2020	12,154,801	15,989,901	6,751,041	11,365,283	10,791,391	1,825,127	27,513,083	86,390,627
(1) Comprehensive income								
Profit for the year	-	-	-	-	-	-	9,147,482	9,147,482
Other comprehensive income, net of tax	-	-	-	-	-	(615,476)	-	(615,476)
Asset impairment through other comprehensive income	-	-	-	-	-	(260,021)	-	(260,021)
Total comprehensive income for the year	-	-	-	-	-	(875,497)	9,147,482	8,271,985
(2) Profit distribution								
Dividends	-	-	-	-	-	-	(2,755,905)	(2,755,905)
Additional capital stock	1,735,000	-	8,158,752	-	-	-	-	9,893,752
Perpetual bonds issued	-	-	-	-	-	-	-	-
Appropriation to surplus reserve	-	-	-	1,868,762	-	-	(1,868,762)	-
Appropriation to general reserve	-	-	-	-	1,085,917	-	(1,085,917)	-
As at 31 December 2020	13,889,801	15,989,901	14,909,793	13,234,045	11,877,308	949,630	30,949,981	101,800,459

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7 NET INTEREST INCOME

	2021	2020
Interest income		
Balances with central bank	1,137,391	1,065,241
Deposits and placements with banks and other financial institutions	992,674	832,922
Loans and advances to customers	32,643,593	27,815,767
Investment securities	18,663,168	18,388,771
Finance lease	3,677,092	3,207,258
Total	57,113,918	51,309,959
Unwinding of discount on allowance	142,074	63,502
Interest expense		
Borrowings from central bank (a)	(1,742,832)	(1,444,865)
Deposits and placements from banks and other financial institutions	(7,019,454)	(5,327,301)
Deposits from customers	(16,097,911)	(13,248,951)
Debt securities issued	(5,397,269)	(5,536,641)
Total	(30,257,466)	(25,557,758)
Net interest income	26,856,452	25,752,201

(a) Borrowings from the central bank include general borrowings from the PBOC, rediscounted bills held under repurchase agreements, closed anti-repo, re-lending to support micro and small enterprises and lending facilities with the PBOC.

8 NET FEE AND COMMISSION INCOME

	2021	2020
Fee and commission income		
Settlement and clearing fees	92,605	85,011
Guarantee and commitment fees	371,430	243,174
Investment banking fees	504,206	659,778
Custody fees	622,137	584,534
Bank card fees	193,958	94,577
Acquiring business fees	31,766	23,906
Agency commissions	2,325,728	1,472,975
Finance lease fees	566,514	649,624
Others	132,387	149,444
Total	4,840,731	3,963,023
Fee and commission expense	(410,137)	(346,478)
Net fee and commission income	4,430,594	3,616,545

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9 NET TRADING GAINS/(LOSSES)

	2021	2020
Net (losses)/gains from foreign exchange	67,405	(245,771)
Net gain from interest rate instruments	2,921,601	2,732,674
Net (losses)/gains from goods traded	(4,912)	9,633
Total	2,984,094	2,496,536

Net gains/(losses) from financial investments mainly include gains arising from fair value changes of financial assets and liabilities at fair value through profit or loss.

10 NET GAINS/(LOSSES) ON FINANCIAL INVESTMENTS

	2021	2020
Net losses from financial assets at fair value through profit or loss	704,883	(127,043)
Net gains from financial assets at fair value through other comprehensive income	184,547	278,167
Net gains from financial assets at amortised cost	19,500	2,608
Other	1,453	15,367
Total	910,383	169,099

All the net gains recognised from the derecognition of financial assets measured at amortised cost are resulted from trading for the year ended 31 December 2021.

11 OTHER OPERATING INCOME, NET

	2021	2020
Net gains on bills	95,416	93,978
Others	235,385	160,599
Total	330,801	254,577

12 OPERATING EXPENSES

	2021	2020
Staff cost (Note 13)	(4,874,548)	(4,205,569)
Business tax and surcharges	(394,333)	(325,498)
General operating and administrative expenses	(2,206,681)	(1,952,050)
Operating lease rental expenses	(68,051)	(74,696)
Depreciation of property, plant and equipment (Note 26)	(396,815)	(311,466)
Depreciation for right-of-use assets (Note 27)	(363,331)	(318,845)
Amortization expenses for long-term prepaid expenses	(101,192)	(97,121)
Amortization expenses for intangible assets (Note 30(c))	(137,975)	(114,882)
Auditors' remuneration	(6,930)	(10,305)
– Audit services	(5,150)	(5,150)
– Non-audit services	(1,780)	(5,155)
Others	(134,560)	(243,892)
Subtotal	(8,684,416)	(7,654,324)

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13 STAFF COST

	2021	2020
Salaries, bonuses, allowances and subsidies	(3,426,229)	(3,178,831)
Pension costs	(570,758)	(280,917)
Labor union fee and staff education fee	(96,745)	(91,768)
Other social insurance and welfare costs	(780,816)	(654,053)
Subtotal	(4,874,548)	(4,205,569)

Five highest paid individuals

The five highest paid individuals of the Group are members of the Bank, who are not the directors or supervisors listed in Note 14(a). Their emoluments are determined by and referred to current market level in the region where the Bank is located. Details of the five highest paid individuals' emoluments are listed below:

	2021	2020
Salaries, allowances and benefits	6,999	6,800
Contribution to pension schemes	277	265
Discretionary bonuses	5,189	6,096
Subtotal	12,465	13,161

	2021	2020
RMB0 – RMB1,000,000	–	–
RMB1,000,001 – RMB1,500,000	–	–
RMB1,500,001 – RMB2,000,000	–	–
RMB2,000,001 – RMB2,500,000	3	3
RMB2,500,001 – RMB3,000,000	1	1
RMB3,000,001 – RMB3,500,000	1	1
	5	5

No emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

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14 EMOLUMENTS OF DIRECTORS AND SUPERVISORS

(a) Details of the directors' and supervisors' emoluments are as follows:

Name	2021					Total
	Fees	Salaries, allowances and benefits in kind	Contribution to pension schemes	Discretionary bonuses	Other	
Executive Directors						
Yan Chen ^{(1)(*)}	-	395	64	-	-	459
Zhang Renfu ^{(2)(5)(*)}	-	600	96	-	-	696
Non-executive Directors						
Ma Lingxiao ⁽³⁾	-	-	-	-	-	-
Wang Zhaoyuan ⁽³⁾	-	-	-	-	-	-
Zhou Yana ⁽⁴⁾	240	-	-	-	-	240
Zhu Yicun ⁽⁵⁾	-	-	-	-	-	-
Wu Tian ⁽⁵⁾	-	-	-	-	-	-
Qian Dongsheng ⁽⁵⁾	-	-	-	-	-	-
Gao Yang	-	-	-	-	-	-
Wang Wenjin ⁽⁵⁾	-	-	-	-	-	-
Zhao Zongren	-	-	-	-	-	-
Dai Peikun ⁽⁵⁾	-	-	-	-	-	-
Liu Zhiqiang ⁽⁵⁾	-	-	-	-	-	-
Yin Jianfeng ⁽⁵⁾	240	-	-	-	-	240
Huang Aiming ⁽⁵⁾	240	-	-	-	-	240
Wu Xuemin ^{(6)(*)}	-	202	32	-	-	234
Supervisors						
He Jiehua ^{(11)(*)}	-	600	96	-	-	696
Tang Chuan ^{(7)(*)}	-	1,802	123	-	-	1,925
Zhong Qiushi ⁽⁸⁾	-	1,294	100	116	-	1,510
Sun Zheng ⁽¹¹⁾	-	1,200	100	122	-	1,422
Chen Rui ⁽⁹⁾	-	-	-	-	-	-
Dong Xiaolin ⁽⁹⁾	185	-	-	-	-	185
Zhai Shengbao	200	-	-	-	-	200
Zhou Zejiang	200	-	-	-	-	200
Li Ruifeng ⁽¹⁰⁾	-	-	-	-	-	-
Yang Mianzhi ⁽¹⁰⁾	-	-	-	-	-	-
Hu Jing ⁽⁹⁾	-	-	-	-	-	-
Total	1,305	6,093	611	238	-	8,247

(*) The total compensation packages for executive directors and supervisors for the year ended 31 December 2021 including discretionary bonuses have not yet been finalised in accordance with the relevant regulations of the PRC authorities. The amount of the compensation not provided for is not expected to have any significant impact on the Group's 2021 financial statements.

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14 EMOLUMENTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Details of the directors' and supervisors' emoluments are as follows: (Continued)

Name	2020					Total
	Fees	Salaries, allowances and benefits in kind	Contribution to pension schemes	Discretionary bonuses	Other	
Executive Directors						
Wu Xuemin ^{(6)(*)}	-	561	143	-	-	704
Zhang Renfu ^{(2)(5)(*)}	-	561	143	-	-	704
Non-executive Directors						
Yan Chen ⁽¹⁾	-	-	-	-	-	-
Zhou Yana ⁽⁴⁾	240	-	-	-	-	240
Zhu Yicun ⁽⁵⁾	-	-	-	-	-	-
Wu Tian ⁽⁵⁾	-	-	-	-	-	-
Qian Dongsheng ⁽⁵⁾	-	-	-	-	-	-
Gao Yang	-	-	-	-	-	-
Wang Wenjin ⁽⁵⁾	-	-	-	-	-	-
Zhao Zongren	-	-	-	-	-	-
Dai Peikun ⁽⁵⁾	-	-	-	-	-	-
Yin Jianfeng ⁽⁵⁾	240	-	-	-	-	240
Huang Aiming ⁽⁵⁾	240	-	-	-	-	240
Liu Zhiqiang ⁽⁵⁾	180	-	-	-	-	180
Supervisors						
He Jiehua ⁽¹¹⁾	-	514	122	-	-	636
Tang Chuan ^{(7)(*)}	-	1,771	123	-	18	1,912
Zhong Qiushi ⁽⁸⁾	-	1,342	100	105	18	1,565
Sun Zheng ⁽¹¹⁾	-	1,222	88	231	18	1,559
Chen Rui ⁽⁹⁾	-	-	-	-	-	-
Hu Jing ⁽⁹⁾	-	-	-	-	-	-
Dong Xiaolin ⁽⁹⁾	215	-	-	-	-	215
Zhai Shengbao	115	-	-	-	-	115
Zhou Zejiang	115	-	-	-	-	115
Li Ruifeng ⁽¹⁰⁾	-	-	-	-	-	-
Yang Mianzhi ⁽¹⁰⁾	200	-	-	-	-	200
Zhang Youqi ⁽¹²⁾	-	143	79	-	-	222
Pan Shujuan ⁽¹³⁾	100	-	-	-	-	100
Total	1,645	6,114	798	336	54	8,947

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14 EMOLUMENTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Details of the directors' and supervisors' emoluments are as follows: (Continued)

- (1) The Bank made an announcement on 12 April 2021, announcing that, at the meeting held by the Board on such date, Mr. Yan Chen was elected as the chairman of the Board of the Bank for the same term as the fourth session of the Board, and was re-designated as an executive director from a non-executive director of the Bank. Prior to the approval in respect of his qualification as the chairman of the Board, Mr. Yan Chen temporarily performed the duties of the chairman of the Board. Mr. Yan Chen was elected as the chairman of the Strategic Development and Consumer Rights Protection Committee and the Risk Management Committee of the Bank as well as a new member of the Nomination and Remuneration Committee of the Bank. The above appointments took immediate effect on such date. The Bank made an announcement on 30 July 2021, announcing that the qualification of Mr. Yan Chen as the chairman of the Board was approved by the CBIRC Anhui Office.
- (2) Zhang Renfu resigned as the chairman of the board of supervisors, a member of the nomination committee of the board of supervisors and a member of the supervisory committee of the board of supervisors and the employee supervisor in July 2018.
- (3) The Bank made an announcement on 26 March 2021, announcing that the Board of the Bank held a meeting on such date and proposed the election of Mr. Ma Lingxiao as an additional non-executive director of the fourth session of the Board of the Bank at the shareholders' general meeting of the Bank. The Bank made an announcement on 27 May 2021, announcing that the Board of the Bank held a meeting on such date and proposed the election of Mr. Wang Zhaoyuan as a non-executive director of the fourth session of the Board of the Bank at the shareholders' general meeting of the Bank. The Bank made an announcement on 30 June 2021, announcing that the Bank held a shareholders' general meeting on such date, at which each of Mr. Ma Lingxiao and Mr. Wang Zhaoyuan was elected as a non-executive director of the Bank, respectively. The Bank made an announcement on 29 October 2021 and 26 November 2021, respectively, announcing that the qualification of Mr. Wang Zhaoyuan and Mr. Ma Lingxiao as a non-executive director of the Bank was approved by the CBIRC Anhui Office, and their appointment as a director took effect from 28 October 2021 and 25 November 2021, respectively. The Board of the Bank held a meeting on 30 December 2021, at which a resolution on the appointment of Mr. Ma Lingxiao and Mr. Wang Zhaoyuan, both being non-executive directors, as new members of the Strategic Development and Consumer Rights Protection Committee of the fourth session of the Board of the Bank was passed, and their appointment took effect from then on.
- (4) Zhou Yana was elected to be an independent non-executive director effective from August 2018.
- (5) Huishang Bank held an extraordinary general meeting on 28 November 2018. The proposals submitted by the meeting regarding the re-election of the board of directors and the election of members of the fourth board of directors have been passed. Zhang Renfu, Zhu Yicun, Wu Tian, Qian Dongsheng, Wang Wenjin, Dai Peikun, Yin Jianfeng, Huang Aiming, Liu Zhiqiang and Hu Jun were elected to be new directors of the fourth session of the board of directors.
- (6) The Bank made an announcement on 6 April 2021, announcing that, due to work re-designation, Mr. Wu Xuemin resigned as the chairman of the Board, the chairman of the Board Strategic Development and Consumer Rights Protection Committee of the Board and a member of the Nomination and Remuneration Committee of the Board, ceased to be the acting chairman of the Risk Management Committee of the Board and reassigned from executive director to non-executive director. His resignation took effect on such date. The Bank made an announcement on 27 May 2021, announcing that, due to work commitments, Mr. Wu Xuemin resigned as a non-executive director, member of the Strategic Development and Consumer Rights Protection Committee of the Board and member of the Risk Management Committee of the Board. His resignation took effect on such date.

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14 EMOLUMENTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Details of the directors' and supervisors' emoluments are as follows: (Continued)

- (7) Tang Chuan was elected to be the employee supervisor of the third board of supervisors on 6 March 2018 in accordance with the democratic election procedure of the Bank.
- (8) Zhong Qiushi was elected to be the employee supervisor of the third board of supervisors on 15 June 2018 in accordance with the democratic election procedure of the Bank.
- (9) Huishang Bank held an extraordinary general meeting on 28 November 2018. The proposals submitted in the meeting regarding the re-election of the board of supervisors and the election of members of the fourth board of supervisors have been passed. Chen Rui and Hu Jing were elected as the new shareholder supervisors of the fourth board of supervisors. Dong Xiaolin was elected as the new external supervisor of the fourth board of supervisors. The Bank made an announcement on 4 March 2022, announcing that Ms. Hu Jing resigned from the positions as a shareholder supervisor and a member of the Nomination Committee of the Bank due to her heavy business commitment. Her resignation took effect on 4 March 2022.
- (10) The Bank made an announcement on 21 January 2021, announcing that Mr. Li Ruifeng resigned from the positions as a shareholder supervisor and a member of the Nomination Committee of the Bank due to work adjustment. Mr. Yang Mianzhi resigned from the positions as an external supervisor, chairman and a member of the Supervision Committee of the Bank due to his heavy business commitment. The resignations of both Mr. Li Ruifeng and Mr. Yang Mianzhi took effect on 21 January 2021.
- (11) The Bank issued an announcement on 10 July, 2020. According to its articles of association and rules of procedure of the board of supervisors, the bank worker democracy election. Mr. He Jiehua and Mr. Ullrich, who won the election on 13 July 2020, will serve as the employee supervisors from the same day to the expiration of the fourth term of the board of supervisors transition.
- (12) Zhang Youqi resigned from positions of the employee supervisor, the chairman of the board of supervisors, a member of the nomination committee of the board of supervisors and a member of the supervisory committee of the board of supervisors on 21 April 2020 due to work adjustment.
- (13) The Bank announced on 14 October, 2019 that Ms. pan Shujuan, the Bank's external supervisor, resigned from the post of chairman and member of the nomination committee of the Bank's external supervisor because she has served as the Bank's external supervisor for six years. Her resignation as the Bank's external supervisor and member of the nomination Committee of the board of supervisors will take effect from the date when the Bank formally appoints her successor to the external supervisor. On 30 June 2020, the Bank of 2019 annual general meeting of shareholders has elected a successor to the external supervisor, and Ms. pan Shujuan's resignation takes effect on that day.

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

14 EMOLUMENTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(b) Retirement benefits for directors and supervisors

For the year ended 31 December 2021, no retirement benefits were paid to the directors or supervisors by a defined benefit pension plan operated by the Group (2020: none).

(c) Termination benefits for directors and supervisors

For the year ended 31 December 2021, no early termination compensations were paid to the directors or supervisors by the Group (2020: none).

(d) Consideration provided to third parties

For the year ended 31 December 2021, no consideration was paid to third parties that previously hired the Group's current directors and supervisors (2020: none).

(e) Material interests in transactions, arrangements or contracts with directors and supervisors.

For the year ended 31 December 2021, the Group has not entered into any significant transactions, arrangements or contracts in which the directors and supervisors of the Group have material interests directly or indirectly in the Group's business (2020: none).

15 IMPAIRMENT LOSSES ON CREDITS

	2021	2020
Loans and advances		
– At amortised cost	(9,989,997)	(10,663,797)
– Stage 1	(2,326,495)	(2,882,387)
– Stage 2	(4,318,584)	599,240
– Stage 3	(3,344,918)	(8,380,650)
– At fair value through other comprehensive income	(29,098)	100,403
– Stage 1	(25,250)	100,403
– Stage 2	(3,848)	–
Financial investments		
– Financial assets at amortised cost	(1,742,342)	(718,049)
– Financial assets at fair value through other comprehensive income	(135,219)	86,292
Credit commitments	(669,597)	57,377
Deposits with banks and other financial institutions	(4,216)	(109,854)
Placements with and loans to banks and other financial institutions	(4,795)	7,852
Financial assets held under resale agreements	(22,649)	83,459
Finance lease receivables (note 28)	(1,113,682)	(1,277,922)
Other assets	160,049	175,468
Total	(13,551,546)	(12,258,771)

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16 INCOME TAX EXPENSE

	2021	2020
Current income tax		
– Chinese mainland income tax	(4,835,011)	(3,435,306)
Deferred tax (Note 38)	3,082,891	1,273,990
Total	(1,752,120)	(2,161,316)

The provision for Mainland China income tax includes income tax based on the statutory tax rate of 25% of the taxable income of the Group as determined in accordance with the relevant PRC income tax rules and regulations.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the taxation rate of 25%. The major reconciliation items are as follows:

	2021	2020
Profit before tax	13,537,317	12,082,696
Tax calculated at the applicable statutory tax rate of 25%	(3,384,329)	(3,020,674)
Tax effect arising from income not subject to tax (a)	1,754,399	1,369,783
Tax effect of items such as expenses not deductible for tax purposes (b)	(112,425)	(509,760)
Tax filing differences from previous years	(5,893)	(17,150)
Unrecognized impact of deductible temporary differences(c)	(3,872)	–
Available deductible loss from previous years	–	16,485
Income tax expense	(1,752,120)	(2,161,316)

- (a) Non-taxable income mainly represents interest income arising from PRC treasury bonds and fund dividend income which are tax free according to PRC tax regulations.
- (b) The items that are not deductible for tax purposes mainly represent marketing and entertainment expenses deductible loss and non-deductible written off loan in excess of the relevant deductible threshold under the relevant PRC tax regulations.
- (c) The subsidiary of the Group, Wuwei Huiyin Village and Township Bank Co., Ltd. incurred tax losses for the current period, and the Group cannot reasonably assess if the subsidiary will have sufficient taxable income to realise the tax loss in the future, so the deferred tax assets of the tax loss are not recognized.

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17 EARNINGS PER SHARE (BASIC AND DILUTED)

- (a) Basic earnings per share was computed by dividing the net profit attributable to the ordinary shareholders of the Bank by the weighted average number of ordinary shares in issue during the reporting period.

	2021	2020
Net profit attributable to shareholders of the Bank (in RMB thousands)	11,460,383	9,569,720
Proposed dividends for preference shares (in RMB thousands)	347,024	357,601
Interest payments on perpetual bonds announced for the year	490,000	490,000
Weighted average number of ordinary shares in issue (in thousands)	13,889,801	12,159,541
Basic earnings per share (in RMB)	0.76	0.72

When calculating basic earnings per share for ordinary shares, the dividend of preference shares issued in the current year shall be deducted from the net profit attributable to the shareholders of the Bank. In 2016, the Bank issued non-cumulative preference shares. The Bank redeemed all the Offshore Preference Shares in November 2021. As at 31 December 2021, the declared dividend of Offshore Preference Shares amounted to USD54.27 million, equivalent to RMB347.02 million before tax. (As at 31 December 2020, the declared dividend of Offshore Preference Shares amounted to USD54.27 million, equivalent to RMB357.60 million before tax.) In 2019, the Bank issued perpetual bonds, and declared the payment of interest on the bond for the amount of RMB490 million as of 31 December, 2021.

(b) **Diluted earnings per share**

There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding for the years ended 31 December 2021 and 31 December 2020.

The preference shares are potentially convertible to ordinary shares available. In 2021, the triggering conditions for the conversion had not occurred, and the convertible features of preference shares had no impact on the calculation of basic and diluted earnings per share for year 2021 and 2020.

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18 CASH AND BALANCES WITH CENTRAL BANK

	As at 31 December 2021	As at 31 December 2020
Cash	1,186,576	1,215,801
Statutory reserves (a)	61,575,781	67,251,455
Surplus reserves (b)	18,536,271	29,881,507
Subtotal	81,298,628	98,348,763
Interest receivable	31,978	35,438
Total	81,330,606	98,384,201

- (a) The Group places statutory deposit reserves with the People's Bank of China ("the PBOC"). The statutory deposit reserves are not available for use in the Group's daily business.

As at the end of the financial statements year, the statutory deposit reserve rates of the Bank were as follows:

	As at 31 December 2021	As at 31 December 2020
Statutory reserve rate for RMB deposits	8.0%	9.0%
Statutory reserve rate for foreign currency deposits	9.0%	5.0%

As at 31 December 2021, statutory reserve rates for Jinzhai Huiyin Village and Township Bank Co., Ltd. ("Jinzhai Huiyin") and Wuwei Huiyin Village and Township Bank Co., Ltd. ("Wuwei Huiyin") were 5.0% and 5.0% (31 December 2020: 5.0% and 5.0%).

- (b) Surplus deposit reserves maintained with the PBOC are mainly for clearing purposes.

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19 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2021	As at 31 December 2020
Banks in Mainland China	10,976,305	9,676,833
Other financial institutions in Mainland China	1,538,975	406,022
Banks in other countries and regions	716,798	1,661,360
Subtotal	13,232,078	11,744,215
Interest receivable	3,522	40,119
Less: allowances for impairment losses	(490,479)	(486,263)
Total	12,745,121	11,298,071

As at 31 December 2021, the carrying amounts of banks and other financial institutions in Stage 1 and Stage 3 were RMB12,764.52 million and RMB467.56 million (31 December 2020: RMB11,276.66 million in Stage 1, RMB467.56 million in stage 3), and the allowances for impairment losses in Stage 1 and Stage 3 were RMB22.92 million and RMB467.56 million (31 December 2020: RMB18.7 million in Stage 1, RMB467.56 million in Stage 3).

20 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2021	As at 31 December 2020
Banks in Mainland China	1,000,000	100,000
Other financial institutions in Mainland China	14,000,000	5,120,433
Subtotal	15,000,000	5,220,433
Interest receivable	51,642	61,814
Less: allowances for impairment losses	(10,330)	(5,535)
Total	15,041,312	5,276,712

As at 31 December 2021, placements with banks and other financial institutions were in Stage 1, and allowances for impairment losses were RMB10.33 million (31 December 2020: RMB5.54 million).

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21 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2021		
	Notional Amount	Fair value	
		Assets	Liabilities
Derivative financial instruments held for trading			
– Currency forwards	291,209	3,835	(3,628)
– Currency swaps	2,384,669	8,372	(3,021)
– Interest rate swaps	33,410,000	144,550	(143,967)
Total	36,085,878	156,757	(150,616)

	As at 31 December 2020		
	Notional Amount	Fair value	
		Assets	Liabilities
Derivative financial instruments held for trading			
– Currency forwards	1,093,989	15,769	(16,871)
– Currency swaps	973,842	55,668	(4,194)
– Interest rate swaps	11,838,000	58,567	(72,911)
– Precious metal swaps	2,358,767	7,994	(46,805)
Total	16,264,598	137,998	(140,781)

22 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December 2021	As at 31 December 2020
By collateral type:		
Debt securities	2,491,784	250,221
Bill	2,978,105	–
Subtotal	5,469,889	250,221
Interest receivable	8,230	170
Less: allowances for impairment losses	(25,664)	(1,015)
Total	5,452,455	249,376

On 31 December 2021, financial assets held under resale agreements were in Stage 1, and allowances for impairment losses were RMB25.66 million (31 December 2020: RMB1.02 million).

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23 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis of loans and advances to customers:

	As at 31 December 2021	As at 31 December 2020
Loans and advances measured at amortised cost		
– Corporate loans	367,951,495	325,112,287
– Personal loans	237,359,461	220,082,263
Subtotal	605,310,956	545,194,550
Loans and advances measured at fair value through other comprehensive income		
– Discounted bills	49,484,165	27,759,091
Subtotal	49,484,165	27,759,091
Total	654,795,121	572,953,641
Interest receivable	1,426,842	1,097,655
Total loans and advances	656,221,963	574,051,296
Less: allowance for loans at amortised cost	(27,916,265)	(20,652,134)
Loans and advances to customers, net	628,305,698	553,399,162
Allowance for loans at fair value through other comprehensive income	(37,150)	(8,052)

(b) Loans and advances to customers are assessed as follows (excluding accrued interest):

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	Total
As at 31 December 2021				
Total loans and advances to customers	628,082,678	15,052,774	11,659,669	654,795,121
Allowance for impairment losses on loans and advances measured at amortised cost	(10,065,265)	(8,200,128)	(9,650,872)	(27,916,265)
As at 31 December 2020				
Total loans and advances to customers	552,542,909	9,052,671	11,358,061	572,953,641
Allowance for impairment losses on loans and advances measured at amortised cost	(8,182,365)	(3,428,632)	(9,041,137)	(20,652,134)

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23 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Reconciliation of allowance for impairment losses on loans and advances to customers

(1) Reconciliation of allowance for impairment losses measured at amortised cost

	Year ended 31 December 2021			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	
As at 1 January 2021	8,182,365	3,428,632	9,041,137	20,652,134
Impairment losses for the year	2,326,495	4,318,584	3,344,918	9,989,997
Stage conversion				
Transfers to Stage 1	149,506	(65,038)	(84,468)	–
Transfers to Stage 2	(554,354)	660,225	(105,871)	–
Transfers to Stage 3	(38,747)	(142,275)	181,022	–
Write-off and transfer out	–	–	(3,437,554)	(3,437,554)
Recovery of loans and advances				
written off	–	–	853,762	853,762
Unwinding of discount on allowance	–	–	(142,074)	(142,074)
As at 31 December 2021	10,065,265	8,200,128	9,650,872	27,916,265

This year, the domestic branch adjusted the five-level classification and customer rating of customer loans and advances, and the loan principal of stage 1 which was transferred to stage 2 and stage 3 was RMB5.8 billion, the loan principal from stage 2 to stage 3 was RMB0.5 billion, the principal of the loan transferred from stage 2 to stage 1 was RMB0.1 billion. The principal of the loan transferred from stage 3 to stage 1 and stage 2 was RMB0.5 billion.

	Year ended 31 December 2020			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	
As at 1 January 2020	5,377,937	4,814,007	4,329,449	14,521,393
Impairment losses for the year	2,882,387	(599,240)	8,380,650	10,663,797
Stage conversion				
Transfers to Stage 1	49,038	(13,629)	(35,409)	–
Transfers to Stage 2	(101,216)	109,947	(8,731)	–
Transfers to Stage 3	(25,781)	(882,453)	908,234	–
Write-off and transfer out	–	–	(5,330,456)	(5,330,456)
Recovery of loans and advances				
written off	–	–	860,902	860,902
Unwinding of discount on allowance	–	–	(63,502)	(63,502)
As at 31 December 2020	8,182,365	3,428,632	9,041,137	20,652,134

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23 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) **Reconciliation of allowance for impairment losses on loans and advances to customers** (Continued)

(2) **Reconciliation of allowance for impairment losses measured at fair value through other comprehensive income:**

	Year ended 31 December 2021			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	
As at 1 January 2021	8,052	–	–	8,052
Impairment losses for the year	25,250	3,848	–	29,098
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Write-off and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
Unwinding of discount on allowance	–	–	–	–
As at 31 December 2021	33,302	3,848	–	37,150

	Year ended 31 December 2020			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	
As at 1 January 2020	108,455	–	–	108,455
Impairment losses for the year	(100,403)	–	–	(100,403)
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Write-off and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
Unwinding of discount on allowance	–	–	–	–
As at 31 December 2020	8,052	–	–	8,052

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24 INVESTMENT SECURITIES

	As at 31 December 2021	As at 31 December 2020
Financial assets at fair value through profit or loss		
Listed outside Hong Kong		
– Government bonds	3,234,222	2,966,945
– Other debt securities	16,888,549	11,709,692
– Interbank certificates of deposits	545,705	883,749
– Equity	693,187	–
Subtotal	21,361,663	15,560,386
Unlisted		
– Beneficial rights in trust and asset management plans	86,487,155	93,062,234
– Non-guaranteed wealth management products managed by other banks	14,160,271	13,508,907
Subtotal	100,647,426	106,571,141
Interest receivable	959,474	919,319
Total	122,968,563	123,050,846

As at 31 December 2021 and 31 December 2020, there was no significant limitation on the ability of the Group and the Bank to dispose of financial assets at fair value through profit or loss. Debt securities traded on the China Domestic Interbank Bond Market are included in the category “Listed outside Hong Kong”.

	As at 31 December 2021	As at 31 December 2020
Financial assets at fair value through other comprehensive income		
Debt securities		
Listed outside Hong Kong		
– Debt securities	115,301,407	118,548,262
Subtotal	115,301,407	118,548,262
Equity securities		
Unlisted		
– Equity investment	225,367	234,765
Subtotal	225,367	234,765
Interest receivable	2,403,105	1,783,021
Total	117,929,879	120,566,048

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24 INVESTMENT SECURITIES (CONTINUED)

	As at 31 December 2021	As at 31 December 2020
Financial assets at amortised cost		
Listed outside Hong Kong		
– Debt securities	135,779,680	98,879,314
Unlisted		
– Beneficial rights in trust and asset management plans	174,784,832	175,343,103
Subtotal	310,564,512	274,222,417
Interest receivable	5,621,819	4,819,973
Less: allowance for impairment losses	(13,876,264)	(12,132,326)
Financial assets at amortised cost, net	302,310,067	266,910,064

Beneficial rights in trust and asset management plans invested by the Group are the usufruct in trusts or asset management plans organized by security companies. The investment decisions of these products are made by the third-party asset managers or custodians. They mainly invest in collective investment products including: (a) liquid assets: deposits, repurchase agreements, money market funds and other cash management products, bond funds; bonds traded in exchange and inter-bank market, convertible bonds, ABS and ABN, or other qualified highly-liquid assets.(b) financing assets: the financing forms including entrusted loans, loan assets bought from other financial institutions, specific asset usufruct and etc. and (c) products issued by other financial institutions mainly including non-cash management fixed return products issued by investment funds, trusts, insurance companies, securities companies, commercial banks and etc. The details of unconsolidated structured entities invested by the Group are set out in Note 47.

Investment securities analyzed by issuer are as follows:

	As at 31 December 2021	As at 31 December 2020
Financial assets at FVTPL		
By issuers		
– Government	3,234,222	2,966,945
– Banks and other financial institutions	115,768,580	117,413,255
– Legal entities	3,006,287	1,751,327
Interest receivable	959,474	919,319
Total	122,968,563	123,050,846

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24 INVESTMENT SECURITIES (CONTINUED)

	As at 31 December 2021	As at 31 December 2020
Financial assets at FVOCI		
Debt instruments		
By issuers		
– Government	61,586,673	75,188,885
– Banks and other financial institutions	17,195,932	24,800,805
– Legal entities	36,518,802	18,558,572
Subtotal	115,301,407	118,548,262
Equity instruments	225,367	234,765
Interest receivable	2,403,105	1,783,021
Total	117,929,879	120,566,048
	As at	As at
Financial assets at AC	31 December 2021	31 December 2020
By issuers		
– Government	107,561,492	74,958,983
– Banks and other financial institutions	187,515,212	191,762,267
– Legal entities	15,487,808	7,501,167
Subtotal	310,564,512	274,222,417
Interest receivable	5,621,819	4,819,973
Less: allowance for impairment losses	(13,876,264)	(12,132,326)
Financial assets at AC, net	302,310,067	266,910,064

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25 INVESTMENTS IN ASSOCIATES

Investments in associates of the Group comprising ordinary shares of unlisted companies are as follows:

As at 31 December 2021 Associates	Principal place of business	Location of registration	Percentage of shares	Registered capital	Principal activities
Chery Huiyin Motor Finance Service Co., Ltd.	Anhui Province	Anhui Province	20%	1,500,000	Auto financing
Mengshang Bank Co., Ltd	Inner Mongolia Autonomous Region	Inner Mongolia Autonomous Region	15%	20,000,000	Commercial banking

As at 31 December 2020 Associates	Principal place of business	Location of registration	Percentage of shares	Registered capital	Principal activities
Chery Huiyin Motor Finance Service Co., Ltd.	Anhui Province	Anhui Province	20%	1,500,000	Auto financing
Mengshang Bank Co., Ltd	Inner Mongolia Autonomous Region	Inner Mongolia Autonomous Region	15%	20,000,000	Commercial banking

Investment in Associates	Year ended 31 December 2021	Year ended 31 December 2020
Balance at beginning of the year	4,474,260	1,242,338
Additions	–	3,600,000
Cash dividends received	(13,915)	(11,560)
Share of results, net of tax	255,246	(356,518)
Balance at end of the year	4,715,591	4,474,260

The carrying amounts of investment in associates	Year ended 31 December 2021	Year ended 31 December 2020
Chery Huiyin Motor Finance Service Co., Ltd.	1,535,547	1,383,810
Mengshang Bank Co., Ltd	3,180,044	3,090,450
Balance at end of the year	4,715,591	4,474,260

Chery Huiyin Motor Finance Service Co., Ltd. was established in 2009, with a registered capital of RMB500 million, among which the Group accounted for RMB100 million or 20% of 500 million. With the approval of CBRC Anhui Branch on 24 December 2012, the authorised registered capital of Chery Huiyin Motor Finance Service Co., Ltd. was increased to RMB1 billion. As at 31 December 2014, the Group's share in this associate was RMB200 million or 20%. On 30 September 2014, this associate has completed its shareholding reform, and was renamed as Chery Huiyin Motor Finance Service Corporation Limited. In December 2017, the three shareholders of the associate subscribed for 500 million shares in the associate with capital injection of RMB1.52 billion, in proportion to their respective shareholding ratio. After the capital increase, the registered capital of the associate increased from RMB1 billion to RMB1.5 billion, and the remaining 0.02 billion enters into capital reserves. After the capital increase, the Group's share in this associate was RMB300 million or 20% of the total capital.

The Group participated in the establishment of Mongolian Commercial Bank Co., Ltd in the first half of 2020. The registered capital of the invested enterprise is RMB20 billion. The Group invested 3.6 billion yuan (of which 3 billion yuan is included in the share capital and 600 million yuan is included in the capital reserve), and the equity accounted for 15% of 20 billion. Mongolia Commercial Bank Co., Ltd. was established on 30 April, 2020 in accordance with the law. One of the current board members is nominated by the Group, so that the Group can exert significant influence on the company, so it is accounted as a joint venture enterprise.

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26 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic and other equipment	Construction-in-progress	Total
Cost					
As at 1 January 2021	3,916,038	54,247	1,898,621	1,103,919	6,972,825
Additions	239,932	1,732	128,582	150,237	520,483
Transfers in/(out)	910,437	-	853	(933,732)	(22,442)
Disposals	(8,669)	(5,422)	(87,633)	-	(101,724)
Other transfers out	-	-	-	(31,947)	(31,947)
As at 31 December 2021	5,057,738	50,557	1,940,423	288,477	7,337,195
Accumulated depreciation					
As at 1 January 2021	(996,634)	(46,912)	(1,291,006)	-	(2,334,552)
Depreciation charge	(188,263)	(4,283)	(204,269)	-	(396,815)
Disposals	8,409	5,255	83,096	-	96,760
As at 31 December 2021	(1,176,488)	(45,940)	(1,412,179)	-	(2,634,607)
Net book value	3,881,250	4,617	528,244	288,477	4,702,588

	Buildings	Motor vehicles	Electronic and other equipment	Construction-in-progress	Total
Cost					
As at 1 January 2020	1,732,975	55,631	1,709,722	709,826	4,208,154
Business Integration	2,162,204	4,929	24,960	-	2,192,093
Additions	37,080	376	270,898	430,915	739,269
Transfers in/(out)	386	-	5,271	(23,926)	(18,269)
Disposals	(16,607)	(6,689)	(112,230)	-	(135,526)
Other transfers out	-	-	-	(12,896)	(12,896)
As at 31 December 2020	3,916,038	54,247	1,898,621	1,103,919	6,972,825
Accumulated depreciation					
As at 1 January 2020	(934,799)	(51,228)	(1,163,013)	-	(2,149,040)
Depreciation charge	(76,380)	(2,173)	(232,913)	-	(311,466)
Disposals	14,545	6,489	104,920	-	125,954
As at 31 December 2020	(996,634)	(46,912)	(1,291,006)	-	(2,334,552)
Net book value	2,919,404	7,335	607,615	1,103,919	4,638,273

All lands and buildings of the Group are located outside Hong Kong.

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27 RIGHT-OF-USE ASSETS

	Buildings	Motor vehicles	Electronic and other equipment	Land use rights	Total
Cost					
As at 1 January 2021	1,513,282	9,245	4,248	170,863	1,697,638
Additions	330,421	4,546	555	–	335,522
Disposals and transfers out	(176,862)	(1,060)	–	–	(177,922)
Revaluation of lease liabilities	6,825	–	–	–	6,825
As at 31 December 2021	1,673,666	12,731	4,803	170,863	1,862,063
Accumulated depreciation					
As at 1 January 2021	(484,442)	(3,853)	(492)	(39,939)	(528,726)
Depreciation charge	(347,538)	(4,584)	(1,243)	(9,966)	(363,331)
Transfers out	159,231	1,060	–	–	160,291
As at 31 December 2021	(672,749)	(7,377)	(1,735)	(49,905)	(731,766)
Net book value	1,000,917	5,354	3,068	120,958	1,130,297

	Buildings	Motor vehicles	Electronic and other equipment	Land use rights	Total
Cost					
As at 1 January 2020	1,176,463	5,346	–	171,785	1,353,594
Additions	451,632	6,033	4,248	–	461,913
Disposals and transfers out	(114,648)	(2,132)	–	(922)	(117,702)
Revaluation of lease liabilities	(165)	(2)	–	–	(167)
As at 31 December 2020	1,513,282	9,245	4,248	170,863	1,697,638
Accumulated depreciation					
As at 1 January 2020	(262,503)	(2,069)	–	(30,779)	(295,351)
Depreciation charge	(305,317)	(3,876)	(492)	(9,160)	(318,845)
Transfers out	83,378	2,092	–	–	85,470
As at 31 December 2020	(484,442)	(3,853)	(492)	(39,939)	(528,726)
Net book value	1,028,840	5,392	3,756	130,924	1,168,912

All lands and buildings of the Group are located outside Hong Kong.

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27 RIGHT-OF-USE ASSETS (CONTINUED)

The net book value of the Group's houses and buildings at the end of each reporting period in terms of the remaining years of leases is as follows:

	As at 31 December 2021	As at 31 December 2020
Medium term lease (10 to 50 Years)	40,092	55,699
Short-term lease (less than 10 years)	960,825	973,141
Total	1,000,917	1,028,840

28 FINANCE LEASE RECEIVABLES

(a) The Group's finance lease receivables are analyzed by maturity date as follows:

As at 31 December 2021	Within 1 year	1 to 3 years	Over 3 years	Total
Finance lease receivables	26,063,378	29,848,201	6,564,226	62,475,805
Unearned finance income	(3,200,170)	(3,103,730)	(416,340)	(6,720,240)
Allowance	(314,661)	(725,422)	(1,455,224)	(2,495,307)
Interest receivable of finance leases	755,518	-	-	755,518
Net	23,304,065	26,019,049	4,692,662	54,015,776

As at 31 December 2020	Within 1 year	1 to 3 years	Over 3 years	Total
Finance lease receivables	18,246,266	26,915,273	11,823,021	56,984,560
Unearned finance income	(3,529,556)	(2,690,459)	(365,774)	(6,585,789)
Allowance	(118,043)	(955,490)	(895,769)	(1,969,302)
Interest receivable of finance leases	624,495	-	-	624,495
Net	15,223,162	23,269,324	10,561,478	49,053,964

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28 FINANCE LEASE RECEIVABLES (CONTINUED)

(b) The Group's finance lease receivables are analyzed by stages as follows:

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	Total
As at 31 December 2021				
The carrying value of finance lease receivables	54,006,176	228,737	1,520,652	55,755,565
As at 31 December 2020				
The carrying value of finance lease receivables	48,359,970	838,849	1,199,952	50,398,771

In this year, the stage conversion of the carrying value of finance lease receivables was not significant.

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28 FINANCE LEASE RECEIVABLES (CONTINUED)

(c) The changes of the allowance for the financing lease receivables are as follows:

	As at 1 January 2021			Total
	Stage 1 I (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	
Impairment losses for the year	222,955	546,395	1,199,952	1,969,302
(Note 31)	554,712	(170,575)	729,545	1,113,682
Stage conversion				
Transfers to Stage 1	1,114	(1,114)	–	–
Transfers to Stage 2	(910)	910	–	–
Transfers to Stage 3	–	(198,697)	198,697	–
Write-off and transfer out	–	–	(587,677)	(587,677)
As at 31 December 2021	777,871	176,919	1,540,517	2,495,307

	As at 1 January 2020			Total
	Stage 1 I (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	
Impairment losses for the year	478,825	20,966	1,022,331	1,522,122
(Note 31)	(251,880)	139,022	1,390,780	1,277,922
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(3,453)	403,336	(399,883)	–
Transfers to Stage 3	(537)	(16,929)	17,466	–
Write-off and transfer out	–	–	(830,742)	(830,742)
As at 31 December 2020	222,955	546,395	1,199,952	1,969,302

The Group's finance lease receivables are all managed by its subsidiary, Huiyin Financial Leasing Co., Ltd. For the year ended 31 December 2021, the principal of the Group's five largest finance lease receivables and the related allowance were RMB2,081.89 million and RMB29.08 million, respectively, which accounted for 3.33% and 1.17% of the total balance, respectively (31 December 2020: the principal of the Group's five largest finance lease receivables and the related allowance were RMB1,652,885 thousand and RMB6,693 thousand, respectively, which accounted for 3.28% and 0.34% of the total balance, respectively).

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29 GOODWILL

	As at 1 January 2021	Increase	Decrease	As at 31 December 2020	Allowances for impairment losses
FY2021					
Goodwill	14,567,826	–	–	14,567,826	–
	As at 1 January 2020	Increase	Decrease	As at 31 December 2021	Allowances for impairment losses
FY2020					
Goodwill	–	14,567,826	–	14,567,826	–

The Group completed a business combination in November 2020 with resultant goodwill of RMB14,567,826 thousand.

The Group conducted goodwill impairment test at the end of each Financial Year. The Group assessed and determined that provision for the impairment losses of goodwill is not required as at 31 December 2021.

The Group calculated the recoverable amount of the CGU using cash flow projections based on financial forecasts approved by management covering a ten-year period. The discount rate used in the cash flow forecast is 10.9% and the growth rate to extrapolate cash flows beyond the budget period is 3%. The management of the Group considers this growth rate to be reasonable.

The key assumptions made by management in determining the cash flow forecast for the purpose of the goodwill impairment test are described below:

Operating income – Management sets interest rates and growth rates based on the cash generating units, past performance of regional peers and expectations for market developments.

Discount rate -The discount rate used is before tax after reflecting specific risks of the relevant businesses.

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30 OTHER ASSETS

	As at 31 December 2021	As at 31 December 2020
Interest receivable ^(a)	238,299	182,701
Other receivables ^(b)	1,608,099	1,779,556
Less: impairment allowance ^(b)	(161,896)	(400,024)
Funds to be settled	751,081	1,652,237
Long-term prepaid expenses	176,772	218,986
Foreclosed assets	224,897	300,047
Less: impairment allowance	(93,649)	(97,278)
Intangible assets ^(c)	478,044	450,560
Continued involvement in assets	2,141,179	2,052,257
Others	311,035	263,006
Less: impairment allowance	(2,194)	(1,385)
Total	5,671,667	6,400,663

(a) Interest receivable

	As at 31 December 2021	As at 31 December 2020
Loans and advances to customers	220,676	182,701
Finance leases	17,623	–
Total	238,299	182,701

On 31st December, the interest receivable disclosed by the Group during the year was interest receivable on the relevant financial instruments that are due but not received at the end of the reporting period, and interest on financial instruments based on the effective interest rate method is included as part of the carrying value of the financial assets.

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30 OTHER ASSETS (CONTINUED)

(b) Other receivables

The Group's other receivables are analysed by age as follows:

As at 31 December 2021	Within 1 year	1 to 3 years	Over 3 years	Total
Other receivables	1,061,844	179,272	366,983	1,608,099
Allowance for impairment losses	(34,954)	(90,006)	(36,936)	(161,896)
Net	1,026,890	89,266	330,047	1,446,203

As at 31 December 2020	Within 1 year	1 to 3 years	Over 3 years	Total
Other receivables	958,875	780,511	40,170	1,779,556
Allowance for impairment losses	(97,321)	(266,104)	(36,599)	(400,024)
Net	861,554	514,407	3,571	1,379,532

On 31st December, the carrying amounts of other receivables in other assets in Stages 1, 2 and 3 were RMB1061.84 million, RMB197.27 million and RMB366.98 million (31 December 2020: RMB958.88 million, RMB780.51 million and RMB40.17 million), and the allowances for impairment losses in Stages 1, 2 and 3 were RMB34.95 million, RMB90.01 million and RMB36.94 million (31 December 2020: RMB97.32 million, RMB266.10 million and RMB36.60 million).

(c) Intangible assets

Intangible assets of the Group are mainly computer software.

	As at 31 December 2021	As at 31 December 2020
Cost		
Balance at beginning of the year	882,607	735,493
Addition initiated by the business integration	–	24,852
Additions	143,047	104,035
Transfers-construction-in-progress	22,442	18,270
Disposals	(353)	(43)
Balance at end of the year	1,047,743	882,607
Accumulated amortisation		
Balance at beginning of the year	(432,047)	(317,208)
Additions	(137,975)	(114,882)
Disposals	323	43
Balance at end of the year	(569,699)	(432,047)
Net book value		
At end of the year	478,044	450,560

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31 IMPAIRMENT ALLOWANCE (EXCEPT FOR LOANS AND ADVANCES)

	As at 1 January 2021	Additions/ Deductions	Recovery	Utilised	As at 31 December 2021
Deposits with banks and other financial institutions	(486,263)	(4,216)	–	–	(490,479)
Placements with banks and other financial institutions	(5,535)	(4,795)	–	–	(10,330)
Financial assets held under resale agreements	(1,015)	(22,649)	(2,000)	–	(25,664)
Financial investments measured at fair value and whose changes are included in other comprehensive income	(284,708)	(135,219)	–	–	(419,927)
Financial assets at amortised cost	(12,132,326)	(1,742,342)	(1,596)	–	(13,876,264)
Finance lease receivables	(1,969,302)	(1,113,682)	–	587,677	(2,495,307)
Foreclosed assets	(97,278)	3,629	–	–	(93,649)
Other assets – bad debts	(401,409)	160,049	(18,189)	95,459	(164,090)
Total	(15,377,836)	(2,859,225)	(21,785)	683,136	(17,575,710)

	As at 1 January 2020	Additions/ Deductions	Recovery	Utilised	As at 31 December 2020
Deposits with banks and other financial institutions	(376,409)	(109,854)	–	–	(486,263)
Placements with banks and other financial institutions	(13,387)	7,852	–	–	(5,535)
Financial assets held under resale agreements	(84,474)	83,459	–	–	(1,015)
Financial investments measured at fair value and whose changes are included in other comprehensive income	(531,000)	86,292	–	160,000	(284,708)
Financial assets at amortised cost	(11,414,277)	(718,049)	–	–	(12,132,326)
Finance lease receivables	(1,522,122)	(1,277,922)	–	830,742	(1,969,302)
Foreclosed assets	(199,949)	61,911	–	40,760	(97,278)
Other assets – bad debts	(454,072)	175,468	(122,805)	–	(401,409)
Total	(14,595,690)	(1,690,843)	(122,805)	1,031,502	(15,377,836)

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32 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2021	As at 31 December 2020
Banks in Mainland China	7,054,290	10,942,229
Other financial institutions in Mainland China	128,151,840	81,568,497
Interest payable	1,779,009	1,079,158
Total	136,985,139	93,589,884

33 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2021	As at 31 December 2020
Banks in Mainland China	42,835,994	34,930,034
Interest payable	388,701	364,542
Total	43,224,695	35,294,576

34 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December 2021	As at 31 December 2020
Securities sold under repurchase agreements	16,950,308	18,286,563
Bills sold under repurchase agreements	5,990,910	4,477,941
Precious metals sold under repurchase agreements	15,364,923	17,435,110
Interest payable	192,628	199,757
Total	38,498,769	40,399,371

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35 DEPOSITS FROM CUSTOMERS

	As at 31 December 2021	As at 31 December 2020
Items		
Demand deposits		
– Corporate deposits	261,151,020	251,060,743
– Personal deposits	71,674,825	68,065,877
Time deposits (including deposits at call)		
– Corporate deposits	170,692,004	188,696,940
– Personal deposits	221,222,773	167,480,939
Pledged deposits held as collateral	43,665,900	35,705,737
Remittances payable	107,616	1,241,184
Other deposits	153,519	701,677
Interest payable	15,145,734	13,789,681
Total	783,813,391	726,742,778

36 TAXES PAYABLE

	As at 31 December 2021	As at 31 December 2020
Corporate income tax	3,006,773	1,997,540
Value-added tax	660,167	515,431
Business tax and surcharges	73,579	63,630
Others	87,429	51,641
Total	3,827,948	2,628,242

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37 OTHER LIABILITIES

	As at 31 December 2021	As at 31 December 2020
Dividends payable ^(a)	174,104	276,921
Unearned rent and deposits under lease arrangements ^(b)	4,588,333	4,031,194
Funds to be settled	1,153,908	835,133
Continued involvement in liabilities	2,141,179	2,052,257
Asset securitisation	381,735	1,157,748
Salary and welfare payable ^(c)	2,327,135	2,399,710
Entrusted services	58,395	86,699
Long term suspension of customer deposits	500	272
Provision	1,423,705	706,474
– Allowance for litigation losses (Note 44)	267,273	231,851
– Provision for impairment of credit commitments ^(d)	1,091,516	421,919
Project funds payable	50,694	50,413
Lease liabilities	943,816	964,166
Others	4,133,766	4,452,462
Total	17,377,270	17,013,449

(a) Dividends payable

It has been approved by the shareholders in a general meeting that no dividend is to be paid for the year ended 31 December 2020. Details are listed in note 43.

(b) Unearned rent and deposits under lease arrangements

As at 31 December 2021, the Group's unearned rent and deposits under lease arrangements was all related to its subsidiary, Huiyin Financial Leasing Co., Ltd., which included the deposits and deferred income on finance leases.

(c) Salary and welfare payable

	As at 31 December 2021	As at 31 December 2020
Short-term employee benefits	2,270,624	2,352,008
Termination benefits	30,886	17,640
Defined contribution plans	25,625	30,062
Total	2,327,135	2,399,710

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37 OTHER LIABILITIES (CONTINUED)

(c) Salary and welfare payable (Continued)

	As at 1 January 2021	Increase in current year	Decrease in current year	As at 31 December 2021
Short-term employee benefits				
Wages, bonuses, allowances and subsidies	1,962,503	3,426,229	(3,526,242)	1,862,490
Employee benefits	16	282,846	(282,862)	-
Social insurance	2,657	207,951	(207,492)	3,116
Including:				
Medical insurance	2,490	204,371	(203,892)	2,969
Occupational injury insurance	82	2,218	(2,218)	82
Maternity insurance	85	1,362	(1,382)	65
Housing fund	1,351	280,281	(280,905)	727
Labour union fee and staff education fee	71,712	96,745	(77,935)	90,522
Other short-term employee benefits	313,769	45	(45)	313,769
Total	2,352,008	4,294,097	(4,375,481)	2,270,624

	As at 1 January 2020	Increase in current year	Decrease in current year	As at 31 December 2020
Short-term employee benefits				
Wages, bonuses, allowances and subsidies	1,964,287	3,178,831	(3,180,615)	1,962,503
Employee benefits	75	285,201	(285,260)	16
Social insurance	846	145,212	(143,401)	2,657
Including:				
Medical insurance	750	143,922	(142,182)	2,490
Occupational injury insurance	46	211	(175)	82
Maternity insurance	50	1,079	(1,044)	85
Housing fund	7,046	223,131	(228,826)	1,351
Labour union fee and staff education fee	59,488	91,768	(79,544)	71,712
Other short-term employee benefits	313,769	18	(18)	313,769
Total	2,345,511	3,924,161	(3,917,664)	2,352,008

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37 OTHER LIABILITIES (CONTINUED)

(c) Salary and welfare payable (Continued)

Defined contribution plans

	As at 1 January 2021	Increase in current year	Decrease in current year	As at 31 December 2021
Basic pension insurance	11,519	319,242	(321,738)	9,023
Unemployment insurance	370	9,693	(9,518)	545
Annuity scheme	5,751	251,516	(235,949)	21,318
Total	17,640	580,451	(567,205)	30,886

Defined contribution plans

	As at 1 January 2020	Increase in current year	Decrease in current year	As at 31 December 2020
Basic pension insurance	6,182	31,971	(26,634)	11,519
Unemployment insurance	214	491	(335)	370
Annuity scheme	6,675	248,946	(249,870)	5,751
Total	13,071	281,408	(276,839)	17,640

(d) Provision – Provision for impairment of credit commitments

	As at 31 December 2021			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	
As at 1 January 2021	397,810	3,170	20,939	421,919
Impairment losses for the year	692,311	(1,865)	(20,849)	669,597
Stage conversion				
Transfers to Stage 1	566	(566)	–	–
Transfers to Stage 2	–	90	(90)	–
Transfers to Stage 3	–	–	–	–
As at 31 December 2021	1,090,687	829	–	1,091,516

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37 OTHER LIABILITIES (CONTINUED)

(d) Provision – Provision for impairment of credit commitments (Continued)

	As at 31 December 2020			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	
As at 1 January 2020	351,178	73,649	7,982	432,809
Impairment losses for the year	46,634	(70,481)	(33,530)	(57,377)
Business integration	–	–	46,487	46,487
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(2)	2	–	–
Transfers to Stage 3	–	–	–	–
As at 31 December 2020	397,810	3,170	20,939	421,919

38 DEFERRED INCOME TAXES

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 the deferred income taxes assets and liabilities related to income taxes levied by the same taxation authority. The movements in the deferred income tax account are as follows:

	2021	2020
Balance at beginning of the year	9,727,450	8,161,629
Charged to the income statement	3,082,891	1,273,990
Credited to other comprehensive income	(192,713)	291,831
Balance at end of the year	12,617,628	9,727,450

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38 DEFERRED INCOME TAXES (CONTINUED)

Items included in deferred tax assets and liabilities are as follows:

	As at 31 December 2021	As at 31 December 2020
Deferred income tax assets		
Impairment allowance for assets	11,731,106	8,843,222
Salary and welfare payable	473,054	497,608
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	127,638	84,825
Impairment of financial assets at fair value through other comprehensive income	104,982	71,177
Fair value changes of customer loans and advances made at fair value and whose changes are included in other comprehensive income	14,679	3,391
Impairment of loans and advances to customers at fair value through other comprehensive income	9,288	2,013
Credit commitment impairment	272,879	105,480
Others	407,938	439,669
Total deferred income tax assets	13,141,564	10,047,385
Deferred income tax liabilities		
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	-	-
Fair value changes of financial assets at fair value through other comprehensive income	(409,666)	(246,746)
Fair value changes of customer loans and advances made at fair value and whose changes are included in other comprehensive income	-	-
Impairment of financial assets at fair value through other comprehensive income	(104,982)	(71,176)
Impairment of loans and advances to customer at fair value through other comprehensive income	(9,288)	(2,013)
Total deferred income tax liabilities	(523,936)	(319,935)
Net	12,617,628	9,727,450

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38 DEFERRED INCOME TAXES (CONTINUED)

Deferred taxes recorded in the income statement for the year comprise the following temporary differences:

	2021	2020
Impairment allowance for assets	2,887,884	1,363,126
Salary and welfare payable	(24,554)	(1,819)
Fair value changes of financial instruments and derivative financial instruments at fair value through profit or loss	42,813	42,758
Fair value changes of financial assets at fair value through other comprehensive income	33,805	(61,573)
Fair value changes of loans and advances to customer at fair value through other comprehensive income	7,275	(25,101)
Credit commitment impairment	167,399	(2,722)
Others	(31,731)	(40,679)
Total	3,082,891	1,273,990

39 DEBT SECURITIES ISSUED

	As at 31 December 2021	As at 31 December 2020
11 Subordinated debts with fixed rate ^(a)	–	3,995,806
16 Financial bonds 02 ^(b)	–	2,999,949
18 Green financial bonds ^(c)	–	3,999,347
19 Financial bonds 01 ^(d)	9,000,000	9,000,000
19 Financial bonds 02 ^(e)	1,000,000	1,000,000
20 Small and micro bonds 01 ^(f)	9,999,348	9,999,282
20 Tier 2 capital bonds ^(g)	8,000,000	8,000,000
20 Huiyin financial leasing bonds 01 ^(h)	1,700,000	2,000,000
21 Tier 2 01 ⁽ⁱ⁾	6,000,000	–
21 Huiyin financial leasing bonds 01 ^(j)	800,000	–
Interbank certificates of deposit issued ^(k)	145,757,493	138,709,653
Interest payable	631,150	931,658
Total	182,887,991	180,635,695

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39 DEBT SECURITIES ISSUED (CONTINUED)

- (a) The Group issued subordinated debts of RMB4 billion on 2 April 2011 on China's interbank bond market, with a maturity of 15 years and a fixed coupon rate of 6.55%, payable annually. The Group has an option to redeem these debts at face value on 2 April 2021.

Claims on subordinated debts are posterior to other liabilities but prior to the Group's share capital. From 1 January 2013, they have been qualified for inclusion as Tier 2 capital in the calculation of capital adequacy ratio in accordance with "The Trial Measures for Capital Management of Commercial Banks" promulgated by the CBRC. The bond is redeemed before the due date on 2 April 2021.

- (b) The Group issued RMB3 billion of financial bonds on 12 August 2016 on the China's inter-bank bond market, with a maturity of 5 years and a fixed coupon rate of 3.09%, payable annually. The bond is redeemed on 12 August, 2021.
- (c) The Group issued RMB4 billion of financial bonds on 29 May 2018 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 4.5%, payable annually. The bond is redeemed on 29 May, 2021.
- (d) The Group issued RMB9 billion of financial bonds on 8 March 2019 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 3.52%, payable annually.
- (e) The Group issued RMB1 billion of financial bonds on 8 March 2019 in China's inter-bank bond market, with a maturity of 5 years and a fixed coupon rate of 3.8%, payable annually.
- (f) The Group issued RMB10 billion of financial bonds on 27 April 2020 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.3%, payable annually.
- (g) The Group issued RMB8 billion of financial bonds on 28 September 2020 in China's inter-bank bond market, with a maturity of 10 years and a fixed coupon rate of 4.5%, payable annually. The Group has an option to redeem part or all of the bonds at face value on 28 September 2025, subject to regulatory approval. Tier 2 capital bond's right of recourse is subordinate to depositors and ordinary debts and is superior to equity, other tier 1 capital instruments and mixed capital debts.
- (h) The Group issued RMB2 billion of financial bonds on 16 April 2020 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.9%, payable annually.
- (i) The Group issued RMB6 billion of financial bonds on 26 October 2021 in China's inter-bank bond market, with a maturity of 10 years and a fixed coupon rate of 4.09%, payable annually. The Group has an option to redeem part or all of the bonds at face value on 22 October 2026, subject to regulatory approval. Tier 2 capital bond's right of recourse is subordinate to depositors and ordinary debts and is superior to equity, other tier 1 capital instruments and mixed capital debts.
- (j) The Group issued RMB1 billion of financial bonds on 18 August 2021 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 3.50%, payable annually.
- (k) The Group issued 169 interbank certificates of deposit at discount with a total face value of RMB241.96 billion with maturity ranging from one month to one year. As at 31 December 2021, the face value of the undue interbank certificates of deposit issued was RMB147.59 billion.

As at 31 December 2021, there were no defaults on principal and interest or other breaches to the agreements with respect to these debt securities.

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40 SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND CAPITAL RESERVE

(a) Share capital

The Bank's share capital is comprised of fully paid ordinary shares in issue, with par value of RMB1 per share. The number of shares is as follows:

	As at 31 December 2021	As at 31 December 2020
Number of authorized shares fully paid in issue (in thousands)	13,889,801	13,889,801

(b) Other equity instruments

1. Preference shares outstanding as at 31 December 2021 and 31 December 2020

As at 31 December 2021, Huishang Bank has no outstanding preference shares.

Changes in preference shares outstanding

	1 January 2021		Decrease		31 December 2021	
	Amount	Carrying value	Amount	Carrying value	Amount	Carrying value
	(million shares)	(RMB million)	(million shares)	(RMB million)	(million shares)	(RMB million)
Offshore Preference Shares	44.4	5,990,090	44.4	5,990,090	-	-

	1 January 2020		Decrease		31 December 2020	
	Amount	Carrying value	Amount	Carrying value	Amount	Carrying value
	(million shares)	(RMB million)	(million shares)	(RMB million)	(million shares)	(RMB million)
Offshore Preference Shares	44.4	5,990,090	-	-	44.4	5,990,090

The Announcement on the Redemption of the Offshore Preference Shares was issued by Huishang Bank on 8 October 2021. The Announcement on Completion of Redemption of the Offshore Preference Shares was issued by Huishang Bank on 11 November 2021. Pursuant to the terms and conditions of the Offshore Preference Shares and the reply letter from China Banking and Insurance Regulatory Commission Anhui Office (the "CBIRC Anhui Office"), the Bank intends to redeem all the Offshore Preference Shares on 10 November 2021 (the "Redemption Date"). The aggregate price of the Redemption will be U.S.\$936,840,000 (being the sum of (i) the aggregate liquidation preference of the Offshore Preference Shares in the amount of U.S.\$888,000,000 and (ii) the Dividends in the amount of U.S.\$48,840,000). Upon redemption and cancellation of the outstanding amount of the Offshore Preference Shares on the Redemption Date, there will be no Offshore Preference Shares outstanding.

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40 SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND CAPITAL RESERVE (CONTINUED)

(b) Other equity instruments (Continued)

1. Preference shares outstanding as at 31 December 2021 and 31 December 2020 (Continued)

Changes in preference shares outstanding (Continued)

The key terms are as follows:

(1) Dividend

The initial annual dividend rate is 5.50%, which will be reset according to the agreement during the duration. Subject to a resolution to be passed at a shareholders' general meeting of the Bank, the Bank may elect to cancel (in whole or in part) any dividend otherwise scheduled to be paid on a dividend payment date. The Bank may at its discretion use the funds arising from the cancellation of such dividend to repay other indebtedness that is due and payable. The dividend payment method is non-cumulative. The dividend distribution of Offshore Preference Shares amounted to USD54.27 million (USD48.84 million payable to preference shareholders at the coupon rate of 5.5% net of USD5.43 million of withholding tax at the rate of 10%).

(2) Redemption

The Bank may, subject to obtaining CBIRC approval and compliance with the redemption preconditions, upon prior notice to the offshore preference shareholders and the fiscal agent, redeem in whole or in part of the Offshore Preference Shares on the first reset date and on any dividend payment date thereafter. The redemption price for the Offshore Preference Shares shall be the aggregate of its liquidation priority amount and any declared but unpaid dividends.

(3) Compulsory conversion of preference shares

If any triggering event occurs, the Bank shall (having notified and obtained the consent of the CBIRC but without the need for the consent of holders of preference shares or the holders of ordinary shares): irrevocably and compulsorily convert all or some of the Offshore Preference Shares into such number of H Shares.

Offshore preference shares issued by the Bank are classified as equity instruments and listed in equity of the consolidated statement of financial position. The capital raised by the aforesaid overseas preference shares is used to supplement other first class capital of the Bank and to increase the capital adequacy ratio of the Bank after deducting the issuance expenses.

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40 SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND CAPITAL RESERVE (CONTINUED)

(b) Other equity instruments (Continued)

2. Perpetual bonds issued as at 31 December 2021 and 31 December 2020

Perpetual bonds	Issue date	Classification	Initial interest rate	Issue price (yuan)	Amount	RMB (thousand)	Maturity date	Method
					(100 million yuan)			
2019 Huishang Bank Perpetual bonds	29 November 2019	Equity instruments	4.90%	¥100/share	100	10,000,000	No maturity date	floating interest rates
Total amount						10,000,000		
Less: issuance fee						(189)		
Carrying amount						9,999,811		

Huishang Bank separately obtained approval on August 5 and November 5, 2019, from the Anhui office of China Banking and Insurance Regulatory Commission and the People's Bank of China to issue capital bonds with fixed maturities of no more than RMB10 billion in the national interbank bond market; at the end of November 2019, Huishang Bank Successfully issued [Huishang Bank Co., Ltd. 2019 No Fixed-Term Capital Bonds], and completed bond registration and custody at the Central Government Bonds Registration and Clearing Co., Ltd. The bond was filed on 29 November 2019, and was issued on 3 December 2019. The bond issuance has a scale of RMB10 billion, and the unit face value is RMB100. It is issued at par with par value and coupon rate is 4.9%.

The duration of the bond is consistent with the Bank's continuing operations. Five years after the date of issuance, the bank has the right to redeem all or part of the bond at annual interest payment date (including the interest payment date of the fifth year after the date of issuance) on the premise that the redemption prerequisites are met and the CBIRC has approved. When the write-down triggering conditions are met, the bank has the right to write down all or part of the above-mentioned bonds that have been issued and surviving according to the total face value of the bonds if they are reported to the CBRC and agreed, but without the consent of the bondholders. The principal of the bond is settled in the order of depositors, general creditors and subordinated debts higher than the bonds, but before all classes of shares held by shareholders; the bonds are in the same order as other tier 1 capital instruments with the same repayment order be compensated.

The aforesaid bonds are paid by non-cumulative interest, and the Bank has the right to cancel part or all of the dividends of the bonds, which does not constitute a default event. The Bank is free to dispose of the proceeds of the cancellation of dividends for repayment of other due debts, but the Bank will not distribute profits to ordinary shareholders until the full interest payment is resumed.

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40 SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND CAPITAL RESERVE (CONTINUED)

(b) Other equity instruments (Continued)

Related information attributable to equity instrument holders:

	As at 31 December 2021	As at 31 December 2020
1. Total equity attributable to equity holders of the Bank	108,563,985	103,041,067
(1) Equity attributable to ordinary equity holders of the Bank	98,564,174	87,051,166
(2) Equity attributable to other equity holders of the Bank	9,999,811	15,989,901
2. Total equity attributable to non-controlling interests	2,951,666	2,631,572

(c) Capital reserve

Transactions of the following natures are recorded in the capital reserve:

- (i) share premium arising from the issuance of shares at prices in excess of their par value;
- (ii) donations received from shareholders; and
- (iii) any other items required by the PRC regulations.

Capital surplus can be utilized for the issuance of stock dividends or increasing paid-up capital as approved by the shareholders meeting.

The Group's capital surplus is as follows:

	As at 31 December 2021	As at 31 December 2020
Share premium	14,919,197	14,919,197
Others	311,507	–
Total	15,230,704	14,919,197

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41 SURPLUS RESERVES AND GENERAL AND REGULATORY RESERVES

	Surplus reserves ^(a)	General reserves ^(b)
As at 1 January 2020	11,365,283	11,115,027
Appropriation to surplus reserves (a)	1,868,762	–
Appropriation to general reserves (b)	–	1,180,805
As at 31 December 2020	13,234,045	12,295,832
Appropriation to surplus reserves (a)	1,946,714	–
Appropriation to general reserves (b)	–	1,235,183
As at 31 December 2021	15,180,759	13,531,015

(a) Surplus reserves

Pursuant to the “Company Law of the PRC” and the Group’s Articles of Association, the Group is required to appropriate 10% of its net profit in the statutory consolidated financial statements to the non-distributable statutory surplus reserves. Appropriation to the statutory surplus reserves may cease when the balance of such reserves has reached 50% of the share capital. After the withdrawal of statutory surplus reserve, the group can withdraw arbitrary surplus reserve. Subject to the approval of the shareholders’ meeting, any surplus reserve can be used to make up the loss of previous years or to increase the share capital.

As at 31 December 2021 and 31 December 2020, the Group’s statutory surplus reserve balances were RMB8,315.70 million and RMB7,283.73 million respectively. The others were discretionary surplus reserve.

(b) General reserve

Pursuant to Cai Jin [2012] No. 20 “Requirements on Impairment Allowance for Financial Institutions” (the “Requirements”) issued by the Ministry of Finance on 20 March 2012, the general reserve should not be less than 1.5% of the aggregate amount of risk assets, and shall be raised within five years. The Requirements were effective from 1 July 2012.

42 OTHER COMPREHENSIVE INCOME

	Fair value change of equity instruments at FVOCI		Fair value change of debt instruments at FVOCI		Impairment change of debt instruments at FVOCI		Total
	Amount before tax	Income tax impact	Amount before tax	Income tax impact	Amount before tax	Income tax impact	
As at 1 January 2020	171,376	(42,844)	1,622,672	(405,667)	639,455	(159,865)	1,825,127
Changes in amount for the previous year	53,888	(13,472)	(874,522)	218,630	(346,695)	86,674	(875,497)
As at 31 December 2020	225,264	(56,316)	748,150	(187,037)	292,760	(73,191)	949,630
Changes in amount for the year	(9,397)	2,350	615,936	(153,984)	164,317	(41,080)	578,142
As at 31 December 2021	215,867	(53,966)	1,364,086	(341,021)	457,077	(114,271)	1,527,772

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43 DIVIDENDS

(a) Dividends for ordinary shares

	Year ended 31 December 2021	Year ended 31 December 2020
Dividends declared for the year	–	1,908,304
Dividends per ordinary share (in RMB)	–	0.157
Dividends paid during the year	102,817	1,768,869

It has been approved by the shareholders in a general meeting that no dividend is to be paid for the year ended 31 December 2020. The final dividend of RMB1.57 for every 10 shares in respect of the year ended 31 December 2019 has been approved by the shareholders in a general meeting.

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

- (i) Making up cumulative losses from prior years, if any;
- (ii) Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank;
- (iii) Appropriation to general reserve;
- (iv) Payment of preference shares dividends; and
- (v) Allocations to the discretionary reserve with approval from the general meetings of shareholders. These reserves form part of the shareholders’ equity.

In accordance with the relevant regulations, the net profit after tax of the Bank for the purpose of profit distribution is deemed to be the lesser of (i) the retained profits determined in accordance with the PRC Generally Accepted Accounting Principles and (ii) the retained profits determined in accordance with IFRS.

(b) Dividends for preference shares

Based on the shareholders’ resolution and approval, a board of directors meeting was convened on 27 July 2021 to approve the dividend distribution for offshore preference shares. Each offshore preference share shall entitle the holder thereof to receive non-accumulative dividends which have not been otherwise cancelled (the “Dividends”) payable annually in arrears. Based on the relevant provisions, dividends amounting to USD54.27 million was declared (USD48.84 million payable to preference shares holders based on a coupon rate of 5.5% net of withholding tax of USD5.43 million at the rate of 10%). The dividend amounting to RMB347.02 million (inclusive of tax) was distributed on 10 November 2021.

(c) Profit distribution of perpetual bonds

On 3 December 2021, the Bank distributed interest on the 2020 unfixed term capital bonds (bonds referred to as “19 Huishang Bank perpetual bonds”) of RMB490 million.

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44 FINANCIAL GUARANTEES AND CREDIT COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

(a) Financial guarantees and credit commitments

The following tables indicate the contractual amounts of the Group's financial guarantees and credit commitments:

	As at 31 December 2021	As at 31 December 2020
Bank acceptance	50,258,964	40,303,011
Letters of credit issued	8,973,412	6,262,490
Letters of guarantee issued	31,290,222	15,645,344
Loan commitments	1,796,963	1,711,011
Unused credit card lines	42,585,094	42,218,513
Total	134,904,655	106,140,369
Impairment allowance for credit commitments (Note 37)	1,091,516	421,919

(b) Capital commitments

	As at 31 December 2021	As at 31 December 2020
Contracted but not provided for	168,142	101,681

(c) Treasury bond redemption commitments

The Group is entrusted by the Ministry of Finance of the PRC ("MOF") to underwrite certain treasury bonds. The investors of these treasury bonds have a right to redeem the bonds at any time prior to maturity and the Group is committed to redeem these treasury bonds. The redemption price is the principal value of the bonds plus unpaid interest in accordance with the early redemption arrangement. As at 31 December 2021 and 31 December 2020, the nominal values of treasury bonds which the Group was obligated to redeem prior to maturity were RMB4.82 billion and RMB4.29 billion respectively.

(d) Legal proceedings

During the reporting year, the Group was involved as defendants/respondents in certain lawsuits arising from its normal business operations. At 31 December 2021, provision for litigation losses as advised by in-house or external legal professionals was RMB0.27 billion (31 December 2020: RMB0.23 billion). Based on legal advice, the management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

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45 COLLATERAL

(a) Pledged assets

The Group uses the following financial assets as collateral for selling repurchase transactions and borrowing from the Central Bank. At the end of the reporting period, the face value of financial assets used as collateral for a liability or contingent liability is shown below:

	As at 31 December 2021	As at 31 December 2020
Fair value changes of financial assets at fair value through other comprehensive income	40,833,576	51,935,487
Financial assets at amortised cost	48,951,297	44,329,848
Fair value changes of financial assets at fair value through profit or loss	7,335,124	10,654,768
Discounted bills	5,990,910	4,482,042
Total	103,110,907	111,402,145

The carrying value of financial assets sold under repurchase agreements by the Group as at 31 December 2021 was RMB38.5 billion (as at 31 December 2020: RMB40.4 billion) as set out in Note 34. Repurchase agreements are primarily due within 12 months from the effective dates of these agreements.

For financial assets sold under repurchase agreements, the related security rights have been transferred to the counterparty. The debt securities with title transferred to counterparties recorded in financial assets sold under repurchase agreements that the Group did not derecognize amounted to zero as at 31 December 2021 (as at 31 December 2020: none).

In addition, the Group has no debt securities and deposits with banks and other financial institutions pledged for meeting regulatory requirements or for derivative transactions.

(b) Collateral accepted

The Group accepted debt securities, bills and other assets as collateral in the purchase of assets under resale agreements. Certain collateral can be resold or re-pledged. The collateral accepted that can be resold or re-pledged by the Group as at 31 December 2021 was RMB0.1 billion (31 December 2020: None). The Group has no collateral that is re-pledged and obligated to return as at 31 December 2021 (31 December 2020: none).

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46 CREDIT RISK WEIGHTED AMOUNT OF FINANCIAL GUARANTEES AND CREDIT COMMITMENTS

	As at 31 December 2021	As at 31 December 2020
Financial guarantees and credit related commitments	50,215,164	29,192,706

The credit risk weighted amount refers to the amount as computed in accordance with the formula promulgated by the CBIRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and credit related commitments.

47 STRUCTURED ENTITIES

(a) Unconsolidated structured entities managed by the Group

The unconsolidated structure entities managed by the Group are mainly wealth management products ("WMP") issued and managed by the Bank. The Group had not provided any guarantee or undertaking with regard to principal or returns for these products (non-guaranteed wealth management products). Wealth management products were mainly invested in money market instruments, bonds and loan assets. The raised funds were invested in related financial markets or financial products in accordance with the product contracts. Returns would be allocated to investors based on the performance of the assets. The Group receives a management fee as the manager of these wealth management products. As at 31 December 2021 and 31 December 2020, total wealth commission income the Group received were RMB2,189.26 million and RMB1,426.57 million respectively. The Group considered its variable returns from the structured entities are insignificant and hence they were not consolidated.

As at 31 December 2021, the carrying value of non-guaranteed wealth management products that the Group issued and managed was RMB225.23 billion (31 December 2020: RMB201.83 billion). As at 31 December 2021, the Group's maximum exposure to these unconsolidated structured entities was zero (31 December 2020: none). In 2021, the Group purchased financial assets from wealth management products not included in the scope of consolidation for a total of zero.

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, WMP vehicles or any third parties that could increase the level of the Group's risk or reduce its interest in WMP vehicles disclosed above. The Group is not required to absorb any losses incurred by WMPs before other parties. No loss was incurred by the WMP vehicles relating to the Group's interests in the WMP vehicles, and the WMP vehicles did not experience difficulty in financing their activities.

(b) Unconsolidated structured entities invested by the Group

To maximize the usage of capital, the Group enters into transactions with unconsolidated structured entities which include wealth management products, the trust fund and asset management plan schemes issued and managed by other independent third parties during the years ended 31 December 2021 and 31 December 2020. The Group classifies these assets into "debt instruments classified as receivables" or "available-for-sale financial assets" based on their nature. As the investor of these entities, the Group earns interest from these transactions. The Group has not provided any liquidity support to these unconsolidated structured entities during the years ended 31 December 2021 and 31 December 2020.

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47 STRUCTURED ENTITIES (CONTINUED)

(b) Unconsolidated structured entities invested by the Group (Continued)

The table below shows the carrying value and scale of unconsolidated structured entities invested by the Group, as well as its maximum exposure to loss in relation to those interests.

At 31 December 2021	Carrying value	Maximum exposure to loss
Financial investments – at FVTPL		
– Non-guaranteed wealth management products	14,160,271	14,160,271
– Trust fund and asset management plans	86,487,155	86,487,155
Financial assets at amortised cost		
– Trust fund and asset management plans	161,222,320	161,222,320
<hr/>		
At 31 December 2020	Carrying value	Maximum exposure to loss
Financial investments – at FVTPL		
– Non-guaranteed wealth management products	13,508,907	13,508,907
– Trust fund and asset management plans	92,676,384	92,676,384
Financial assets at amortised cost		
– Trust fund and asset management plans	163,351,036	163,351,036

The information of total size of the unconsolidated structured entities listed above is not readily available.

(c) Consolidated structured entities

Consolidated structured entities include the beneficial rights in trust and asset management plans over which the Group exercises investment decisions.

The Group did not provide liquidity support to these consolidated structured entities during the year ended 31 December 2021 and the year ended 31 December 2020.

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48 CASH AND CASH EQUIVALENTS

- (a) For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following balances with an original maturity of less than three months:

	As at 31 December 2021	As at 31 December 2020
Cash	1,186,576	1,215,801
Surplus reserve with the central bank	18,536,271	29,881,507
Deposits with banks and other financial institutions	13,745,121	11,298,071
Total	33,467,968	42,395,379

- (b) **Changes in liabilities arising from financing activities**

	Debt securities issued	Dividends payable	Lease liabilities
At 1 January 2021	180,635,695	276,921	964,166
Proceeds from issuance of debt securities	248,760,000	-	-
Interest paid on debt issued	(5,678,966)	-	-
Cash paid relating to debt repayments	(246,226,007)	-	-
Dividends paid on debt issued	-	(102,817)	-
Interest expense	5,397,269	-	300,431
Cash paid relating to lease liabilities	-	-	(485,205)
Other changes in lease liabilities	-	-	164,424
At 31 December 2021	182,887,991	174,104	943,816
	Debt securities issued	Dividends payable	Lease liabilities
At 1 January 2020	183,242,708	137,486	851,241
Proceeds from issuance of debt securities	257,680,000	-	-
Interest paid on debt issued	(5,386,091)	-	-
Cash paid relating to debt repayments	(260,437,563)	-	-
Dividends paid on debt issued	-	(1,768,869)	-
Interest expense	5,536,641	-	147,142
Dividends declared	-	1,908,304	-
Cash paid relating to lease liabilities	-	-	(379,182)
Other changes in lease liabilities	-	-	344,965
At 31 December 2020	180,635,695	276,921	964,166

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49 CREDIT ASSETS SECURITIZATION TRANSACTIONS

The Group enters into credit asset transfers in the normal course of business during which it transfers credit assets to special purpose entities which in turn issue asset-backed securities or fund shares to investors. The Group may acquire some asset-backed securities and fund shares at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that were securitised and qualified for derecognition, the Group derecognised the transferred credit assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions was RMB0.89 billion as at 31 December 2021 (31 December 2020: RMB0.89 billion), which also approximates the Group's maximum exposure to loss.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the transferred credit assets are recognised in the statement of financial position to the extent of the Group's continuing involvement. In 2021, the Group is not required to have continuing involvement through acquiring some tranches (for the year ended 31 December 2020: RMB8.88 billion). As at 31 December 2021, the carrying amount of assets that the Group continues to recognise in the statement of financial position was RMB2.14 billion (31 December 2020: RMB2.05 billion).

50 RELATED PARTY TRANSACTIONS

(1) Related parties

The table below lists the major related legal entities of the Group with a shareholding ratio greater than 5% in 2021:

Major related legal entities with the Group	Relationship with the Group	Location of registration	Legal representative	Registered capital	Principal activities	Share percentage (%)
Deposit Insurance Fund Management Co., Ltd.	Major shareholder	Beijing	Huang Xiaolong	10,000,000	Equity, creditor's rights, funds and other investments	11.22%
Zhongjing Xinhua Asset Management Co., Ltd.	Major shareholder	Huangshan, Anhui	GAO YANG	2,875,000	Enterprise investment management, merger and acquisition	10.59%
Anhui Province Energy Group Co., Ltd.	Major shareholder	Hefei, Anhui	Chen Xiang	4,375,000	Financing and investment management of energy construction	9.70%
China Vanke Co., Ltd.	Major shareholder	Shenzhen, Guangdong	Yu Liang	10,995,210	Real estate development	7.00%
Anhui Guoyuan Financial Holding Group Co., Ltd.	Major shareholder	Hefei, Anhui	Fang Xu	6,000,000	Capital operation and asset management	6.29%
Anhui Credit Guaranty Group Co., Ltd.	Major shareholder	Hefei, Anhui	Wu Xuemin	18,686,000	Financing guarantee	5.98%
Anhui Transportation Holding Group Co., Ltd.	Major shareholder	Hefei, Anhui	Xiang Xiaolong	16,000,000	Infrastructure investment and construction	5.01%

Note 1: The substantial shareholder Anhui Province Energy Group Co., Ltd. has changed the legal representative to Chen Xiang on April 21 2021.

Note 2: The substantial shareholder Anhui Credit Guaranty Group Co., Ltd. has changed the legal representative to Wu Xuemin on May 11 2021 and Anhui Credit Guaranty Group Co., Ltd. has been renamed Anhui Credit Financing Guaranty Group Co., Ltd. on July 26 2021.

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50 RELATED PARTY TRANSACTIONS (CONTINUED)

(1) Related parties (Continued)

The table below listed major related legal entities of the Group with a shareholding ratio greater than 5% in 2020:

Major related legal entities with the Group	Relationship with the Group	Location of registration	Legal representative	Registered capital	Principal activities	Share percentage (%)
Zhongjing Xinhua Asset Management Co., Ltd.	Major shareholder	Huangshan, Anhui	GAO YANG	2,875,000	Enterprise investment management, merger and acquisition	12.10%
Anhui Province Energy Group Co., Ltd.	Major shareholder	Hefei, Anhui	Zhu Yicun	4,375,000	Financing and investment management of energy construction	11.08%
China Vanke Co., Ltd.	Major shareholder	Shenzhen, Guangdong	Yu Liang	10,995,210	Real estate development	8.00%
Anhui Guoyuan Financial Holding Group Co., Ltd.	Major shareholder	Hefei, Anhui	Fang Xu	6,000,000	Capital operation and asset management	7.19%
Anhui Credit Guaranty Group Co., Ltd.	Major shareholder	Hefei, Anhui	Yan Chen	18,686,000	Financing guarantee	6.83%

Note: The Group issued 1,735,000,000 domestic shares on 30 December 2020 for a consideration of RMB9,893.75 million. The raised funds have been verified by Ernst & Young Hua Ming Certified Public Accountants and capital verification reports were issued. The shares corresponding to the capital increase mentioned above were registered with CSDC on 4 January 2021. Therefore, the capital increase was not reflected in the table above.

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50 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions and balances

Related party transactions of the Group mainly refer to loans and deposits, which are entered into in the normal course and terms of business, with consistent pricing policies as in the transactions with independent third parties.

(a) Transactions with major shareholders and balances

As at balance sheet date stated below, the balances and interest rate ranges of transactions with major shareholders of the Group are as follows:

	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Placements with and loans to banks and other financial institutions	500,000	3.32%	–	–
Loans and advances to customers	3,287,807	0.52%	2,977,575	0.54%
Financial assets	554,500	0.10%	30,000	0.01%
Placements from banks and other financial institutions	44,764	0.03%	92,014	0.10%
Deposits from customers	24,504,067	3.13%	30,868,858	4.25%
Bank acceptance	19,700	0.04%	37,648	0.09%
Letters of guarantee issued	22,632	0.07%	–	–
Total	28,933,470	1.32%	34,006,095	1.75%

	As at 31 December 2021	As at 31 December 2020
Loans and advances to customers	3.85%-6.27%	4.70%-5.70%
Placements from banks and other financial institutions	0.72%-1.01%	0.30%-3.00%
Deposits from customers	0.30%-4.18%	0.30%-1.89%

As for the years stated below, the interest income and expense of loans and deposits and management fee of asset management plans with respect to major shareholders are as follows:

	2021		2020	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Interest income	172,640	0.30%	259,534	0.51%
Interest expense	870,546	2.88%	254,696	1.00%
Management fee of asset management plans	2,052	0.50%	–	–

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50 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions and balances (Continued)

(b) Transactions with other related parties and balances

As at the balance sheet date stated below, the balances and interest rate ranges of transactions with other related parties of the Group are as follows:

	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Loans and advances to customers	2,790,043	0.44%	1,928,790	0.35%
Financial assets	826,940	0.15%	950,000	0.19%
Placements from banks and other financial institutions	3,592	0.01%	3,100,454	3.30%
Deposits from customers	11,006,104	1.40%	3,474,918	0.48%
Bank acceptance	555,018	1.10%	595,000	1.48%
Letters of guarantee issued	207,250	0.66%	672	0.01%
Letters of credit issued	100,000	1.11%	1,915,000	30.58%
Loan commitments	158,000	8.79%	–	–
Total	15,646,947	0.72%	11,964,834	0.61%

	As at 31 December 2021	As at 31 December 2020
Loans and advances to customers	2.90%-5.50%	2.30%-6.17%
Placements from banks and other financial institutions	0.72%-1.35%	0.30%-1.96%
Deposits from customers	0.30%-4.18%	0.30%-3.99%

The interest income and expense of loans and deposits with respect to other related parties are as follows:

	2021		2020	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Interest income	110,610	0.19%	162,586	0.32%
Interest expense	119,650	0.40%	46,259	0.18%
Fee and commission expenses	1,529	0.37%	–	–

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50 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions and balances (Continued)

(c) Transactions with associates

As at balance sheet dates stated below, the balances and interest rate ranges of transactions with associates of the Group are as follows:

	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Placements with and loans to banks and other financial institutions	1,000,000	6.65%	1,000,000	18.95%
Financial assets	171,618	0.03%	876,000	0.17%
Placements from banks and other financial institutions	140,042	0.10%	68,032	0.07%
Total	1,311,660	0.19%	1,944,032	0.32%

	As at 31 December 2021	As at 31 December 2020
Placements with and loans to banks and other financial institutions	4.05%-4.15%	3.50%
Placements from banks and other financial institutions	0.72%-1.08%	0.72%-1.08%

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50 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions and balances (Continued)

(c) Transactions with associates (Continued)

The interest income and expense of loans and deposits with respect to associates are as follows:

	2021		2020	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Interest expense	79	0.01%	50	0.01%

(d) Balances and transactions between the Group and the following major shareholders and entities under their control

	2021	2020
Emoluments for directors, supervisors and senior management	19,197	22,758
Balances at the end of the year		
Loans and advances to customers	2,542	5,345
Deposits from customers	3,565	2,111
Transactions during the year		
Interest income	820	547
Interest expense	28	3

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51 SEGMENT ANALYSIS

The Group manages the business from both the business and geographic perspectives. From the business perspective, the Group provides services through four main business segments listed below:

Corporate banking

Services to corporate customers, government authorities and financial institutions including current accounts, deposits, overdrafts, loans, trade related products and other credit facilities, foreign currency, and wealth management products.

Retail banking

Services to retail customers including savings deposits, personal loans and advances, credit cards and debit cards, payments and settlements, wealth management products and funds and insurance agency services.

Treasury

Conducts securities investment, money market and repurchase transactions. The results of this segment include the intersegment funding income and expenses, resulting from interest-bearing assets and liabilities and foreign currency translation gains and losses.

Others

Comprise investment holding and other miscellaneous activities, none of which constitutes a separately reportable segment.

Geographically, the Group mainly conducts its business in the PRC with its branches in Anhui Province and the Yangtze River Delta area. When presenting information based on geographic areas, revenue is classified by the area where the branches are located; assets and liabilities and capital expense of segments are classified by the branch to which they belong.

Notes to the Consolidated Financial Statements

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51 SEGMENT ANALYSIS (CONTINUED)

	For the year ended 31 December 2021				
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	23,501,110	13,956,966	19,655,842	-	57,113,918
Net interest expense to external customers	(8,649,004)	(7,448,908)	(14,159,554)	-	(30,257,466)
Intersegment net interest income/(expense)	382,986	629,679	(1,012,665)	-	-
Net interest income	15,235,092	7,137,737	4,483,623	-	26,856,452
Net fee and commission income	3,760,054	113,850	556,690	-	4,430,594
Net trading gains	-	-	2,984,094	-	2,984,094
Net gains from investment securities	-	-	910,383	-	910,383
Dividend income	-	-	2,080	-	2,080
Other operating income	-	-	106,902	223,899	330,801
Operating expenses	(2,183,956)	(496,445)	(5,695,498)	(308,517)	(8,684,416)
– Depreciation and amortization	(507,392)	(211,702)	(277,164)	(3,055)	(999,313)
Impairment losses on credits	(11,197,692)	(549,926)	(1,803,928)	-	(13,551,546)
Impairment losses on assets	3,629	-	-	-	3,629
Share of profits of associates	-	-	-	255,246	255,246
Profit before income tax and impairment loss on credits	16,814,819	6,755,142	3,348,274	170,628	27,088,863
Profit before income tax	5,617,127	6,205,216	1,544,346	170,628	13,537,317
Capital expenditure	366,225	195,651	256,150	2,823	820,849

	As at 31 December 2021				
	Corporate banking	Retail banking	Treasury	Others	Total
Segment assets	435,937,075	276,648,653	653,742,884	4,715,591	1,371,044,203
<i>Including: investments in associates</i>	-	-	-	4,715,591	4,715,591
Deferred tax assets					12,617,628
Total assets					1,383,661,831
Segment liabilities	(506,810,382)	(285,449,756)	(473,587,274)	(6,298,768)	(1,272,146,180)
Off-balance sheet credit commitments	90,307,569	44,597,086	-	-	134,904,655

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51 SEGMENT ANALYSIS (CONTINUED)

	For the year ended 31 December 2020				
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	20,433,378	11,654,888	19,221,693	-	51,309,959
Net interest expense to external customers	(7,645,010)	(5,549,689)	(12,363,059)	-	(25,557,758)
Intersegment net interest income/ (expense)	973,362	368,375	(1,341,737)	-	-
Net interest income	13,761,730	6,473,574	5,516,897	-	25,752,201
Net fee and commission income	2,541,804	98,848	975,893	-	3,616,545
Net trading gains	-	-	2,496,536	-	2,496,536
Net gains from investment securities	-	-	169,099	-	169,099
Dividend income	-	-	1,440	-	1,440
Other operating income	-	-	104,377	150,200	254,577
Operating expenses	(1,487,311)	(383,690)	(5,578,935)	(204,388)	(7,654,324)
– Depreciation and amortization	(573,034)	(233,781)	(32,901)	(2,598)	(842,314)
Impairment losses on credits	(8,088,007)	(3,437,007)	(733,757)	-	(12,258,771)
Impairment losses on assets	61,911	-	-	-	61,911
Share of profits of associates	-	-	-	(356,518)	(356,518)
Profit before income tax and impairment loss on credits	14,878,134	6,188,732	3,685,307	(410,706)	24,341,467
Profit before income tax	6,790,127	2,751,725	2,951,550	(410,706)	12,082,696
Capital expenditure	612,601	308,914	43,475	3,433	968,423

	As at 31 December 2020				
	Corporate banking	Retail banking	Treasury	Others	Total
Segment assets	399,401,943	253,959,614	604,137,431	4,474,260	1,261,973,248
<i>Including: investments in associates</i>	-	-	-	4,474,260	4,474,260
Deferred tax assets					9,727,450
Total assets					1,271,700,698
Segment liabilities	(503,411,145)	(231,789,207)	(425,088,082)	(5,739,625)	(1,166,028,059)
Off-balance sheet credit commitments	81,168,093	24,972,276	-	-	106,140,369

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51 SEGMENT ANALYSIS (CONTINUED)

	For the year ended 31 December 2021					
	Anhui Province	Jiangsu Province	Head Office	Others	Intersegment eliminations	Total
Net interest income from external customers	38,660,785	3,148,129	13,504,969	1,800,035	-	57,113,918
Net interest expense to external customers	(20,052,840)	(1,632,893)	(7,004,850)	(1,566,883)	-	(30,257,466)
Intersegment net interest income/ (expense)	936,413	76,252	(1,837,665)	825,000	-	-
Net interest income	19,544,358	1,591,488	4,662,454	1,058,152	-	26,856,452
Net fee and commission income	3,003,439	244,569	1,049,160	133,426	-	4,430,594
Net trading gains	2,082,058	169,541	727,303	5,192	-	2,984,094
Net gains from investment securities	636,299	51,813	222,271	-	-	910,383
Dividend income	1,454	118	508	-	-	2,080
Other operating income	229,419	18,681	80,140	2,561	-	330,801
Operating expenses	(6,728,573)	(466,475)	(1,001,103)	(488,265)	-	(8,684,416)
- Depreciation and amortization	(549,494)	(44,745)	(191,949)	(213,125)	-	(999,313)
Impairment losses on credits	(7,679,653)	(625,055)	(2,681,385)	(2,565,453)	-	(13,551,546)
Impairment losses on assets	3,629	-	-	-	-	3,629
Share of profits of associates	-	-	255,246	-	-	255,246
Profit before income tax and impairment loss on credits	18,772,083	1,609,735	5,995,979	711,066	-	27,088,863
Profit before income tax	11,092,430	984,680	3,314,594	(1,854,387)	-	13,537,317
Capital expenditure	555,189	45,209	193,939	26,512	-	820,849

	As at 31 December 2021					
	Anhui Province	Jiangsu Province	Head Office	Others	Intersegment eliminations	Total
Segment assets	825,652,967	49,270,343	454,913,745	48,841,905	(7,634,757)	1,371,044,203
<i>Including: investments in associates</i>	-	-	4,715,591	-	-	4,715,591
Deferred tax assets						12,617,628
Total assets						1,383,661,831
Segment liabilities	(813,434,696)	(48,926,473)	(364,363,774)	(49,246,861)	3,825,624	(1,272,146,180)
Off-balance sheet credit commitments	115,209,138	19,552,741	12,776	130,000	-	134,904,655

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51 SEGMENT ANALYSIS (CONTINUED)

	For the year ended 31 December 2020					Total
	Anhui Province	Jiangsu Province	Head Office	Others	Intersegment eliminations	
Net interest income from external customers	37,314,285	2,067,482	11,749,878	178,314	-	51,309,959
Net interest expense to external customers	(19,950,292)	(920,683)	(4,500,607)	(186,176)	-	(25,557,758)
Intersegment net interest income/(expense)	1,281,845	59,892	(1,341,737)	-	-	-
Net interest income	18,645,838	1,206,691	5,907,534	(7,862)	-	25,752,201
Net fee and commission income	2,836,375	132,525	647,825	(180)	-	3,616,545
Net trading gains	1,957,868	91,478	447,174	16	-	2,496,536
Net gains from investment securities	132,614	6,196	(113,822)	144,111	-	169,099
Dividend income	1,129	53	258	-	-	1,440
Other operating income	198,850	9,291	45,417	1,019	-	254,577
Operating expenses	(5,740,536)	(268,216)	(1,311,131)	(334,441)	-	(7,654,324)
- Depreciation and amortization	(222,647)	(2,147)	(616,902)	(618)	-	(842,314)
Impairment losses on credits	(8,936,458)	(414,647)	(2,026,935)	(880,731)	-	(12,258,771)
Impairment losses on assets	61,911	-	-	-	-	61,911
Share of profits of associates	-	-	(356,518)	-	-	(356,518)
Profit before income tax and impairment loss on credits	18,094,049	1,178,018	5,266,737	(197,337)	-	24,341,467
Profit before income tax	9,157,591	763,371	3,239,802	(1,078,068)	-	12,082,696
Capital expenditure	748,470	35,485	173,463	11,005	-	968,423

	As at 31 December 2020					Total
	Anhui Province	Jiangsu Province	Head Office	Others	Intersegment eliminations	
Segment assets	763,576,680	45,418,730	409,003,974	54,394,388	(10,420,524)	1,261,973,248
Including: investments in associates	-	-	4,474,260	-	-	4,474,260
Deferred tax assets						9,727,450
Total assets						1,271,700,698
Segment liabilities	(750,248,169)	(44,307,862)	(323,196,230)	(54,814,746)	6,538,948	(1,166,028,059)
Off-balance sheet credit commitments	91,098,914	15,015,881	25,574	-	-	106,140,369

There were no material transactions with a single external customer that the Group mainly relies on.

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52 FINANCIAL RISK MANAGEMENT

Overview

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in the business. The Group's aim is therefore to achieve an appropriate balance between risks and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The most important types of risks are credit risk, liquidity risk and market risk which also includes currency risk and interest rate risk.

The Board of Directors is the responsible for establishing the overall risk appetite of the Group. Management establishes corresponding risk management policies and procedures covering areas of credit risk, market risk and liquidity risk under the risk appetite approved by the Board of Directors.

52.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk increases when counterparties are within similar industry segments or geographical regions. Credit exposures arise principally in loans and advances to banks, customers and securities. There is also credit risk in off-balance sheet financial arrangements: such as loan commitments. The Group mainly conducts its business in Anhui Province of the PRC, indicating a concentration risk in the Group's credit portfolio which makes it vulnerable to economic changes in the region. Management therefore carefully manages its exposure to credit risks. The credit risk management and control are centralized in the Risk Management Department of Head Office and reported to management regularly.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.1 Credit risk measurement

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to the present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECLs by three stages:

- Stage 1: Financial instruments without significant increases in credit risk after initial recognition are included in Stage 1 to calculate their impairment allowance at an amount equivalent to the ECLs of the financial instrument for the next 12 months;
- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage 2, with their impairment allowance measured at an amount equivalent to the ECLs over the lifetime of the financial instruments;
- Stage 3: Financial assets with objective evidence of impairment at the balance sheet date are included in Stage 3, with their impairment allowance measured at the amount equivalent to the ECLs for the lifetime of the financial instruments.

For the previous accounting period, the impairment allowance has been measured at the amount equivalent to the ECLs over the entire lifetime of the financial instrument. However, at the balance sheet date of the current year, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance for the financial instruments on the balance sheet date of the current year according to the ECL in the next 12 months.

The Group shall measure ECLs on 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 condition.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.1 Credit risk measurement (Continued)

When measuring ECLs, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of occurrence of a credit loss is very low.

The Group conducts an assessment of ECLs according to forward-looking information and uses complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group adopts judgement, assumptions and estimation techniques in order to measure ECLs according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial assets
- Parameters for measuring ECLs
- Forward-looking information
- Modification of contractual cash flows

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

- At the reporting date, the increase in the remaining lifetime probability of default is considered to be significant, compared with the one at initial recognition
- The debtor's contractual payments (including principal or interest) are more than 30 days and no more than 90 days past due

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.1 Credit risk measurement (Continued)

Criteria for judging significant increases in credit risk (Continued)

Qualitative criteria

- Significant adverse change in debtor's operation or financial status
- Be classified into the Special Mention category within the five-tier loan classification
- Be listed on the watch-list

Definition of credit-impaired financial assets

The standard adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether a credit impairment of debtor has occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;
- The debtor leaves any of the principal, advances, interest or investments in corporate bonds of the Group overdue for more than 90 days.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.1 Credit risk measurement (Continued)

Parameters for ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets based on 12-month ECLs or lifetime ECLs. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the current New Basel Capital Accord used in risk management and the requirements of IFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collateral, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

The definitions are as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;
- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. The LGD is the percentage of loss on risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;
- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.1 Credit risk measurement (Continued)

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECLs both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECLs of various business types, such as gross domestic production (seasonal), industrial-value added (monthly), consumer price index, producer price index, private fixed asset investment, total retail sale of consumer goods, measure of money supply, new loans in RMB.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Group applies experts' judgement in this process, according to the result of experts' judgement. The Group predicts these economic indicators on a quarterly basis and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

In addition to providing a baseline economic scenario, the Group combines statistical analysis with experts' judgement to determine the weight of other possible scenarios. The Group measures the weighted average ECL of 12 months (stage 1) or lifetime (stage 2 and stage 3). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in the derecognition of the original asset and the book value of the financial asset is recalculated and the related gain or loss is included in current profit or loss. The recalculated book value of the financial asset is determined based on the present value of the contractual cash flows following the renegotiation or modification, as calculated using the original effective interest rate of the financial asset.

The Group monitors the subsequent performance of the modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL), at the same time, the calculation basis of the loss allowance was changed from the expected credit loss of the entire duration to the expected credit loss of 12 months, when the assets have met specific criteria after a period of observation. As at 31 December 2021, the carrying amount of financial assets with such modified contractual cash flows was not significant.

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For the year ended 31 December 2021
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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.1 Credit risk measurement (Continued)

Modification of contractual cash flows (Continued)

(i) *Loans and advances and off-balance sheet commitments*

The Group has developed a five-category classification system for credit assets to measure and manage the quality of the Group's credit assets in accordance with the CBRC's guidelines for the classification of loan risks. The five-category classification system and the guidelines for loan risk classification require that credit assets, both within and off the balance sheet, be divided into pass, special mention, sub-standard, doubtful and loss, of which the latter three types of loans are considered non-performing loans.

The core definition of credit asset classification in the guidelines for the classification of loan risks is:

Pass: loans for which borrowers can honor the terms of the contracts, and there is no reason to doubt their ability to repay principal and interest of loans in full and on a timely basis.

Special Mention: loans for which borrowers are still able to service the loans currently, although the repayment of loans might be adversely affected by some factors.

Sub Standard: loans for which borrowers' ability to service the loans is apparently in question and borrowers cannot depend on their normal business revenues to pay back the principal and interest of loans. Certain losses might be incurred by the Group even when guarantees are executed.

Doubtful: The borrower is unable to repay the loan principal and interest in full, and even if the guarantee is executed, it will certainly cause a great loss.

Loss: After all possible measures or all necessary legal proceedings have been taken, the principal and interest remain uncollectible or can only be recovered in very few parts.

(ii) *Debt securities and other bills*

The Group manages the credit risk through restriction on the types of and management of issuers of debt securities and other bills invested. So far, the Group holds no foreign currency bonds.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.1 Credit risk measurement (Continued)

Modification of contractual cash flows (Continued)

- (iii) *Deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements*

The Group's Head Office executes regular review and management of credit risk related to individual financial institutions, and sets credit lines for individual banks and other financial institutions that it conducts business with.

- (iv) *Other financial assets classified as measured at amortized costs*

Other financial assets classified as measured at amortized cost include interbank financial products, fund trust schemes and asset management schemes issued by bank financial institutions. The Group implements a rating access system for cooperating trust companies, securities companies and fund companies, and conducts regular follow-up risk management.

52.1.2 Risk limit control and mitigation policies

The Group manages and controls concentrations of credit risk wherever they are identified - in particular, to individual counterparties and groups, and to industries and regions. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

The Group implements a first-level legal person management system. The Group grants branches and business departments operational authority from Head Office. Based on the status of geographical economy, management level of branches, types of credit products, types of credit rating, collateral type, and scale of customers, Head Office gives dynamic authority to its branches with respect to credit business. Such authorities are monitored on a revolving basis and subject to a regular review to make sure operations of the branches are within limits of authority granted.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.2 Risk limit control and mitigation policies (Continued)

(i) Credit risk mitigation policies

The Group employs a range of policies and practices to mitigate credit risk. The most prevalent practices include the taking of physical or cash collateral, cash deposit and corporate or individual guarantees.

The Group implements guidelines on the acceptability of specific classes of collateral. The principal collateral types are:

- Property and land use rights
- General movable assets
- Time deposit certificates, debt securities and commodity warehouse receipts, etc.

The fair value of collateral should be assessed by professional valuation firms appointed by the Group. The Group has set a maximum loan-to-value ratio (ratio of loan balances against fair value of collateral) for different collateral. The principal collateral types and maximum loan-to-value ratio for corporate and personal loans and advances are as follows:

Collateral	Maximum loan-to-value ratio
Residential property, commercial property, and construction land use rights	70%
Office buildings	60%
General movable assets	50%
RMB deposit receipts, bank notes, government bonds	90%
Debt securities issued by financial institutions	80%
Commodity warehouse receipts	60%

For loans guaranteed by a third-party guarantor, the Group will assess the financial condition, credit history and ability to meet obligations of the guarantor.

(ii) Credit-related off-balance sheet commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees are irrevocable commitments made by the Group for which the Group must make payments to the third party when its customers fail to satisfy this obligation. Hence, the Group carries the same credit risks as loans. The Group usually takes cash collateral to mitigate such credit risk. The Group's maximum exposure to credit risk equals the total amount of credit-related off-balance sheet commitments.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements

	As at 31 December 2021	As at 31 December 2020
Credit risk exposures relating to on-balance sheet financial assets are as follows:		
Balances with the central bank	80,144,030	97,168,400
Deposits with banks and other financial institutions	12,745,121	11,298,071
Placements with banks and other financial institutions	15,041,312	5,276,712
Derivative financial assets	156,757	137,998
Financial assets held under resale agreements	5,452,455	249,376
Loans and advances to customers	628,305,698	553,399,162
Investment securities - financial assets at fair value through profit or loss	122,968,563	123,050,846
Investment securities - financial assets at fair value through other comprehensive income	117,704,512	120,331,283
Investment securities - financial assets at amortised cost	302,310,067	266,910,064
Finance lease receivables	54,015,776	49,053,964
Other financial assets	2,435,583	3,214,469
Total	1,341,279,874	1,230,090,345
Credit risk exposures in relation to off-balance sheet items are as follows:		
Bank acceptance	50,258,964	40,303,011
Letters of credit	8,973,412	6,262,490
Letters of guarantee	31,290,222	15,645,344
Loan commitments	1,796,963	1,711,011
Unused credit card lines	42,585,094	42,218,513
Total	134,904,655	106,140,369

The above table represents the worst-case scenario of credit risk exposure to the Group at 31 December 2021 and 31 December 2020, without taking into account any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

As mentioned above, 46.84% of on-balance-sheet exposure is attributable to loans and advances to customers (31 December 2020: 44.99%).

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements (Continued)

Management is confident in its ability to continue to control and sustain the Group's minimal exposure to credit risk from its loans and advances portfolio based on the following:

- 96.14% of the loans and advances are categorized as Pass in the five-category system (31 December 2020: 96.82%);
- Collateralized loans and mortgage loans, which represent the largest group in the corporate and retail portfolio respectively, are secured by collateral; and
- 97.92% of the loans and advances are considered to be neither past due nor impaired (31 December 2020: 97.65%)

52.1.4 Deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements

Their credit risk can be evaluated based on the credibility of the counterparties.

	As at 31 December 2021	As at 31 December 2020
Commercial banks in Mainland China	14,837,669	9,219,486
Other financial institutions in Mainland China	17,688,002	5,946,109
Commercial banks outside Mainland China	713,217	1,658,564
Total	33,238,888	16,824,159

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.5 Loans and advances to customers

Three-staging exposure of loans and advances

Loans and advances to customers (excluding interest receivable) are analysed by the five-category loan classification and three-staging exposure as follows:

	As at 31 December 2021			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	
Pass	628,082,678	1,423,397	–	629,506,075
Special-mention	–	13,629,377	–	13,629,377
Impaired	–	–	11,659,669	11,659,669
Total	628,082,678	15,052,774	11,659,669	654,795,121

	As at 31 December 2020			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	
Pass	552,542,909	2,200,463	–	554,743,372
Special-mention	–	6,852,208	–	6,852,208
Impaired	–	–	11,358,061	11,358,061
Total	552,542,909	9,052,671	11,358,061	572,953,641

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.5 Loans and advances to customers (Continued)

(a) Analysis of loans and advances to customers by industry

Concentrations of credit risk of loans and advances to customers by industry are analysed as follows:

	As at 31 December 2021		As at 31 December 2020	
	Amount	%	Amount	%
Corporate loans				
Commerce and service	59,126,225	8	53,886,196	9
Manufacturing	64,088,927	10	53,325,454	9
Public utilities	151,542,692	22	137,275,043	22
Real estate	31,333,676	5	26,944,583	5
Construction	27,613,712	4	26,722,318	5
Transportation	7,833,509	1	7,321,525	1
Energy and chemistry	16,911,675	3	12,000,230	2
Catering and travelling	693,510	1	874,917	1
Education and media	2,175,694	1	2,269,525	1
Financial services	5,806,860	1	2,914,720	1
Others	825,015	1	1,577,776	1
Discounted bills	49,484,165	8	27,759,091	5
Subtotal	417,435,660	65	352,871,378	62
Personal loans and advances				
Mortgages	124,866,488	18	112,373,339	19
Revolving loans for private business	3,689,448	1	6,460,324	1
Others	108,803,525	16	101,248,600	18
Subtotal	237,359,461	35	220,082,263	38
Total loans and advances to customers, before impairment allowance	654,795,121	100	572,953,641	100

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.5 Loans and advances to customers (Continued)

(b) Analysis of loans and advances to customers by collateral type

The contractual amounts of loans and advances to customers are analyzed by security type as follows:

	As at 31 December 2021	As at 31 December 2020
Unsecured	136,126,617	116,125,407
Guaranteed	113,982,805	102,482,864
Collateralized	220,947,185	201,989,631
Pledged	183,738,514	152,355,739
Total loans and advances to customers	654,795,121	572,953,641

(c) Analysis of loans and advances to customers by geographical area

	As at 31 December 2021			As at 31 December 2020		
	Total	%	NPL ratio	Total	%	NPL ratio
Anhui Province	568,249,366	86.79%	1.20%	504,557,431	88.06%	1.55%
Jiang Su	51,160,096	7.81%	2.76%	46,398,552	8.10%	3.60%
Others	35,385,659	5.40%	9.77%	21,997,658	3.84%	8.50%
Total loans and advances to customers	654,795,121	100.00%	1.78%	572,953,641	100.00%	1.98%

(d) Analysis of loans and advances to customers by overdue and impaired status

	As at 31 December 2021		As at 31 December 2020	
	Corporate loans	Personal loans and advances	Corporate loans	Personal loans and advances
Neither overdue nor impaired ^(e)	407,242,297	233,945,396	342,055,311	217,407,576
Overdue but not impaired ^(f)	394,696	1,553,063	987,161	1,145,532
Impaired ^(g)	9,798,667	1,861,002	9,828,906	1,529,155
Total	417,435,660	237,359,461	352,871,378	220,082,263
Less: impairment allowance	(22,252,844)	(5,663,421)	(14,658,567)	(5,993,567)
Net	395,182,816	231,696,040	338,212,811	214,088,696

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.5 Loans and advances to customers (Continued)

(e) Loans and advances neither past due nor impaired

As at 31 December 2021

Neither overdue nor impaired	Five-category classification		
	Pass	Special-mention	Total
Corporate loans			
– Commercial loans	345,414,434	12,343,698	357,758,132
– Discounted bills	49,484,165	–	49,484,165
Subtotal	394,898,599	12,343,698	407,242,297
Personal loans and advances	233,801,138	144,258	233,945,396
Total	628,699,737	12,487,956	641,187,693

As at 31 December 2020

Neither overdue nor impaired	Five-category classification		
	Pass	Special-mention	Total
Corporate loans			
– Commercial loans	309,107,774	5,188,446	314,296,220
– Discounted bills	27,759,091	–	27,759,091
Subtotal	336,866,865	5,188,446	342,055,311
Personal loans and advances	217,195,490	212,086	217,407,576
Total	554,062,355	5,400,532	559,462,887

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.5 Loans and advances to customers (Continued)

(f) Loans and advances overdue but not impaired

Analysis of loans and advances overdue but not impaired by overdue days:

As at 31 December 2021

	Up to 30 days	30 to 60 days	60 to 90 days	Total
Corporate loans	296,640	94,276	3,780	394,696
Personal loans and advances	1,002,014	548,549	2,500	1,553,063
Total	1,298,654	642,825	6,280	1,947,759

As at 31 December 2020

	Up to 30 days	30 to 60 days	60 to 90 days	Total
Corporate loans	585,202	374,959	27,000	987,161
Personal loans and advances	774,436	371,096	–	1,145,532
Total	1,359,638	746,055	27,000	2,132,693

The Group is of the opinion that these past due loans can be recovered by the operating income from borrowers, the payment from guarantors or disposal of collateral and are therefore not impaired.

As at 31 December 2021, the fair value of collateral for corporate loans that were past due but not impaired amounted to RMB233,076 thousand (31 December 2020: RMB3,110,257 thousand). The fair value for retail loans that were past due but not impaired amounted to RMB776,142 thousand (31 December 2020 RMB425,003 thousand).

Fair value of collateral was determined by management based on the latest available external valuation results, taking into account experience adjustments for current market conditions and estimated expenses to be incurred in the disposal process.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.5 Loans and advances to customers (Continued)

(g) Impaired loans and advances

The breakdown of the gross amount of impaired loans and advances by class, along with the fair value of the related collateral held by the Group as security, is as follows:

	As at 31 December 2021	As at 31 December 2020
Corporate loans	9,798,667	9,828,906
Personal loans and advances	1,861,002	1,529,155
Total	11,659,669	11,358,061
Fair value of collateral		
Corporate loans	14,315,052	12,946,235
Personal loans and advances	742,867	973,453
Total	15,057,919	13,919,688

The fair value of collateral is estimated based on the latest external valuations available, considering the liquidity of the current collateral and the market conditions.

(h) Restructured loans and advances

Restructured loans represent the loans whose original contract repayment terms have been modified as a result of the deterioration of borrowers' financial conditions or inability to repay the loans according to contractual terms. As at 31 December 2021, the carrying value of the restructured loans held by the Group amounted to RMB3.71 billion (31 December 2020: RMB638 million).

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.5 Loans and advances to customers (Continued)

(i) Overdue loans and advances by overdue days and collateral type

	As at 31 December 2021				
	Overdue 1 to 90 days (inclusive)	Overdue 90 days to 1 year (inclusive)	Overdue 1 year to 3 years (inclusive)	Overdue over 3 years	Total
Unsecured	1,134,148	664,385	3,721,332	1,548	5,521,413
Guaranteed	566,246	1,065,858	1,105,811	33,451	2,771,366
Collateralized	2,104,498	605,519	946,653	76,599	3,733,269
Pledged	–	575,392	116,631	–	692,023
Total	3,804,892	2,911,154	5,890,427	111,598	12,718,071

	As at 31 December 2020				
	Overdue 1 to 90 days (inclusive)	Overdue 90 days to 1 year (inclusive)	Overdue 1 year to 3 years (inclusive)	Overdue over 3 years	Total
Unsecured	1,108,631	3,337,577	171,882	802	4,618,892
Guaranteed	1,176,169	1,540,313	986,149	2,417	3,705,048
Collateralized	1,285,585	1,496,698	567,765	54,466	3,404,514
Pledged	416,935	598,667	3,940	–	1,019,542
Total	3,987,320	6,973,255	1,729,736	57,685	12,747,996

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.6 Debt securities

The table below presents an analysis of financial investments at amortised cost (excluding interest receivable) by independent credit rating agencies:

	As at 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
AAA	81,018,616	176,445	–	81,195,061
AA- to AA+	6,736,685	–	–	6,736,685
A- to A+	900,000	–	–	900,000
Unrated ^(a)	210,961,367	387,509	10,383,890	221,732,766
Total	299,616,668	563,954	10,383,890	310,564,512
Less: allowance for impairment losses	(3,516,491)	(247,889)	(10,111,884)	(13,876,264)
Net balance	296,100,177	316,065	272,006	296,688,248

	As at 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
AAA	48,024,917	127,939	–	48,152,856
AA- to AA+	1,921,494	–	–	1,921,494
Unrated ^(a)	212,226,060	2,536,291	9,385,716	224,148,067
Total	262,172,471	2,664,230	9,385,716	274,222,417
Less: allowance for impairment losses	(2,391,052)	(996,204)	(8,745,070)	(12,132,326)
Net balance	259,781,419	1,668,026	640,646	262,090,091

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.6 Debt securities (Continued)

The movements of financial assets at amortised cost are as follows:

	As at 31 December 2021			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	
As at 1 January 2021	2,391,052	996,204	8,745,070	12,132,326
Addition	1,483,588	(106,465)	365,219	1,742,342
Stage conversion				
Transfers to Stage 1	644,957	(644,957)	–	–
Transfers to Stage 2	(3,107)	3,107	–	–
Transfers to Stage 3	(1,000,000)	–	1,000,000	–
Write-off and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	1,596	1,596
At 31 December 2021	3,516,490	247,889	10,111,885	13,876,264

This year, the domestic branch adjusted the five-level classification and customer rating of financial assets at amortised cost, and the principal of the financial investments of stage 1 which was transferred to stage 2 and stage 3 was RMB1.2 billion, the principal of the financial investments transferred from stage 2 to stage 1 was RMB1.9 billion.

	As at 31 December 2020			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	
As at 1 January 2020	2,917,406	3,592,054	4,904,817	11,414,277
Addition	(723,420)	(241,944)	1,683,413	718,049
Stage conversion				
Transfers to Stage 1	200,157	(200,157)	–	–
Transfers to Stage 2	(3,091)	3,091	–	–
Transfers to Stage 3	–	(2,156,840)	2,156,840	–
Write-off and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
At 31 December 2020	2,391,052	996,204	8,745,070	12,132,326

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.6 Debt securities (Continued)

The table below presents an analysis of financial investments at fair value through other comprehensive income (excluding interest receivable) by independent credit rating agencies:

	As at 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
AAA	36,250,253	–	–	36,250,253
AA- to AA+	13,509,999	–	–	13,509,999
A-to A+	150,280	–	–	150,280
Unrated ^(b)	65,390,875	–	–	65,390,875
Total	115,301,407	–	–	115,301,407
Allowance for impairment losses	(419,927)	–	–	(419,927)

	As at 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
AAA	35,097,285	–	–	35,097,285
AA- to AA+	6,933,718	111,184	–	7,044,902
A-to A+	299,553	–	–	299,553
Unrated ^(b)	75,424,871	681,651	–	76,106,522
Total	117,755,427	792,835	–	118,548,262
Allowance for impairment losses	(216,239)	(68,469)	–	(284,708)

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.6 Debt securities (Continued)

The movements of debt instruments of financial assets at fair value through other comprehensive income are as follows:

As at 31 December 2021				
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	Total
As at 1 January 2021	216,239	68,469	–	284,708
Addition	155,995	(20,776)	–	135,219
Stage conversion				
Transfers to Stage 1	47,693	(47,693)	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Written and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
At 31 December 2021	419,927	–	–	419,927

As at 31 December 2020				
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	Total
As at 1 January 2020	243,265	137,251	150,484	531,000
Addition	(19,749)	(76,059)	9,516	(86,292)
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(7,277)	7,277	–	–
Transfers to Stage 3	–	–	–	–
Written and transfer out	–	–	(160,000)	(160,000)
At 31 December 2020	216,239	68,469	–	284,708

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.6 Debt securities (Continued)

The table below presents an analysis of financial investments at fair value through profit or loss (excluding interest receivable) by independent credit rating agencies:

	As at 31 December 2021	As at 31 December 2020
AAA	2,668,815	1,068,813
AA- to AA+	2,746,464	642,502
A- to A+	–	29,874
C	–	–
Unrated ^(c)	116,593,810	120,390,338
Total	122,009,089	122,131,527

- (a) The unrated financial assets at amortised cost held by the Group mainly represent investments issued by the MOF, policy banks and creditworthy issuers in the market, etc., as well as investments of asset management schemes, trusts and principal-guaranteed wealth management products issued by other financial institutions.
- (b) The unrated debt instruments of financial assets at fair value through other comprehensive income held by the Group mainly represent investments issued by the MOF, policy banks, other financial institutions.
- (c) The unrated debt instruments of financial assets at fair value through profit or loss held by the Group mainly represent investments and trading securities issued by the MOF, policy banks and creditworthy issuers in the market, etc., as well as investments of asset management schemes, trusts and wealth management products issued by other financial institutions.

52.1.7 Foreclosed collateral

	As at 31 December 2021	As at 31 December 2020
Property and land use rights	148,598	151,320
Others	76,299	148,727
Total	224,897	300,047
Allowance for impairment losses (Note 31)	(93,649)	(97,278)
Net balance	131,248	202,769

Foreclosed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. Foreclosed property cannot be used for operating activities. Foreclosed property is classified within other assets at the balance sheet date.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.8 Concentration of risks of financial assets with credit risk exposure

Geographical sectors

As at 31 December 2021	Mainland China	Hong Kong	Others	Total
Financial assets				
Balances with the central bank	80,144,030	–	–	80,144,030
Deposits with banks and other financial institutions	12,048,032	51,299	645,790	12,745,121
Placements with banks and other financial institutions	15,041,312	–	–	15,041,312
Derivative financial assets	156,757	–	–	156,757
Financial assets held under resale agreements	5,452,455	–	–	5,452,455
Loans and advances to customers	628,305,698	–	–	628,305,698
Financial investments				
– financial assets at fair value through profit or loss	122,968,563	–	–	122,968,563
Financial investments				
– financial assets at fair value through other comprehensive income	117,704,512	–	–	117,704,512
Financial investments				
– financial assets at amortised cost	302,172,823	137,244	–	302,310,067
Finance lease receivables	54,015,776	–	–	54,015,776
Other financial assets	2,435,583	–	–	2,435,583
Total	1,340,445,541	188,543	645,790	1,341,279,874

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.8 Concentration of risks of financial assets with credit risk exposure (Continued)

Geographical sectors (Continued)

As at 31 December 2020	Mainland China	Hong Kong	Others	Total
Financial assets				
Balances with the central bank	97,168,400	–	–	97,168,400
Deposits with banks and other financial institutions	10,051,085	212,880	1,034,106	11,298,071
Placements with banks and other financial institutions	5,156,712	–	120,000	5,276,712
Derivative financial assets	137,998	–	–	137,998
Financial assets held under resale agreements	249,376	–	–	249,376
Loans and advances to customers	553,399,162	–	–	553,399,162
Financial investments				
– financial assets at fair value through profit or loss	123,050,846	–	–	123,050,846
Financial investments				
– financial assets at fair value through other comprehensive income	120,331,283	–	–	120,331,283
Financial investments				
– financial assets at amortised cost	266,509,901	400,163	–	266,910,064
Finance lease receivables	49,053,964	–	–	49,053,964
Other financial assets	3,214,469	–	–	3,214,469
Total	1,228,323,196	613,043	1,154,106	1,230,090,345

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.2 Market risk

52.2.1 Overview

The Group has exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. It mainly represents volatility risk arising from interest rates, foreign exchange rates, stocks, commodities and their implied volatility.

The Group's market risk mainly includes trading risks arising from trading portfolio and interest rate and foreign exchange rate risks for non-trading portfolio resulting from changes in interest rates, foreign exchange rates and term structures.

The Board of Directors of the Group takes the ultimate responsibility for the oversight of market risk management and is responsible for the identification, measurement, monitoring, control and reporting of market risks on a group basis. Within the authorization of the board of directors, management is fully responsible for implementing the market risk management strategy, policies and decisions that are adopted by the board of directors. The Risk Management Department of the Head Office is the unified management department of market risk, institutionally manages the market risks of the whole bank and supervises the implementation of relevant departments.

52.2.2 Market risk measurement techniques

The Group mainly measures and controls market risk by conducting sensitivity analysis, foreign exchange exposure analysis, gap analysis, duration analysis, stress testing and the VaR (value at risk). The Group establishes strict authorization and exposure limits based on its overall ability to afford market risk, the types of products and the Group's business strategy. The Group sets different exposure limits and takes different quantitative measurements to manage different types of market risk of trading book and banking book. The Group also improves its funding risk management system, adjusts the related risk parameter and refines the risk measurement model in accordance with regulatory requirements.

52.2.3 Interest rate risk

Interest rate risk refers to the risk of fluctuation in interest rates which results in an adverse impact on the financial position of the Bank. Interest rate risk of the Bank's primarily arises from the structural mismatch of maturity or re-pricing periods for the bank's portfolio. Such structural mismatch of durations may cause the Bank's interest income to be affected by changes in the prevailing interest rate. In addition, different pricing benchmarks for different products may also lead to interest rate risk for our assets and liabilities within the same re-pricing period. Currently, the Bank primarily assesses its exposure to interest rate risk through gap analysis, sensitivity analysis and duration analysis. The Bank manages its interest rate risk exposure primarily by adjusting the duration of our banking portfolio based on its assessment of potential changes in the interest rate environment.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.2 Market risk (Continued)

52.2.3 Interest rate risk (Continued)

The table below summarizes the Group's exposure to interest rate risk. It includes the Group's on-balance sheet assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing and maturity dates.

As at 31 December 2021	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest-bearing	Total
Assets							
Cash and balances with central bank	80,112,052	-	-	-	-	1,218,554	81,330,606
Deposits with banks and other financial institutions	12,541,510	70,031	130,058	-	-	3,522	12,745,121
Placements with banks and other financial institutions	-	5,093,762	9,895,908	-	-	51,642	15,041,312
Derivative financial assets	-	-	-	-	-	156,757	156,757
Financial assets held under resale agreements	3,374,357	99,987	1,969,881	-	-	8,230	5,452,455
Loans and advances to customers	201,799,413	175,952,378	91,353,736	19,192,599	137,884,090	2,123,482	628,305,698
Financial Investments							
- financial assets at fair value through profit or loss	45,208,534	4,296,204	17,625,471	21,763,405	3,036,183	31,038,766	122,968,563
- financial assets at fair value through other comprehensive income	2,692,466	5,484,150	14,825,492	69,775,645	22,514,982	2,637,144	117,929,879
- financial assets at amortised cost	954,796	5,407,006	27,990,749	182,345,705	79,989,992	5,621,819	302,310,067
Finance lease receivables	40,444,202	215,647	11,623,233	1,732,694	-	-	54,015,776
Other financial assets	-	-	-	-	-	2,435,583	2,435,583
Total assets	387,127,330	196,619,165	175,414,528	294,810,048	243,425,247	45,295,499	1,342,691,817

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.2 Market risk (Continued)

52.2.3 Interest rate risk (Continued)

As at 31 December 2021	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest-bearing	Total
Liabilities							
Borrowings from central bank	(5,720,000)	(4,747,700)	(50,516,112)	-	(3,902,638)	(493,911)	(65,380,361)
Deposits from banks and other financial institutions	(7,574,324)	(29,698,000)	(77,051,517)	(20,882,289)	-	(1,779,009)	(136,985,139)
Placements from banks and other financial institutions	(7,390,994)	(6,895,000)	(27,724,500)	(825,500)	-	(388,701)	(43,224,695)
Derivative financial liabilities	-	-	-	-	-	(150,616)	(150,616)
Financial assets sold under repurchase agreements	(23,330,048)	(1,821,138)	(13,154,955)	-	-	(192,628)	(38,498,769)
Deposits from customers	(371,193,566)	(29,575,894)	(82,636,764)	(174,996,849)	(110,264,584)	(15,145,734)	(783,813,391)
Debt securities issued	(1,996,129)	(51,082,142)	(101,679,222)	(13,499,348)	(14,000,000)	(631,150)	(182,887,991)
Other financial liabilities	-	(644)	(16,269)	(636,497)	(290,406)	(3,735,716)	(4,679,532)
Total liabilities	(417,205,061)	(123,820,518)	(352,779,339)	(210,840,483)	(128,457,628)	(22,517,465)	(1,255,620,494)
Total interest rate sensitivity gap	(30,077,731)	72,798,647	(177,364,811)	83,969,565	114,967,619	22,778,034	87,071,323

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.2 Market risk (Continued)

52.2.3 Interest rate risk (Continued)

As at 31 December 2020	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest-bearing	Total
Assets							
Cash and balances with central bank	97,132,962	-	-	-	-	1,251,239	98,384,201
Deposits with banks and other financial institutions	11,257,952	-	-	-	-	40,119	11,298,071
Placements with banks and other financial institutions	-	2,771,757	2,443,141	-	-	61,814	5,276,712
Derivative financial assets	-	-	-	-	-	137,998	137,998
Financial assets held under resale agreements	249,206	-	-	-	-	170	249,376
Loans and advances to customers	183,469,481	156,722,865	54,759,472	28,491,650	127,051,101	2,904,593	553,399,162
Financial Investments							
- financial assets at fair value through profit or loss	46,948,025	7,862,697	13,464,345	26,036,186	2,464,315	26,275,278	123,050,846
- financial assets at fair value through other comprehensive income	1,137,962	4,248,800	15,320,174	67,374,165	30,467,161	2,017,786	120,566,048
- financial assets at amortised cost	4,751,478	9,861,128	21,784,893	170,041,365	55,651,227	4,819,973	266,910,064
Finance lease receivables	38,663,665	231,815	5,872,685	3,661,304	-	624,495	49,053,964
Other financial assets	-	-	-	-	-	3,214,469	3,214,469
Total assets	383,610,731	181,699,062	113,644,710	295,604,670	215,633,804	41,347,934	1,231,540,911

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.2 Market risk (Continued)

52.2.3 Interest rate risk (Continued)

As at 31 December 2020	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest-bearing	Total
Liabilities							
Borrowings from central bank	(4,340,754)	(9,228,292)	(55,499,956)	-	-	(514,281)	(69,583,283)
Deposits from banks and other financial institutions	(26,374,458)	(23,359,018)	(24,701,001)	(18,076,249)	-	(1,079,158)	(93,589,884)
Placements from banks and other financial institutions	(6,400,599)	(7,428,500)	(20,900,933)	(200,000)	-	(364,544)	(35,294,576)
Derivative financial liabilities	-	-	-	-	-	(140,781)	(140,781)
Financial assets sold under repurchase agreements	(24,318,675)	(2,108,180)	(13,772,759)	-	-	(199,757)	(40,399,371)
Deposits from customers	(390,507,215)	(37,570,885)	(95,329,707)	(168,996,623)	(20,548,667)	(13,789,681)	(726,742,778)
Debt securities issued	(7,985,690)	(42,538,250)	(95,185,657)	(21,999,282)	(11,995,158)	(931,658)	(180,635,695)
Other financial liabilities	(45)	(110)	(14,961)	(567,654)	(381,397)	(4,132,108)	(5,096,275)
Total liabilities	(459,927,436)	(122,233,235)	(305,404,974)	(209,839,808)	(32,925,222)	(21,151,968)	(1,151,482,643)
Total interest rate sensitivity gap	(76,316,705)	59,465,827	(191,760,264)	85,764,862	182,708,582	20,195,966	80,058,268

The Group mainly narrows its interest rate sensitivity gap between assets and liabilities through shorter durations for investments and resetting loan price.

The currency for the majority of Group's interest-bearing assets and liabilities is RMB. The potential impact on net interest income as at the balance sheet date stated below with 100 basis points changes along the yield curve is as follows:

	Estimated changes in net interest income	
	As at 31 December 2021	As at 31 December 2020
100 bps up along the yield curve	2,132,155	1,577,532
100 bps down along the yield curve	(2,132,155)	(1,577,532)

The sensitivity analysis on other comprehensive income reflects only the effect of changes in fair value of those financial instruments classified as other comprehensive income, whose fair values changes are recorded as an element of other comprehensive income. The potential impacts are as follows :

	Year ended 31 December 2021	Year ended 31 December 2020
100 bps up	(2,835,368)	(2,829,305)
100 bps down	2,990,473	3,001,527

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.2 Market risk (Continued)

52.2.3 Interest rate risk (Continued)

During the sensitivity analysis, the Group adopts the following assumptions when determining business conditions and financial index:

- The fluctuation rates of different interest-bearing assets and liabilities are the same;
- Demand deposits will not be re-priced;
- All assets and liabilities are re-priced in the middle of relevant periods;
- Analysis is based on static gap on the balance sheet date, regardless of subsequent changes;
- No consideration of impact on customers' behaviour resulting from interest rate changes;
- No consideration of impact on market price resulting from interest rate changes;
- No consideration of actions taken by the Group.

Therefore, the actual changes of net profit may differ from the analysis above.

52.2.4 Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The major principle for controlling the currency risk of the Group is to match assets and liabilities in different currencies and to keep currency risk within limits. Based on the guidelines provided by the Risk Management Committee, relevant laws and regulations as well as evaluation on the current market, the Group sets its risk limits and minimize the possibility of mismatch through more reasonable allocation of foreign currency source and deployment. Authorization management of foreign currency exposure is categorized by business type and traders' limits of authority.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.2 Market risk (Continued)

52.2.4 Currency risk (Continued)

The table below summarizes the Group's exposure to foreign currency exchange rate risk at balance sheet date. Included in the table are the Group's assets and liabilities at carrying amounts in RMB, categorized by the original currency:

As at 31 December 2021	RMB	USD	EUR	Others	Total
Assets					
Cash and balances with central bank	80,955,528	373,654	370	1,054	81,330,606
Deposits with banks and other financial institutions	6,559,343	3,882,691	2,196,381	106,706	12,745,121
Placements with banks and other financial institutions	15,041,312	-	-	-	15,041,312
Derivative financial assets	144,550	7,175	4,497	535	156,757
Financial assets held under resale agreements	5,452,455	-	-	-	5,452,455
Loans and advances to customers	624,524,126	3,781,572	-	-	628,305,698
Financial investments					
– financial assets at fair value through profit or loss	122,959,407	9,156	-	-	122,968,563
– financial assets at fair value through other comprehensive income	117,929,879	-	-	-	117,929,879
– financial assets at amortised cost	302,172,823	137,244	-	-	302,310,067
Finance lease receivables	54,015,776	-	-	-	54,015,776
Other financial assets	2,434,945	638	-	-	2,435,583
Total assets	1,332,190,144	8,192,130	2,201,248	108,295	1,342,691,817
Liabilities					
Borrowings from central bank	(65,380,361)	-	-	-	(65,380,361)
Deposits from banks and other financial institutions	(131,301,292)	(5,683,734)	-	(113)	(136,985,139)
Placements from banks and other financial institutions	(43,224,695)	(43,224,695)	-	-	(86,449,390)
Derivative financial liabilities	(143,967)	(5,233)	(1,416)	-	(150,616)
Financial assets sold under repurchase agreements	(38,498,769)	-	-	-	(38,498,769)
Deposits from customers	(779,094,757)	(3,830,938)	(19,907)	(867,789)	(783,813,391)
Debt securities issued	(182,887,991)	-	-	-	(182,887,991)
Other financial liabilities	(4,678,760)	(769)	-	(3)	(4,679,532)
Total liabilities	(1,245,210,592)	(9,520,674)	(21,323)	(867,905)	(1,255,620,494)
Net on-balance sheet financial position	86,979,552	(1,328,544)	2,179,925	(759,610)	87,071,323
Financial guarantees and credit commitments	116,626,386	17,158,651	310,426	809,192	134,904,655

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.2 Market risk (Continued)

52.2.4 Currency risk (Continued)

As at 31 December 2020	RMB	USD	EUR	Others	Total
Assets					
Cash and balances with central bank	98,170,137	212,642	412	1,010	98,384,201
Deposits with banks and other financial institutions	6,647,129	3,931,501	45,667	673,774	11,298,071
Placements with banks and other financial institutions	5,276,712	-	-	-	5,276,712
Derivative financial assets	66,561	68,732	2,705	-	137,998
Financial assets held under resale agreements	249,376	-	-	-	249,376
Loans and advances to customers	548,974,127	4,424,102	933	-	553,399,162
Financial investments					
– financial assets at fair value through profit or loss	123,041,408	9,438	-	-	123,050,846
– financial assets at fair value through other comprehensive income	120,566,048	-	-	-	120,566,048
– financial assets at amortised cost	266,509,901	400,163	-	-	266,910,064
Finance lease receivables	49,053,964	-	-	-	49,053,964
Other financial assets	3,203,195	11,274	-	-	3,214,469
Total assets	1,221,758,558	9,057,852	49,717	674,784	1,231,540,911
Liabilities					
Borrowings from central bank	(69,583,283)	-	-	-	(69,583,283)
Deposits from banks and other financial institutions	(93,205,264)	(384,426)	-	(194)	(93,589,884)
Placements from banks and other financial institutions	(33,269,683)	(2,024,893)	-	-	(35,294,576)
Derivative financial liabilities	(119,717)	(16,837)	(2,611)	(1,616)	(140,781)
Financial assets sold under repurchase agreements	(40,399,371)	-	-	-	(40,399,371)
Deposits from customers	(722,208,530)	(3,723,374)	(22,574)	(788,300)	(726,742,778)
Debt securities issued	(180,635,695)	-	-	-	(180,635,695)
Other financial liabilities	(5,096,108)	(164)	-	(3)	(5,096,275)
Total liabilities	(1,144,517,651)	(6,149,694)	(25,185)	(790,113)	(1,151,482,643)
Net on-balance sheet financial position	77,240,907	2,908,158	24,532	(115,329)	80,058,268
Financial guarantees and credit commitments	94,081,148	11,342,961	386,566	329,694	106,140,369

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.2 Market risk (Continued)

52.2.4 Currency risk (Continued)

The Group's foreign currency exposure is not material. The major foreign currency exposure is with USD and EUR. The potential impact on net profits resulted from foreign currency translation gain or loss with 1% fluctuation of foreign currency against RMB is as follows:

	Estimated change in net profit/(loss)	
	As at 31 December 2021	As at 31 December 2020
1% of appreciation of foreign exchange against RMB	19,954	34,643
1% of depreciation of foreign exchange against RMB	(19,954)	(34,643)

During the sensitivity analysis, the Group adopts the following assumptions when determining the business conditions and financial index, regardless of:

- Analysis is based on static gap on the balance sheet date, regardless of subsequent changes;
- No consideration of impact on the customers' behaviour resulted from interest rate changes;
- No consideration of impact on market price resulted from interest rate changes;
- No consideration of actions taken by the Group.

Therefore, the actual changes of net profit may differ from the analysis above.

52.3 Liquidity risk

52.3.1 Overview

Keeping a match between the maturity dates of assets and liabilities and maintaining an effective control over mismatches is of great importance to the Group. Due to the uncertainty of terms and types of business, it is difficult for banks to keep a perfect match. Unmatched position may increase revenues but it also exposes the Group to greater risks of losses.

The match between the maturity dates of assets and liabilities as well as a bank's ability to replace due liabilities with acceptable costs are both key factors when evaluating its exposure to liquidity, interest rate and foreign exchange rate risks.

The Group is exposed to daily calls on its available cash resources from overnight deposits, demand accounts, time deposits fall due, debt securities payable, loan drawdowns, guarantees and other calls on cash-settled derivatives. According to previous experience, a large portion of matured deposits is not withdrawn on the maturity date. The Group sets limits on the minimum proportion of funds to be made available to cover different levels of unexpected withdrawals.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.3 Liquidity risk (Continued)

52.3.2 Cash flows of non-derivatives

The table below presents the cash flows receivable and payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, and the Group manages the liquidity risk based on the estimation of future cash flows.

As at 31 December 2021	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities						
Borrowings from central bank	(5,887,336)	(4,934,304)	(52,106,337)	-	(4,941,142)	(67,869,119)
Deposits from banks and other financial institutions	(7,579,425)	(30,120,097)	(79,680,929)	(30,192,684)	-	(147,573,135)
Placements from banks and other financial institutions	(7,911,230)	(7,112,735)	(28,715,467)	(888,242)	-	(44,627,674)
Financial assets sold under repurchase agreements	(23,363,696)	(1,873,557)	(13,436,598)	-	-	(38,673,851)
Deposits from customers	(371,720,367)	(31,072,686)	(87,284,009)	(194,167,051)	(117,880,944)	(802,125,057)
Debt securities issued	(2,039,614)	(43,683,314)	(113,643,042)	(28,254,056)	-	(187,620,026)
Other financial liabilities	(3,735,716)	(644)	(16,269)	(636,497)	(290,406)	(4,679,532)
Total liabilities(contractual maturity)	(422,237,384)	(118,797,337)	(374,882,651)	(254,138,530)	(123,112,492)	(1,293,168,394)
Assets						
Cash and balances with central bank	81,330,606	-	-	-	-	81,330,606
Deposits with banks and other financial institutions	12,546,214	70,062	130,115	-	-	12,746,391
Placements with banks and other financial institutions	661,964	4,620,863	10,066,320	-	-	15,349,147
Financial assets held under resale agreements	3,376,682	100,600	1,979,048	-	-	5,456,330
Loans and advances to customers	72,954,182	47,298,062	159,334,850	167,828,052	412,727,365	860,142,511
Financial investments						
- financial assets at fair value through profit or loss	76,295,619	4,439,263	17,937,199	22,536,742	3,325,378	124,534,201
- financial assets at fair value through other comprehensive income	5,648,746	6,525,460	17,831,786	81,207,689	24,634,644	135,848,325
- financial assets at amortised cost	7,596,829	7,650,536	39,343,393	223,136,806	156,489,888	434,217,452
Finance lease receivables	4,398,496	3,223,636	15,136,482	40,449,402	23,309	63,231,325
Other financial assets	1,600,112	228,050	200,646	367,022	39,753	2,435,583
Financial assets held for managing liquidity risk (contractual maturity)	266,409,450	74,156,532	261,959,839	535,525,713	597,240,337	1,735,291,871
Net liquidity	(155,827,934)	(44,640,805)	(112,922,812)	281,387,183	474,127,845	442,123,477

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.3 Liquidity risk (Continued)

52.3.2 Cash flows of non-derivatives (Continued)

As at 31 December 2020	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities						
Borrowings from central bank	(4,912,301)	(9,338,714)	(57,429,050)	-	-	(71,680,065)
Deposits from banks and other financial institutions	(27,466,616)	(23,492,917)	(25,046,056)	(20,226,749)	-	(96,232,338)
Placements from banks and other financial institutions	(6,497,063)	(7,714,016)	(21,558,118)	(213,949)	-	(35,983,146)
Financial assets sold under repurchase agreements	(24,379,397)	(2,159,514)	(14,077,458)	-	-	(40,616,369)
Deposits from customers	(405,484,662)	(37,787,216)	(96,895,398)	(182,142,072)	(21,584,655)	(743,894,003)
Debt securities issued	(8,003,917)	(43,419,360)	(114,577,787)	(12,932,800)	(8,140,700)	(187,074,564)
Other financial liabilities	(4,132,153)	(110)	(14,961)	(567,654)	(381,397)	(5,096,275)
Total liabilities (contractual maturity)	(480,876,109)	(123,911,847)	(329,598,828)	(216,083,224)	(30,106,752)	(1,180,576,760)
Assets						
Cash and balances with central bank	98,384,201	-	-	-	-	98,384,201
Deposits with banks and other financial institutions	11,298,110	-	-	-	-	11,298,110
Placements with banks and other financial institutions	1,225,575	1,624,195	2,550,395	-	-	5,400,165
Financial assets held under resale agreements	249,624	-	-	-	-	249,624
Loans and advances to customers	55,424,439	43,242,309	115,843,806	166,369,977	386,533,696	767,414,227
Financial investments						
- financial assets at fair value through profit or loss	73,353,977	8,108,348	14,893,020	29,364,435	11,860,459	137,580,239
- financial assets at fair value through other comprehensive income	2,994,498	4,836,155	18,592,332	80,530,158	34,583,470	141,536,613
- financial assets at amortised cost	9,600,534	12,207,752	31,535,004	204,640,715	60,173,290	318,157,295
Finance lease receivables	3,164,891	2,528,516	13,672,330	37,618,823	-	56,984,560
Other financial assets	2,219,038	503,096	375,051	101,169	16,115	3,214,469
Financial assets held for managing liquidity risk (contractual maturity)	257,914,887	73,050,371	197,461,938	518,625,277	493,167,030	1,540,219,503
Net liquidity	(222,961,222)	(50,861,476)	(132,136,890)	302,542,053	463,060,278	359,642,743

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.3 Liquidity risk (Continued)

52.3.3 Cash flows of derivative financial instruments

Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis include foreign exchange forward contracts. The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at 31 December 2021 and 31 December 2020 to the contractual maturity date. The figures disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2021	3 months to					Total
	Up to 1 month	1 to 3 months	1 year	1 to 5 years	Over 5 years	
Foreign exchange derivatives						
– Outflow	(2,207,611)	(136,330)	(328,889)	–	–	(2,672,830)
– Inflow	2,209,935	135,397	321,993	–	–	2,667,325
Total	2,324	(933)	(6,896)	–	–	(5,505)

As at 31 December 2020	3 months to					Total
	Up to 1 month	1 to 3 months	1 year	1 to 5 years	Over 5 years	
Foreign exchange derivatives						
– Outflow	(94,929)	(813,131)	(1,084,805)	–	–	(1,992,865)
– Inflow	94,899	868,156	1,082,479	–	–	2,045,534
Total	(30)	55,025	(2,326)	–	–	52,669

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.3 Liquidity risk (Continued)

52.3.3 Cash flows of derivative financial instruments (Continued)

Derivatives settled on a gross basis (Continued)

The Group's derivatives that will be settled on a gross basis include foreign exchange forward contracts. The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at 31 December 2021 and 31 December 2020 to the contractual maturity date. The figures disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2021	3 months to					Total
	Up to 1 month	1 to 3 months	1 year	1 to 5 years	Over 5 years	
Commodity derivatives						
– Outflow	–	–	–	–	–	–
– Inflow	–	–	–	–	–	–
Total	–	–	–	–	–	–

As at 31 December 2020	3 months to					Total
	Up to 1 month	1 to 3 months	1 year	1 to 5 years	Over 5 years	
Commodity derivatives						
– Outflow	(1,186,429)	(1,226,253)	–	–	–	(2,412,682)
– Inflow	1,162,415	1,196,352	–	–	–	2,358,767
Total	(24,014)	(29,901)	–	–	–	(53,915)

Derivative financial instruments with net settlement

As at 31 December 2021	3 months to					Total
	Up to 1 month	1 to 3 months	1 year	1 to 5 years	Over 5 years	
Interest rate derivatives	166	(432)	1,083	(70)	–	747

As at 31 December 2020	3 months to					Total
	Up to 1 month	1 to 3 months	1 year	1 to 5 years	Over 5 years	
Interest rate derivatives	(397)	722	(7,637)	(7,345)	–	(14,657)

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.3 Liquidity risk (Continued)

52.3.4 Maturity analysis

The table below analyses the Group's net assets and liabilities into relevant maturity groupings based on the remaining periods at the balance sheet date to the contractual maturity date.

As at 31 December 2021	Repayable on								Total
	demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Indefinite	
Cash and balances with central bank	18,630,236	31,978	-	-	-	-	-	62,668,392	81,330,606
Deposits with banks and other									
financial institutions	12,424,979	120,053	70,031	130,058	-	-	-	-	12,745,121
Placements with banks and other									
financial institutions	-	607,321	4,522,716	9,911,275	-	-	-	-	15,041,312
Derivative financial assets	-	6,322	7,104	6,144	137,187	-	-	-	156,757
Financial assets held under resale agreements	-	3,382,587	99,987	1,969,881	-	-	-	-	5,452,455
Loans and advances to customers	-	64,440,500	42,729,027	151,077,754	99,612,129	267,182,166	3,334,122	-	628,305,698
Financial investments									
- financial assets at fair value through profit or loss	45,450,687	3,275,736	4,307,114	17,626,910	22,265,297	3,046,549	26,996,270	-	122,968,563
- financial assets at fair value through other comprehensive income	-	4,792,647	5,484,150	14,825,492	70,101,488	22,500,735	-	225,367	117,929,879
- financial assets at amortised cost	-	6,271,927	5,407,006	27,990,749	182,345,705	79,989,992	304,688	-	302,310,067
Finance lease receivables	-	2,326,816	2,870,407	13,176,877	35,621,886	19,790	-	-	54,015,776
Other financial assets	-	1,361,813	228,050	200,646	367,022	39,753	238,299	-	2,435,583
Total assets	76,505,902	86,617,700	65,725,592	236,845,786	410,450,714	372,778,985	30,873,379	62,893,759	1,342,691,817
Borrowings from central bank	-	(5,801,547)	(4,832,332)	(50,835,588)	-	(3,910,894)	-	-	(65,380,361)
Deposits from banks and other									
financial institutions	(7,008,658)	(570,128)	(29,905,988)	(78,454,607)	(21,045,758)	-	-	-	(136,985,139)
Placements from banks and other									
financial institutions	-	(7,779,695)	(6,895,000)	(27,724,500)	(825,500)	-	-	-	(43,224,695)
Derivative financial liabilities	-	(2,921)	(6,260)	(6,049)	(135,386)	-	-	-	(150,616)
Financial assets sold under repurchase agreements	-	(23,349,574)	(1,863,470)	(13,285,725)	-	-	-	-	(38,498,769)
Deposits from customers	(356,927,105)	(15,805,113)	(31,241,805)	(86,282,525)	(180,300,120)	(113,256,723)	-	-	(783,813,391)
Debt securities issued	-	(1,996,129)	(51,529,690)	(101,679,223)	(13,544,205)	(14,138,744)	-	-	(182,887,991)
Other financial liabilities	-	(3,735,716)	(644)	(16,269)	(636,497)	(290,406)	-	-	(4,679,532)
Total liabilities	(363,935,763)	(59,040,823)	(126,275,189)	(358,284,486)	(216,487,466)	(131,596,767)	-	-	(1,255,620,494)
Net liquidity gap	(287,429,861)	27,576,877	(60,549,597)	(121,438,700)	193,963,248	241,182,218	30,873,379	62,893,759	87,071,323

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.3 Liquidity risk (Continued)

52.3.4 Maturity analysis (Continued)

As at 31 December 2020	Repayable on								Total
	demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Indefinite	
Cash and balances with central bank	30,215,695	35,438	-	-	-	-	-	68,133,068	98,384,201
Deposits with banks and other									
financial institutions	10,160,780	1,137,291	-	-	-	-	-	-	11,298,071
Placements with banks and other									
financial institutions	-	1,199,893	1,579,179	2,497,640	-	-	-	-	5,276,712
Derivative financial assets	-	4,590	60,612	21,811	50,985	-	-	-	137,998
Financial assets held under resale									
agreements	-	249,376	-	-	-	-	-	-	249,376
Loans and advances to customers	-	50,413,115	39,084,456	108,382,388	102,966,052	248,958,578	3,594,573	-	553,399,162
Financial investments									
- financial assets at fair value									
through profit or loss	61,660,458	3,878,792	7,862,697	13,464,345	26,036,186	2,464,315	7,684,053	-	123,050,846
- financial assets at fair value									
through other comprehensive									
income	-	2,612,121	4,109,312	14,673,157	68,469,532	30,467,161	-	234,765	120,566,048
- financial assets at amortised cost	-	8,304,038	9,861,128	21,784,893	170,210,392	55,651,227	1,098,386	-	266,910,064
Finance lease receivables	-	39,068,047	231,814	5,872,685	3,661,304	-	220,114	-	49,053,964
Other financial assets	-	2,036,337	503,096	375,051	101,169	16,115	182,701	-	3,214,469
Total assets	102,036,933	108,939,038	63,292,294	167,071,970	371,495,620	337,557,396	12,779,827	68,367,833	1,231,540,911
Borrowings from central bank	-	(4,800,307)	(9,140,000)	(55,642,976)	-	-	-	-	(69,583,283)
Deposits from banks and other									
financial institutions	(18,118,545)	(9,335,071)	(23,359,018)	(24,701,001)	(18,076,249)	-	-	-	(93,589,884)
Placements from banks and other									
financial institutions	-	(6,765,143)	(7,428,500)	(20,900,933)	(200,000)	-	-	-	(35,294,576)
Derivative financial liabilities	-	(21,365)	(30,487)	(29,145)	(59,784)	-	-	-	(140,781)
Financial assets sold under									
repurchase agreements	-	(24,518,432)	(2,108,180)	(13,772,759)	-	-	-	-	(40,399,371)
Deposits from customers	(385,315,725)	(19,572,652)	(37,570,885)	(95,329,707)	(168,996,623)	(19,957,186)	-	-	(726,742,778)
Debt securities issued	-	(7,985,690)	(42,588,904)	(95,328,735)	(22,446,831)	(12,285,535)	-	-	(180,635,695)
Other financial liabilities	-	(4,132,153)	(110)	(14,961)	(567,654)	(381,397)	-	-	(5,096,275)
Total liabilities	(403,434,270)	(77,130,813)	(122,226,084)	(305,720,217)	(210,347,141)	(32,624,118)	-	-	(1,151,482,643)
Net liquidity gap	(301,397,337)	31,808,225	(58,933,790)	(138,648,247)	161,148,479	304,933,278	12,779,827	68,367,833	80,058,268

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.3 Liquidity risk (Continued)

52.3.5 Off-balance sheet items

The Group provides guarantees and letters of credit to customers based on their credit ratings and amounts of cash collaterals. Usually, customers will not withdraw the amount committed by the Group in the guarantees or letters of credit in full, and therefore, funds provided for guarantees and letters of credit are commonly lower than other commitments of the Group. Meanwhile, the Group may be discharged of its obligations due to overdue or termination of the commitments. As a result, the contractual amounts for credit commitments do not represent the actual funds required.

As at 31 December 2021	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptance	50,258,964	–	–	50,258,964
Letters of credit	8,957,535	15,877	–	8,973,412
Letters of guarantee	11,863,088	19,426,634	500	31,290,222
Loan commitments	1,771,963	25,000	–	1,796,963
Unused credit card lines	3,785,342	38,377,017	422,735	42,585,094
Total	76,636,892	57,844,528	423,235	134,904,655

As at 31 December 2020	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptance	40,303,011	–	–	40,303,011
Letters of credit	6,248,308	14,182	–	6,262,490
Letters of guarantee	3,185,570	12,456,656	3,118	15,645,344
Loan commitments	1,418,011	293,000	–	1,711,011
Unused credit card lines	4,049,836	37,749,586	419,091	42,218,513
Total	55,204,736	50,513,424	422,209	106,140,369

Notes to the Consolidated Financial Statements

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.4 Fair value of financial assets and liabilities

(a) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt.

Level 2 – 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). This level includes the majority of the OTC derivative contracts and issued structured debt in the interbank market. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Thomson Reuters, Bloomberg and China Bond.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt investments with significant unobservable inputs.

(b) Financial instruments not measured at fair value

Fair value estimates are made in accordance with relevant market information and information related to various financial instruments at a particular point in time. The fair value of all kinds of financial instruments is based on the following methods and assumptions:

(i) *Balances with central bank, deposits and placements with banks, financial assets held under resale agreements, deposits and placements from banks, financial assets sold under repurchase agreements, other assets and other liabilities*

Since these financial instruments are short-term or under floating interest rates linked to market interest rate, their carrying value approximates to the fair value.

(ii) *Loans and advances to customers at amortized cost*

Since most loans and advances to customers are repriced at least annually according to market interest rates, their carrying value approximates to the fair value.

(iii) *Deposits from customers*

The fair value of a checking account, a savings account and a short-term money market deposit shall be the amount currently payable to customers. The fair value of a time deposit is calculated based on the discounted cash flow method, and the discount rate is the current rate of a time deposit of which the term is similar to the remaining term of the time deposit being valued. At the end of the reporting period, the carrying value of deposits from customers approximates to the fair value.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.4 Fair value of financial assets and liabilities (Continued)

(b) *Financial instruments not measured at fair value (Continued)*

(iv) *Finance lease receivables*

The balance of finance lease receivables is calculated based on the effective interest rate method. Since the actual interest rate of a financial leasing is timely adjusted to the interest rates that the PBOC stipulates, the carrying value approximates to the fair value.

The table below summarizes the carrying amounts and the fair values of those financial assets and liabilities not presented at their fair value on the Group's balance sheet date.

	As at 31 December 2021				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial investments					
– financial assets					
atamortised cost	302,310,067	–	303,142,489	–	303,142,489
Financial liabilities					
Debt securities issued	(182,887,991)	–	(181,716,668)	–	(181,716,668)

	As at 31 December 2020				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Financial investments					
– financial assets					
atamortised cost	266,910,064	–	267,238,697	–	267,238,697
Financial liabilities					
Debt securities issued	(180,635,695)	–	(176,495,206)	–	(176,495,206)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.4 Fair value of financial assets and liabilities (Continued)

(b) *Financial instruments not measured at fair value (Continued)*

(i) *Financial assets at amortised cost*

Financial assets at amortised cost whose fair value is based on active market prices are included in level 1. As for financial assets at amortised cost, when such information is not available and the estimated fair value represents the discounted amount of estimated future cash flows expected to be received based on observable yield curves or quoted market prices for products with similar credit, maturity and yield characteristics are used where applicable, the fair value measurement will be included in level 2 or level 3.

(ii) *Debt securities in issued*

If the fair value is based on active market prices, the fair value measurement will be included in level 1. When the fair value of debt securities issued is determined by valuation techniques and all significant inputs required to fair value are observable, it is included in level 2.

The other financial instruments not measured at fair value in the consolidated financial statements are calculated as the present value of the estimated future cash flows based on observable yield curves. Due to their short duration or the floating rate which is mark to market, the difference between carrying value and fair value of these financial assets is not significant.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.4 Fair value of financial assets and liabilities (Continued)

(c) Financial instruments measured at fair value

As at 31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	-	20,122,771	-	20,122,771
- Debt securities	-	545,705	-	545,705
- Interbank certificates of deposit	29,324,492	57,316,203	-	86,640,695
- Asset management schemes by securities firms or trust companies	-	14,006,731	-	14,006,731
- Wealth management products	693,187	-	-	693,187
Derivative financial assets	-	156,757	-	156,757
Financial assets at fair value through other comprehensive income				
- Debt securities	-	115,301,407	-	115,301,407
- Equity securities	-	225,367	-	225,367
Loans and advances to customers at fair value through other comprehensive income				
- Discounted bills	-	49,484,165	-	49,484,165
Total assets	30,017,679	257,159,106	-	287,176,785
Derivative financial liabilities	-	(150,616)	-	(150,616)
Total liabilities	-	(150,616)	-	(150,616)

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.4 Fair value of financial assets and liabilities (Continued)

(c) *Financial instruments measured at fair value (Continued)*

As at 31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt securities	–	14,628,280	–	14,628,280
– Interbank certificates of deposit	–	883,749	–	883,749
– Asset management schemes by securities firms or trust companies	21,087,400	70,951,524	–	92,038,924
– Wealth management products	–	14,580,574	–	14,580,574
– Equity	–	–	–	–
Derivative financial assets	–	137,998	–	137,998
Financial assets at fair value through other comprehensive income				
– Debt securities	–	118,548,262	–	118,548,262
– Equity securities	–	234,765	–	234,765
Loans and advances to customers at fair value through other comprehensive income				
– Discounted bills	–	27,759,091	–	27,759,091
Total assets	21,087,400	247,724,243	–	268,811,643
Derivative financial liabilities	–	(140,781)	–	(140,781)
Total liabilities	–	(140,781)	–	(140,781)

The Group uses valuation techniques to determine the fair value of financial instruments when open quotation in active markets is not available.

Financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments are stated at fair value by reference to the quoted market prices when available. If quoted market prices are not available, the fair values will be estimated using the discounted cash flow or pricing models. For debt securities, the fair values are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

Notes to the Consolidated Financial Statements

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.5 Capital management

The Group takes sufficient measures of capital management to prevent inherent risks associated with the Group's business for the purpose of meeting external regulators' requirements and shareholders' expectation on returns. Capital management is also aimed to stimulate the expansion of capital scale and to improve risk management.

The Group prudently sets the objective of the capital ratio, taking into account regulatory requirements and the risk situation the Group faces. The Group takes a variety of actions, limit management for example, to ensure the realization of the objectives and proactively adjust its capital structure in line with economic development and risk characteristics. Generally, the measure of capital structure adjustment includes the modification of the dividend distribution plan, raising new capital and issuance of new bonds.

Starting 1 January 2013, the Group implemented "The Trial Measures for Capital Management of Commercial Banks" which were promulgated by the CBRC on 7 June 2012.

The table below summarizes the Capital Adequacy Ratios of the Group as at 31 December 2021:

		As at 31 December 2021	As at 31 December 2020
Common Equity Tier-one Capital Adequacy Ratio	(a)	8.45%	8.04%
Tier-one Capital Adequacy Ratio	(a)	9.54%	9.89%
Capital Adequacy Ratio	(a)	12.23%	12.12%
Common Equity Tier-one Capital	(b)	100,638,857	88,950,202
Common shares		13,889,801	13,889,801
Capital reserve		16,758,475	15,868,827
Surplus reserve and General reserve		28,711,774	25,529,877
Undistributed profits		39,204,123	31,762,661
Eligible portion of minority interests		2,074,684	1,899,036
Deductible Items from Common Equity Tier-one Capital	(c)	(20,333,247)	(18,679,489)
Net Common Equity Tier-one Capital		80,305,610	70,270,713
Additional Tier-one Capital	(d)	10,273,089	16,243,106
Net Tier-one Capital		90,578,699	86,513,819
Tier-two capital	(e)	25,554,352	19,436,895
Tier 2 capital instruments issued and related premium		14,000,000	8,800,000
Excess loan loss provisions		11,008,618	10,137,293
Eligible portion of non-controlling interests		545,734	499,602
Net capital		116,133,051	105,950,714
Risk-weighted Assets	(f)	949,831,158	874,345,827

Notes to the Consolidated Financial Statements

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.5 Capital management (Continued)

Pursuant to the “Capital Rules for Commercial Banks (Provisional)”:

- (a) The scope of consolidation related to the calculation of the Group’s Capital Adequacy Ratios includes Institutions and affiliated financial subsidiaries specified in the Regulation. The Common Equity Tier-one Capital Adequacy Ratio is calculated as Net Common Equity Tier-one Capital divided by Risk-weighted Assets. The Tier-one Capital Adequacy Ratio is calculated as Net Tier-one Capital divided by Risk-weighted Assets. The Capital Adequacy Ratio is calculated as Net Capital divided by Risk-weighted Assets.
- (b) The Group’s Common Equity Tier-one Capital includes: ordinary share capital, capital reserve (subject to regulatory limitations), surplus reserve, general reserve, retained earnings and, non-controlling interests, to the extent permitted in the Common Equity Tier-one Capital under the Regulation.
- (c) The Group’s Deductible Items from Common Equity Tier-one Capital include: other intangible assets (excluding land-use rights), and Common Equity Tier-one Capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope for the Capital Adequacy Ratios calculation.
- (d) The Group’s Additional Tier-one Capital includes preference shares, perpetual bonds and non-controlling interests (to the extent permitted in the Additional Tier-one Capital definition under the Regulation).
- (e) The Group’s Tier-two Capital includes: Tier-two capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and minority interests (to the extent permitted in the Tier-two Capital definition under the Regulation).
- (f) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets.

52.6 Fiduciary activities

The Group provides custodian and trustee services to third parties. These assets arising thereon are excluded from the consolidated financial statements. The Group also grants entrusted loans on behalf of third-party lenders, which are not included in the consolidated financial statements either.

	As at 31 December 2021	As at 31 December 2020
Entrusted loans	33,856,814	38,160,991
Entrusted wealth management products	225,225,006	169,688,147

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For the year ended 31 December 2021

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53 SUBSEQUENT EVENTS

1. Profit distribution:

In accordance with the resolution of the 41th meeting of the fourth session of the Board of Directors held on 30 March 2022,, the profit distribution plan of the Bank for the year ended 31 December 2021 (subject to approval by the shareholders' meeting) is as follows:

- (i) An appropriation of 10% of profit for the year 2021 amounting to RMB1,031.97 million to the statutory surplus reserve;
- (ii) An appropriation of 10% of profit for the year 2021 amounting to RMB1,031.97 million to the discretionary surplus reserve;
- (iii) An appropriation of RMB1,447.63 million to the general reserve; and
- (iv) Cash dividends of RMB0.89 per 10 shares (RMB1,236.19 million in total).

In addition to the above matters, the Group has no significant subsequent events.

Notes to the Consolidated Financial Statements

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The attachments do not form one part of the audited financial statements.

Appendix I – Unaudited Supplementary Financial Information

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

According to Hong Kong Listing Rules and disclosure requirements of the banking industry, the Group discloses the following supplementary financial information:

1 LIQUIDITY RATIOS

	As at 31 December 2021	As at 31 December 2020
RMB current assets to RMB current liabilities	58.63%	56.47%
Foreign currency current assets to foreign currency current liabilities	182.25%	132.54%

2 CURRENCY CONCENTRATIONS

	USD	EUR	Other	Total
As at 31 December 2021				
Spot assets	8,192,130	2,201,248	108,295	10,501,673
Spot liabilities	(9,520,674)	(21,323)	(867,905)	(10,409,902)
Forward purchases	212,908	19,956	–	232,864
Forward sales	(218,042)	(2,187,258)	(26,112)	(2,431,412)
Net long/(short) position	(1,333,678)	12,623	(785,722)	(2,106,777)
As at 31 December 2020				
Spot assets	9,058,833	49,717	674,784	9,783,334
Spot liabilities	(6,177,558)	(25,232)	(791,340)	(6,994,130)
Forward purchases	513,899	124,830	–	638,729
Forward sales	(3,586,364)	(124,817)	(33,339)	(3,744,520)
Net long/(short) position	(191,190)	24,498	(149,895)	(316,587)

3 INTERNATIONAL CLAIMS

International claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group is principally engaged in business operations within Chinese Mainland, and regards all the claims on third parties outside Chinese Mainland as cross border claims.

International claims include balances with central bank, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held for trading, financial assets designated at fair value through profit or loss, loans and advances to customers, financial assets held under resale agreements, financial assets at fair value through other comprehensive income and financial assets at amortised cost.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer is 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.

Appendix I – Unaudited Supplementary Financial Information

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

3 INTERNATIONAL CLAIMS (CONTINUED)

	Banks and other financial institutions	Non-bank private institutions	Total
As at 31 December 2021			
Asia Pacific excluding Chinese mainland	52,231	137,244	189,475
– Hong Kong	51,299	137,244	188,543
Europe	4,102	–	4,102
North and South America	638,769	–	638,769
Oceania	1,987	–	1,987
Total	697,089	137,244	834,333
As at 31 December 2020			
Asia Pacific excluding Chinese mainland	216,200	400,163	616,363
– Hong Kong	212,880	400,163	613,043
Europe	26,884	–	26,884
North and South America	1,002,421	–	1,002,421
Oceania	1,480	–	1,480
Total	1,246,985	400,163	1,647,148

4 LOANS AND ADVANCES TO CUSTOMERS

4.1 Overdue loans and advances to customers

Total amount of overdue loans and advances to customers:

	As at 31 December 2021	As at 31 December 2020
Total loans and advances to customers which have been overdue:		
Within 3 months	3,804,892	3,987,320
Within 3 to 6 months	1,864,177	4,137,990
Within 6 to 12 months	1,046,977	2,835,265
Over 12 months	6,002,025	1,787,421
Total	12,718,071	12,747,996
By percentage:		
Within 3 months	29.92%	31.28%
Within 3 to 6 months	14.66%	32.46%
Within 6 to 12 months	8.23%	22.24%
Over 12 months	47.19%	14.02%
Total	100.00%	100.00%

Appendix I – Unaudited Supplementary Financial Information

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

4 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

4.1 Overdue loans and advances to customers (Continued)

Total amount of overdue loans and advances to customers and allowance assessment by geographic segment:

	Anhui Province	Jiangsu Province	Other	Total
As at 31 December 2021				
Overdue loans and advances to customers	7,861,721	1,402,581	3,453,769	12,718,071
Individually assessed	(6,248,247)	(1,260,258)	(1,769,069)	(9,277,574)
As at 31 December 2020				
Overdue loans and advances to customers	8,762,006	1,868,922	2,117,068	12,747,996
Individually assessed	(7,173,926)	(1,803,381)	(54,604)	(9,031,911)

Fair value of collateral against overdue loans and advances to customers:

	As at 31 December 2021	As at 31 December 2020
Fair value of collateral		
Corporate loans	14,548,128	16,056,492
Personal loans and advances	1,519,009	1,398,456
Total	16,067,137	17,454,948

4.2 Identified impaired loans and advances

	Anhui Province	Jiangsu Province	Others	Total
As at 31 December 2021				
Identified impaired loans and advances for which allowance is:				
Individually assessed	6,793,172	1,410,588	3,455,909	11,659,669
	(6,370,372)	(1,390,661)	(1,889,839)	(9,650,872)
As at 31 December 2020				
Identified impaired loans and advances for which allowance is:				
Individually assessed	7,815,160	1,672,453	1,870,448	11,358,061
	(7,230,689)	(1,712,277)	(98,171)	(9,041,137)

Appendix I – Unaudited Supplementary Financial Information

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

Huishang Bank Co., Ltd. makes a supplementary disclosure of the following information in accordance with CBIRC:

1 SIGNIFICANT RELATED PARTY TRANSACTIONS APPROVED BY THE BOARD OF DIRECTORS

In 2021, Huishang Bank Co., Ltd. shall approve a proposal on the significant related party transactions in accordance with the “Administrative Measures on Related Transactions between Commercial Banks and Insiders and Shareholders”, “Interim Measures on the Management of Equity of Commercial Banks” and other provisions (hereinafter referred to as “CBIRC”), the details are as follows:

Approved by the board of directors	Content	New credit limit (including low risk limit)	Remarks
2021/1/18	The 26th Meeting of the 4th board of directors	4,000,000	
2021/3/8	The 29th Meeting of the 4th board of directors	-	The credit limit is not increased, only involves the change of credit conditions
2021/3/26	The 30th Meeting of the 4th board of directors	3,100,000	
		10,402,000	

Appendix I – Unaudited Supplementary Financial Information

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

1 SIGNIFICANT RELATED PARTY TRANSACTIONS APPROVED BY THE BOARD OF DIRECTORS (CONTINUED)

Approved by the board of directors		Content	New credit limit (including low risk limit)	Remarks
2021/5/13	The 32nd Meeting of the 4th Board of Directors	Proposal on the approval of related party transactions between Huishang Bank and Chery Automobile Co., Ltd. with the companies related	11,185,000	
2021/5/27	The 33th Meeting of the 4th board of directors	Proposal on "Report on Related Party Transactions of Huishang Bank in the first Quarter of 2021"	-	The credit limit is not increased, only involves the reporting of affiliated transactions
2021/7/27	The 35th Meeting of the 4th Board of Directors	Proposal on the approval of related party transactions between Huishang Bank and Hefei Xingtai Guarantee Group Co., Ltd.	5,809,000	
		Proposal on the approval of related party transactions between Huishang Bank and Anhui Province Energy Group Co., Ltd. with the companies related	2,240,000	
2021/8/30	The 36th Meeting of the 4th Board of Directors	Proposal on "Report on Related Party Transactions of Huishang Bank in the second Quarter of 2021"		The credit limit is not increased, only involves the reporting of affiliated transactions
		Proposal on the approval of related party transactions between Huishang Bank and Hefei State-Owned Construction Financing Guarantee Co., Ltd.	5,500,000	

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

1 SIGNIFICANT RELATED PARTY TRANSACTIONS APPROVED BY THE BOARD OF DIRECTORS (CONTINUED)

Approved by the board of directors		Content	New credit limit (including low risk limit)	Remarks
2021/11/4	The 37th Meeting of the 4th Board of Directors	Proposal on the approval of related party transactions between Huishang Bank and Guoyuan Financial Holding Group Co., Ltd.	1,910,000	
		Proposal on the approval of related party transactions between Huishang Bank and Heifei Xingtai Financial Holdings Group Co., Ltd.	9,467,960	
2021/12/30	The 39th Meeting of the 4th Board of Directors	Proposal on the approval of related party transactions between Huishang Bank and Anhui Publishing Group Co., Ltd.	2,070,000	
		Proposal on "Report on Related Party Transactions of Huishang Bank in the third Quarter of 2021"		The credit limit is not increased, only involves the reporting of affiliated transactions

In addition, the Bank held the 30th meeting of the 4th board of directors on 26 March 2020, at which it reviewed and approved Huishang Bank's 2021 Daily Related Party Transaction Business Plan, and formulated the annual related party transaction plan on the funds, bills, bonds, investments, etc.

Appendix I – Unaudited Supplementary Financial Information

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

2 IMPLEMENTATION OF SIGNIFICANT RELATED PARTY TRANSACTIONS

As of the end of 2021, the significant related transactions between Huishang Bank Co., Ltd. and the related parties under the CBIRC's definition are as follows:

2.1 The amount of a single related party transaction accounts for more than 1% of the net capital of the commercial bank

(1) *Huiyin Financial Leasing Co., Ltd*

Related party	Transaction type	Amount	Remarks
Huishang Bank Financial Leasing Co., Ltd.	Interbank borrowing	2,800,000	

2.2 The balance of related party transactions accounts for more than 5% of the net capital of the commercial bank

(1) *Wuhu Construction Investment Co., Ltd. and its related companies*

Related party	Transaction type	Amount	Remarks
Wuhu Construction Investment Co., Ltd.	Loans on Mergers& Acquisitions	349,000	
	Investment in debt securities issued by Wuhu Construction investment Co., Ltd.	10,000	
Anhui Jiangbei Development Co. Ltd.	Management fee for direct financing instruments	480	
Chery New Energy Automobile Co., Ltd.	Domestic forfaiting under letters of credit	300,000	
Chery Automobile Co., Ltd.	Forfaiting under letters of credit	520,000	
	Bank acceptance bill	500,000	
	Floating capital loans	496,000	
	Discount of bank acceptance bill	46,112	
Wuhu Huayan Water Co., Ltd.	Utility	38	
Anhui Chery Automobile Sales Co., Ltd.	Domestic letter of credit	520,000	
	Bank acceptance bill	1,180,000	
Chery New Energy Vehicle Sales Co., Ltd.	Domestic letter of credit	300,000	
	Bank acceptance bill	200,000	

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

2 IMPLEMENTATION OF SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

2.2 The balance of related party transactions accounts for more than 5% of the net capital of the commercial bank (Continued)

(1) *Wuhu Construction Investment Co., Ltd. and its related companies (Continued)*

Related party	Transaction type	Amount	Remarks
Wuhu Jin An Shi Teng Automobile Safety System Co., Ltd.	Bank acceptance bill	10,000	
	Discount of bank acceptance bill	4,000	
Wuhu Yongda Technology Co., Ltd.	Bank acceptance bill	39,941	
Wuhu Honghu Material Technology Co., Ltd.	Domestic letter of credit	1,702	
	Bank acceptance bill	28,298	
	Discount of bank acceptance bill	18,952	
Wuhu Puwei Technical Research Co. Ltd.	Discount of bank acceptance bill	29,908	
Chery Commercial Vehicle (Anhui) Co., Ltd.	Domestic forfaiting under letter of credit	198,000	
	Domestic letter of credit	200,000	
Kairui New Energy Vehicles Co., Ltd.	Domestic letter of credit	10,000	
	Bank acceptance bill	40,000	
Wuhu Ruitai Auto Parts Co., Ltd.	Bank acceptance bill	32,140	
Anhui Chery Commercial Vehicle Sales Co. Ltd.	Bank acceptance bill	300,000	
Daao (Wuhu) automobile products Co., Ltd.	Bank acceptance bill	20,000	
Wuhu Ironman Equipment Engineering Co., Ltd.	Bank acceptance bill	8,220	
	Domestic letters of guarantee issued	1,410	
	Domestic guarantee	255	
AnHui Haery Aviation Power Co., Ltd.	Letters of credit	128	
Wuhu Acteco Powertrain Co., Ltd.	Floating capital loans	98,000	
Wuhu Fujiheng Machinery Co., Ltd.	Domestic guarantee	1,447	
Yingfeng Investment Co., Ltd.	Bank acceptance bill	300,000	

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

2 IMPLEMENTATION OF SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

2.2 The balance of related party transactions accounts for more than 5% of the net capital of the commercial bank (Continued)

(1) *Wuhu Construction Investment Co., Ltd. and its related companies (Continued)*

Related party	Transaction type	Amount	Remarks
Wuhu Yangtze River Bridge Road Bridge Co., Ltd.	Debt financing plan	350,000	
	Interests	7,980	
Wuhu Kumquat Technology Co., Ltd.	Bank acceptance bill	9,972	
AnHui Maika Vehicles Co., Ltd.	Floating capital loans	15,000	
Wuhu Generator Automotive Electrical Systems Co., Ltd.	Discount of bank acceptance bill	33,356	
	Interbank loan balance	1,000,000	
	Charge underwriting fees	355	
	The Bank invests in the bonds issued by Chery Huiyin Auto Finance Co., Ltd	100,000	
Chery Huiyin Auto Finance Co., Ltd	The Bank invests in asset-backed securities issued by Chery Huiyin Auto Finance Co., Ltd. as the sponsor	115,046	
	The Bank invests in the fund trust plan of Chery Huiyin Automobile Finance Co., Ltd. as the actual financiers	18,901	

3 RELATED PARTY TRANSACTIONS WITH RELATED NATURAL PERSONS

The identities of related natural persons of the Bank (in accordance with the “Administrative Measures on Related Transactions between Commercial Banks and Insiders and Shareholders”) mainly include: (1) Insiders, namely directors, executives of the head office and branches, and other persons who have the right to decide or participate in commercial bank credit and asset transfer; (2) Close relatives of insiders; (3) Shareholders, directors, and key executives of related legal persons or other organizations. The affiliated legal persons or other organizations mentioned in this item do not include insiders and their close relatives that directly, indirectly, jointly control or can exert significant influence on the legal persons or other organizations; and (4) Other natural persons that have a significant influence on the Bank. The Bank’s natural person shareholders hold or control less than 5% of the equity, and the Bank has no major natural person shareholders.

By the end of 2021, the balance of related party transactions of related natural persons of the Bank was 615,875 thousand yuan, mainly for personal housing, personal comprehensive consumption revolving loan and credit card overdraft, all of which were related party transactions.