Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

广州农商银行
GUANGZHOU RURAL COMMERCIAL BANK

Guangzhou Rural Commercial Bank Co., Ltd.*
廣 州 農 村 商 業 銀 行 股 份 有 限 公 司 *

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

(H Share Stock code: 1551)
(Preference Share Stock code: 4618)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

The board of directors (the "**Board**") of Guangzhou Rural Commercial Bank Co., Ltd.* (the "**Bank**") announces the audited consolidated annual results of the Bank and its subsidiaries (collectively the "**Group**") for the year ended December 31, 2021 (the "**Reporting Period**") (the "**Annual Results**") prepared in accordance with the International Financial Reporting Standards (the "**IFRSs**") by the International Accounting Standards Board. The Annual Results have been reviewed by the Board and the audit committee thereunder. Unless otherwise specified, the financial data set out in this announcement are the Group's consolidated account and are presented in Renminbi.

Unless the context otherwise requires, the terms used in this announcement shall have the following meanings:

"AGM"	annual general meeting of the Bank
"Articles of Association" or "Articles"	the articles of association of the Bank, which was passed by the shareholders of the Bank at the general meeting held on 8 June 2021 and was approved by the China Banking and Insurance Regulatory Commission, Guangdong Bureau on 7 January 2022 to take effect upon the non-public issuance of H shares and domestic shares (as amended, supplemented or otherwise revised from time to time)
"Board of Directors"	the board of directors of the Bank
"Board of Supervisors"	the board of supervisors of the Bank
"CBIRC"	China Banking and Insurance Regulatory Commission
"Central Bank", "PBOC"	the People's Bank of China or "People's Bank"
"China"	the People's Republic of China
"China Banking Regulatory Authority"	the China Banking and Insurance Regulatory Commission and its agencies
"Corporate Governance Code "	Appendix 14 of the Corporate Governance Code under the Listing Rules
"county bank(s)"	bank institutions that are approved by China Banking Regulatory Authority to be incorporated in rural areas to provide services to local farmers or enterprises
"CSRC"	China Securities Regulatory Commission
"Group"	Guangzhou Rural Commercial Bank Co., Ltd. and its subsidiaries
"Guangdong Bureau of CBIRC"	Commission Guangdong Bureau of China Banking and Insurance Regulatory
"Guangzhou Rural Commercial Bank", "Bank" or "Company"	Guangzhou Rural Commercial Bank Co., Ltd.
"H Shares"	the foreign shares which are registered in Mainland China and listed in Hong Kong
"HK$"	the lawful currency of Hong Kong Region
"HKEx"	the Stock Exchange of Hong Kong Limited

DEFINITIONS

"IFRS"	International Financial Reporting Standards and International Accounting Standards ("IAS"), which include the related standards, amendments and interpretations issued by the International Accounting Standard Board ("IASB")
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Non-overseas Listed Shares"	the ordinary shares with a nominal value of RMB1.00 each issued by the Bank, which are subscribed for or credited as paid up in RMB
"Reporting Period"	for the twelve months from 1 January 2021 to 31 December 2021
"RMB"	the lawful currency of the People's Republic of China
"Sannong"	agriculture, rural areas and farmers
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"USD"	the lawful currency of the United States of America

The financial information of the Group set forth in this announcement is prepared on a consolidated basis in accordance with IFRS and expressed in Renminbi unless otherwise stated.

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December					
	2021	2020	Comparison between 2021 and 2020	2019	2018	2017
Operating results			**Rate of Change (%)**			
Net interest income[1]	19,559.16	17,647.48	10.83	18,883.22	13,553.02	11,923.19
Net fee and commission income[1]	1,319.07	1,326.96	(0.59)	1,362.57	1,266.15	2,062.73
Operating income	23,480.53	21,218.41	10.66	23,657.28	20,666.67	13,478.66
Operating expenses	(6,420.27)	(7,037.46)	(8.77)	(6,675.70)	(5,984.34)	(5,164.19)
Impairment losses[2]	(12,602.97)	(7,893.38)	59.67	(7,086.46)	(5,968.94)	(787.85)
Profit before income tax	4,457.29	6,287.57	(29.11)	9,895.12	8,713.39	7,526.62
Net profit	3,776.29	5,276.62	(28.43)	7,910.71	6,832.16	5,890.99
Net profit attributable to shareholders of the Bank	3,175.21	5,081.30	(37.51)	7,520.35	6,526.34	5,708.72
Per share (in RMB)			**Change**			
Net assets per share attributable to shareholders of the Bank[3]	6.13	6.08	0.05	5.97	5.39	4.69
Basic earnings per share[4]	0.26	0.45	(0.19)	0.77	0.67	0.63

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December					
	2021	2020	Comparison between 2021 and 2020	2019	2018	2017
Scale indicators			**Change**			
Total assets	1,161,628.63	1,027,871.65	133,756.98	894,154.29	763,289.60	735,713.66
Among which: loans and advances to customers, net	637,553.81	553,168.34	84,385.47	463,051.37	364,967.97	285,701.70
Total liabilities	1,074,743.36	951,986.34	122,757.02	820,444.98	707,708.53	687,235.94
Among which: customer deposits	849,766.80	778,424.85	71,341.95	658,243.09	542,335.16	488,671.86
Equity attributable to shareholders of the Bank	80,027.31	69,487.08	10,540.23	68,346.69	52,861.33	46,044.52
Non-controlling interests	6,857.96	6,398.23	459.73	5,362.62	2,719.74	2,433.20
Total equity	86,885.27	75,885.31	10,999.96	73,709.31	55,581.07	48,477.72

SUMMARY OF FINANCIAL DATA

Item (Expressed in percentage)	For the year ended 31 December 2021	2020	Comparison between 2021 and 2020	2019	2018	2017
Profitability indicators			**Change**			
Return on average total assets(5)	0.34	0.55	(0.21)	0.95	0.91	0.84
Return on average equity(6)	4.43	7.10	(2.67)	13.24	13.13	13.65
Net interest spread(7)	2.01	1.98	0.03	2.71	2.32	1.68
Net interest margin(8)	2.00	2.01	(0.01)	2.65	2.17	1.73
Net fee and commission income to operating income(9)	5.62	6.25	(0.63)	5.76	6.13	15.30
Cost-to-income ratio(10)	26.08	31.95	(5.87)	27.25	28.05	37.11

Item (Expressed in percentage)	As at 31 December 2021	2020	Comparison between 2021 and 2020	2019	2018	2017
Assets quality indicators			**Change**			
Non-performing loan ratio(11)	1.83	1.81	0.02	1.73	1.27	1.51
Provision coverage ratio(12)	167.04	154.85	12.19	208.09	276.64	186.75
Allowance to total loans(13)	3.06	2.81	0.25	3.61	3.52	2.83
Capital adequacy indicators			**Change**			
Core Tier 1 capital adequacy ratio(14)	9.68	9.20	0.48	9.96	10.50	10.69
Tier 1 capital adequacy ratio	11.06	10.74	0.32	11.65	10.53	10.72
Capital adequacy ratio	13.09	12.56	0.53	14.23	14.28	12.00
Ratio of total equity to total assets	7.48	7.38	0.10	8.24	7.28	6.59

Item (Expressed in percentage)	As at 31 December 2021	2020	Comparison between 2021 and 2020	2019	2018	2017
Other indicators			**Change**			
Loan-to-deposit ratio(15)	77.39	73.09	4.30	72.92	69.70	60.17

Notes：

(1) Since 2020, the Group reclassified the installment income of credit card from fee income to interest income, and restated the data from 2017 to 2019, hence the indicators of net interest margin, net interest yield and the ratio of fee and commission income against the operating income were restated simultaneously.

(2) In accordance with the new accounting standards on financial instruments and the disclosure requirements related to the financial statements, impairment losses in 2018 to 2021 included credit impairment losses and impairment losses on other assets in the consolidated statement of profit or loss, while impairment losses from 2017 were impairment losses on assets.

(3) Calculated by dividing equity attributable to shareholders of the Bank for the period (excluding other equity instruments) by paid-in capital.

(4) The preference shares dividends, which was paid in the first half of 2021, has been deducted for this indicator.

(5) Representing the net profit for the period (including profit attributable to non-controlling interests) as a percentage of the average balance of total assets as at the beginning and end of the period.

(6) Calculated by dividing the net profit for the period (excluding the preference shares dividends declared in the year) by the average balance of total equity (excluding other equity instruments) as at the beginning and end of the period.

(7) Calculated as the difference between the average yield rate on total interest-earning assets and the average cost rate on total interest-bearing liabilities.

(8) Calculated by dividing net interest income by the average daily balance of total interest-earning assets.

(9) Calculated by dividing net fee and commission income by operating income.

(10) Calculated by dividing operating expenses (excluding tax and surcharges) by operating income.

(11) Calculated by dividing the balance of non-performing loans by the total loans and advances to customers.

(12) Calculated by dividing the balance of allowance for loan losses (including discount) by the balance of non-performing loans.

(13) Calculated by dividing the balance of allowance for loan losses (including discount) by the total loans and advances to customers.

(14) Calculated in accordance with the "Administrative Measures for the Capital of Commercial Banks (Provisional)".

Core Tier 1 capital adequacy ratio = (core Tier 1 capital – reductions from respective capital)/risk-weighted assets *100%

Tier 1 capital adequacy ratio = (Tier 1 capital – reductions from respective capital)/risk-weighted assets *100%

Capital adequacy ratio = (total capital – reductions from respective capital)/risk-weighted assets *100%

(15) Calculated by dividing total loans and advances to customers by total deposits of customers.

MANAGEMENT DISCUSSION AND ANALYSIS

REGULATORY ENVIRONMENT AND ECONOMIC OUTLOOK

In 2021, a year intertwined with COVID-19 pandemics and changes in a century, China's economy withstood the test of severe and complex environment abroad and frequent outbreak of domestic pandemic, maintaining its leading position among major global economies in respect of economic development and pandemic prevention and control, and achieving a good start of the "14th Five-Year Plan". The annual GDP amounted to approximately RMB114 trillion, and the annual economic growth rate achieved 8.1%, showing good development resilience. From the perspective of three major demand structures: in terms of investment, infrastructure investment remained low, real estate investment declined rapidly, and manufacturing investment stabilized; in terms of consumption, the normalization of prevention and control led to sluggish service consumption, and the overall recovery of domestic demand was relatively slow; exports continued to exceed expectations, maintaining a high boom throughout the year, and exports of electrical and mechanical products were strong, which effectively boosted China's economic recovery.

In order to fully respond to the impact of various environmental and policy factors and optimize the economic growth structure, China has stepped up counter-cyclical and cross-cyclical regulation and control with proactive fiscal policy being relatively backward, strengthened the management and control of hidden debt risks, and kept steady monetary policy relatively loose, and deeply adopted the structural tools. Financial supervision has become increasingly stringent, with real estate regulation heating up and the positioning of "house for residence instead of vicious speculation" being adhered to. The local financial regulatory framework has been optimized, the capacity of the whole chain of supervision has been enhanced, the scope of supervision has become more comprehensive, the anti-monopoly force has been strengthened, and the fight against illegal financial activities has been further intensified. The supervision of internal control and compliance of financial institutions in the banking industry was kept under high pressure, and irregularities in credit and financial management were seriously investigated and dealt with.

In 2022, the risk of the pandemic is expected to decline with the promotion of vaccine boosters and therapeutic drugs, although the COVID-19 pandemic is still spreading around the world. As the overseas production environment gradually recovers, the growth rate of China's exports will gently decline, and manufacturing investment will also face downward pressure, while consumption will still maintain a steady recovery and infrastructure investment will be the main driving force of "stable growth". Under the basic tone of seeking progress in stability, China's economic growth is expected to reach approximately 5.5% in 2022, with a low growth rhythm followed by a high one. In overall, China's economy is still facing three kinds of pressure: demand contraction, supply impact and weakening expectations. There is a lack of endogenous driving force for economic growth, and it is urgent for policies to effectively expand domestic demand and promote the optimization of investment structure.

In 2022, the world economy is in the process of recovery, while the geopolitical competition between major countries continues to be severe, and the international situation has become more volatile, which will bring new opportunities and challenges to China's high-quality economic development. China will unswervingly build a new development pattern, continue to promote the implementation of the "double cycle" development strategy, actively participate in international trade governance from the perspective of globalization, consolidate and enhance China's role in the global supply chain and value chain, deepen multilateral and bilateral economic and trade cooperation, internally strive to ensure food and energy security and financial stability, promote scientific and technological development and industrial upgrade, and increase policy incentives to create a better business environment, fully stimulate the vitality of market players and realize continuous expansion of domestic demand. As the mainstay of China's financial system, the banking industry should better serve the real economy and strengthen support for key areas and weak links, in particular, the banking industry will play a more active role in the fields of major projects planned in the 14th Five-Year Plan, digital infrastructure construction, financing of small and micro enterprises, key technology enterprises and "specialized and new" enterprise services, green financial products, stable energy production and supply, rural revitalization and so on. The financial regulatory policy will further strengthen the constraints and guidance on commercial banks and other financial institutions, handle stock risks steadily, and firmly hold the bottom line of no systemic financial risks. Commercial banks will pay more attention to asset quality and liability cost control, effectively promote capital replenishment, consolidate the foundation of sound operation, and constantly deepen reform to achieve risk resolution and differentiated sustainable development.

FINANCIAL REVIEW

I. INCOME STATEMENT ANALYSIS

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2021	For the year ended 31 December 2020	Change in amount	Rate of change (%)
Interest income	42,565.95	37,150.00	5,415.95	14.58
Interest expense	(23,006.79)	(19,502.52)	(3,504.27)	17.97
Net interest income	**19,559.16**	**17,647.48**	**1,911.68**	**10.83**
Fee and commission income	1,639.91	1,628.04	11.87	0.73
Fee and commission expense	(320.84)	(301.08)	(19.76)	6.56
Net fee and commission income	**1,319.07**	**1,326.96**	**(7.89)**	**(0.59)**
Net trading gains	2,042.79	1,976.68	66.11	3.34
Net gains or losses on financial investments	343.93	361.34	(17.41)	(4.82)
Other operating income, net	215.58	(94.05)	309.63	(329.22)
Operating income	**23,480.53**	**21,218.41**	**2,262.12**	**10.66**
Operating expenses	(6,420.27)	(7,037.46)	617.19	(8.77)
Credit impairment losses	(12,540.17)	(7,851.76)	(4,688.41)	59.71
Impairment losses on other assets	(62.80)	(41.62)	(21.18)	50.89
Profit before income tax	**4,457.29**	**6,287.57**	**(1,830.28)**	**(29.11)**
Income tax expense	(681.00)	(1,010.95)	(329.95)	(32.64)
Net profit	**3,776.29**	**5,276.62**	**(1,500.33)**	**(28.43)**

In 2021, the Group recorded a profit before income tax of RMB4,457 million, representing a year-on-year decrease of 29.11%, and a net profit of RMB3,776 million, representing a year-on-year decrease of 28.43 %. Profit before income tax and net profit decreased year on year, mainly due to more provision were made by the Group for impairment losses on assets to enhance its ability to resist risks under the complex external environment and the epidemic.

(I) Net Interest Income

In 2021, the net interest income of the Group amounted to RMB19,559 million, representing a year-on- year increase of RMB1,912 million, or 10.83%, and accounting for 83.30% of our total operating income. It was mainly due to the year-on-year increase of interest income, resulting from the adjustment in the structure of interest-earning assets and the increase in the proportion of loans.

The following table sets forth interest income, interest expense and net interest income of the Group for the periods indicated:

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2021	For the year ended 31 December 2020	Change in amount	Rate of change (%)
Interest income	42,565.95	37,150.00	5,415.95	14.58
Interest expense	(23,006.79)	(19,502.52)	(3,504.27)	17.97
Net interest income	**19,559.16**	**17,647.48**	**1,911.68**	**10.83**

Item (Expressed in unless otherwise stated)	For the twelve months ended 31 December 2021			For the twelve months ended 31 December 2020		
	Average balance	Interest income/ expense	Average yield/cost rate (%)	Average balance	Interest income/ expense	Average yield/cost rate (%)
Loans and advances to customers	612,481.73	32,481.75	5.30	524,154.02	27,856.03	5.31
Financial investments	191,393.69	6,729.58	3.52	172,447.89	6,001.53	3.48
Placements and deposits with banks and other financial institutions	50,697.27	1,332.67	2.63	54,550.37	1,319.91	2.42
Financial assets held under resale agreements	40,055.83	919.82	2.30	41,220.62	886.22	2.15
Due from central bank	81,360.20	1,102.13	1.35	85,029.71	1,086.31	1.28
Total interest-earning assets	**975,988.72**	**42,565.95**	**4.36**	**877,402.61**	**37,150.00**	**4.23**
Customer deposits	793,286.32	17,760.62	2.24	704,403.53	14,981.54	2.13
Placements and deposits from banks and other financial institutions and others	62,303.76	1,731.17	2.78	53,683.20	1,399.18	2.61
Financial assets sold under repurchase agreements	16,212.28	343.08	2.12	7,801.43	128.50	1.65
Debt securities issued	87,441.46	2,746.37	3.14	86,995.32	2,623.90	3.02
Borrowing from central bank	19,195.37	425.55	2.22	13,579.60	369.40	2.72
Total interest-bearing liabilities	**978,439.19**	**23,006.79**	**2.35**	**866,463.08**	**19,502.52**	**2.25**
Net interest income		**19,559.16**			**17,647.48**	
Net interest spread			**2.01**			**1.98**
Net interest margin			**2.00**			**2.01**

In 2021, compared with the corresponding period of last year, the overall average yield of interest earning assets increased by 13 basis points to 4.36%, the overall average cost rate of interest-bearing liabilities increased by 10 basis points to 2.35%, net interest spread increased by 3 basis points to 2.01%, and net interest margin decreased by 1 basis point to 2.00%.

The following table sets forth changes in the Group's interest income and interest expense as compared to the corresponding period of last year due to changes in volume and interest rate. Changes in volume are measured by movement of the average balance, while changes in interest rate are measured by the movement of the average interest rate:

Item (Expressed in RMB million, unless otherwise stated)	Increase/(decrease) due to changes in the following item		
	Volume factor	Rate factor	Net increase/ decrease
Assets			
Loans and advances to customers	4,694.15	(68.43)	4,625.72
Financial investments	659.35	68.70	728.05
Placements and deposits with banks and other financial institutions	(93.23)	105.99	12.76
Financial assets held under resale agreements	(25.04)	58.64	33.60
Deposits with central bank	(46.88)	62.70	15.82
Changes in interest income	**5,188.35**	**227.60**	**5,415.95**
Liabilities			
Due to customers	1,890.40	888.68	2,779.08
Placements, deposits and others from banks and other financial institutions	224.68	107.31	331.99
Financial assets sold under repurchase agreements	138.54	76.04	214.58
Debt securities issued	13.46	109.01	122.47
Borrowing from central bank	152.76	(96.61)	56.15
Changes in interest expense	**2,419.84**	**1,084.43**	**3,504.27**

1. *Interest income*

In 2021, interest income of the Group amounted to RMB42,566 million, representing an increase of RMB5,416 million or 14.58% as compared to the corresponding period of last year.

(1) INTEREST INCOME FROM LOANS AND ADVANCES TO CUSTOMERS

The average balance, interest income and average yield for each component of loans and advances to customers of the Group are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the twelve months ended 31 December 2021			For the twelve months ended 31 December 2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	388,501.81	20,770.47	5.35	338,651.55	18,880.33	5.58
Personal loans	147,331.89	9,580.17	6.50	132,713.58	7,659.13	5.77
Discounted bills	76,648.03	2,131.11	2.78	52,788.89	1,316.57	2.49
Total loans and advances to customers	**612,481.73**	**32,481.75**	**5.30**	**524,154.02**	**27,856.03**	**5.31**

Interest income from loans and advances to customers amounted to RMB32,482 million, representing a year-on-year increase of RMB4,626 million, or 16.61%, and the average yield decreased by 1 basis point to 5.30% as compared with last year.

(2) INTEREST INCOME FROM AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

The average balance, interest income and average yield for each component of amounts due from banks and other financial institutions of the Group are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the twelve months ended 31 December 2021			For the twelve months ended 31 December 2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Placements and deposits with banks and other financial institutions	50,697.27	1,332.67	2.63	54,550.37	1,319.91	2.42
Financial assets held under resale agreements	40,055.83	919.82	2.30	41,220.62	886.22	2.15
Total amounts due from banks and other financial institutions	**90,753.10**	**2,252.49**	**2.48**	**95,770.99**	**2,206.13**	**2.30**

In 2021, the interest of amounts due from banks and other financial institutions of the Group amounted to RMB2,252 million, representing a year-on-year increase of RMB46 million, or 2.10%.

2. *Interest expense*

In 2021, the Group's interest expense increased by RMB3,504 million, or 17.97%, to RMB23,007 million as compared to the corresponding period of last year.

(1) INTEREST EXPENSE ON AMOUNTS DUE TO CUSTOMERS

The average balance, interest expense and average cost rate for each component of amounts due to customers of the Group are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the twelve months ended 31 December 2021			For the twelve months ended 31 December 2020		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Corporate deposits						
Demand	161,968.52	863.15	0.53	129,039.04	626.36	0.49
Time	194,329.68	6,810.56	3.50	195,934.10	6,448.41	3.29
Subtotal	**356,298.20**	**7,673.71**	**2.15**	**324,973.14**	**7,074.77**	**2.18**
Personal deposits						
Demand	123,256.78	389.25	0.32	114,291.67	349.79	0.31
Time	293,084.59	9,305.47	3.18	237,926.61	6,994.17	2.94
Subtotal	**416,341.37**	**9,694.72**	**2.33**	**352,218.28**	**7,343.96**	**2.09**
Other deposits	**20,646.75**	**392.19**	**1.90**	**27,212.11**	**562.81**	**2.07**
Total amounts due to customers	**793,286.32**	**17,760.62**	**2.24**	**704,403.53**	**14,981.54**	**2.13**

In 2021, the Group's interest expense on amounts due to customers amounted to RMB17,761 million, representing a year-on-year increase of RMB2,779 million, or 18.55%, and the cost rate of deposits was 2.24%, representing an increase of 11 basis points year-on- year. It was mainly due to the rapid increase in the interest rate of time deposits.

(2) INTEREST EXPENSE ON AMOUNTS DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

The average balance, interest expense and average cost rate for each component of the Group's amounts due to banks and other financial institutions are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the twelve months ended 31 December 2021			For the twelve months ended 31 December 2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Placements and deposits from banks and other financial institutions and others	62,303.76	1,731.17	2.78	53,683.20	1,399.18	2.61
Financial assets sold under repurchase agreements	16,212.28	343.08	2.12	7,801.43	128.50	1.65
Total amounts due to banks and other financial institutions	**78,516.04**	**2,074.25**	**2.64**	**61,484.63**	**1,527.68**	**2.48**

In 2021, the Group's interest expense on amounts due to banks and other financial institutions amounted to RMB2,074 million, representing a year-on-year increase of RMB547 million, or 35.78%, which was primarily due to the increase in the daily average scale of deposits from banks and financial assets sold resulting from the adjustment of interest-bearing liabilities by the Bank, as well as the increase of interest rate of interbank liabilities.

(II) Non-interest Income

1. Net fee and commission income

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2021	For the year ended 31 December 2020	Change in amount	Rate of change (%)
Fee income from agency and custodian business	347.51	440.66	(93.15)	(21.14)
Syndicated loan service fees	292.39	142.42	149.97	105.30
Fee income from bank card business	232.32	250.34	(18.02)	(7.20)
Guarantee and commitment fee income	191.62	182.62	9.00	4.93
Fee income from settlement and electronic channel business	182.00	170.07	11.93	7.01
Fee income from wealth management products	124.29	122.85	1.44	1.17
Financial leasing fee income	77.77	63.37	14.40	22.72
Fee income from advisory and consulting business	44.56	61.63	(17.07)	(27.70)
Fee income from foreign exchange business	16.84	38.52	(21.68)	(56.28)
Others	130.61	155.56	(24.95)	(16.04)
Subtotal	**1,639.91**	**1,628.04**	**11.87**	**0.73**
Fee and commission expense:				
Fee expense on bank card business	(71.80)	(75.84)	4.04	(5.33)
Fee expense on settlement and electronic channel business	(23.97)	(23.13)	(0.84)	3.63
Others	(225.07)	(202.11)	(22.96)	11.36
Subtotal	**(320.84)**	**(301.08)**	**(19.76)**	**6.56**
Net fee and commission income	**1,319.07**	**1,326.96**	**(7.89)**	**(0.59)**

In 2021, the net fee and commission income of the Group amounted to RMB1,319 million, representing a year-on-year decrease of RMB8 million, or 0.59%, and accounting for 5.62% of our total operating income. It mainly consists of fee income from agency and custodian business, syndicated loan business and bank card business.

2. *Net trading gains*

In 2021, the net trading gains of the Group amounted to RMB2,043 million, which were mainly interest income from financial assets at fair value through profit or loss, bid-ask spread and fair value gains and losses.

3. *Net gains or losses on financial investments*

In 2021, the net gains on financial investments of the Group amounted to RMB344 million, which were mainly the bid-ask spread from financial assets at fair value through other comprehensive income.

4. *Other operating income, net*

In 2021, the net other operating income of the Group amounted to RMB216 million, which was mainly due to the PBOC interest rate swap incentives and exchange losses.

(III) Operating Expenses

In 2021, the operating expenses of the Group decreased by RMB617 million, or 8.77%, to RMB6,420 million as compared to the corresponding period of last year.

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

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2021	For the year ended 31 December 2020	Change in amount	Rate of change (%)
Staff costs	3,942.37	4,432.54	(490.17)	(11.06)
Tax and surcharges	296.88	258.70	38.18	14.76
Depreciation and amortization	877.51	876.71	0.80	0.09
Others	1,303.51	1,469.51	(166.00)	(11.30)
Total operating expenses	**6,420.27**	**7,037.46**	**(617.19)**	**(8.77)**

1. *Staff costs*

Staff costs represent the largest component of operating expenses of the Group, accounting for 61.41%% and 62.98% of our operating expenses for the years ended 31 December 2021 and 2020, respectively.

The following table sets forth the principal components of staff costs of the Group for the periods indicated:

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2021	For the year ended 31 December 2020	Change in amount	Rate of change (%)
Salaries, bonuses, allowances and subsidies	2,482.59	3,319.57	(836.98)	(25.21)
Social insurance and employee benefits	1,279.28	901.53	377.75	41.90
Others	180.50	211.44	(30.94)	(14.63)
Total staff costs	**3,942.37**	**4,432.54**	**(490.17)**	**(11.06)**

In 2021, staff costs of the Group amounted to RMB3,942 million, representing a year-on-year decrease of RMB490 million, or 11.06%, which was primarily attributable to the decrease in wages, bonuses, allowances and subsidies.

2. *Tax and surcharges*

In 2021, tax and surcharges incurred amounted to RMB297 million, representing a year-on-year increase of RMB38 million, or 14.76%.

3. *Depreciation and amortization*

In 2021, depreciation and amortization of the Group was RMB878 million, representing a year-on-year increase of RMB1 million, or 0.09%.

4. *Others*

In 2021, other expenses amounted to RMB1,304 million, representing a year-on-year decrease of RMB166 million, or 11.30%.

(IV) Impairment Losses on Assets

The following table sets forth the principal components of impairment losses on assets of the Group for the periods indicated:

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2021	For the year ended 31 December 2020	Change in amount	Rate of change (%)
Credit impairment losses	12,540.17	7,851.76	4,688.41	59.71
Impairment losses on other assets	62.80	41.62	21.18	50.89
Total	**12,602.97**	**7,893.38**	**4,709.59**	**59.67**

In 2021, the provisions for impairment losses on assets of the Group amounted to RMB12,603 million. Among them, provision for credit impairment losses amounted to RMB12,540 million.

(V) Income Tax Expense

In 2021, income tax expense amounted to RMB681 million, representing a year-on-year decrease of RMB330 million, mainly due to the decrease of profit before tax. The effective income tax rate was 15.28%.

II. ANALYSIS OF STATEMENT OF FINANCIAL POSITION

(I) Assets

The following table sets forth the composition of the Group's total assets as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Total loans and advances to customers	657,662.93	56.61	568,926.17	55.35
Allowances for impairment losses	(20,109.12)	(1.73)	(15,757.83)	(1.53)
Loans and advances to customers, net	637,553.81	54.88	553,168.34	53.82
Financial investments[1]	314,238.52	27.05	262,524.19	25.54
Cash and deposits with the central bank	86,264.99	7.43	103,784.55	10.10
Deposits with banks and other financial institutions	20,275.41	1.75	25,012.86	2.43
Placements with banks and other financial institutions	33,951.90	2.92	21,711.16	2.11
Financial assets held under resale agreements	53,049.06	4.57	46,447.69	4.52
Others[2]	16,294.94	1.40	15,222.86	1.48
Total assets	**1,161,628.63**	**100.00**	**1,027,871.65**	**100.00**

Notes:

(1) Financial investments included financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortized cost.

(2) Other assets consisted of property and equipment, goodwill, deferred income tax assets and others.

As at 31 December 2021, the Group's total assets amounted to RMB1,161,629 million, representing an increase of RMB133,757 million, or 13.01%, as compared to the end of last year. Among which, the total loans and advances to customers increased by RMB88,737 million, or 15.60%, as compared to the end of last year. This was primarily due to the steady increase in the scale of loans, resulting from the Group's strengthening support to real economy.

Financial investments increased by RMB51,714 million, or 19.70%, as compared to the end of last year, primarily due to the increase in the holding of debt securities.

Placements with banks and other financial institutions increased by RMB12,241 million or 56.38% compared with the end of last year, mainly due to the increase in placements with banks and other financial institutions based on market conditions and the arrangement of assets and liabilities within the Group.

1. *Loans and advances to customers*

DISTRIBUTION OF LOANS BY BUSINESS SEGMENT

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate loans	407,026.69	61.89	379,857.50	66.77
Personal loans	158,429.47	24.09	140,331.80	24.67
Discounted bills	92,206.77	14.02	48,736.87	8.56
Total loans and advances to customers	**657,662.93**	**100.00**	**568,926.17**	**100.00**

As at 31 December 2021, total loans and advances to customers of the Group increased by RMB88,737 million, or 15.60%, to RMB657,663 million as compared to the end of last year.

As compared to the end of last year, the Group's total corporate loans increased by RMB27,169 million, or 7.15%, to RMB407,027 million; total personal loans increased by RMB18,098 million, or 12.90%, to RMB158,429 million; and total discounted bills increased by RMB43,470 million, or 89.19%, to RMB92,207 million.

DISTRIBUTION OF LOANS BY PRODUCT TYPE

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Total Corporate loans	**407,026.69**	**61.89**	**379,857.50**	**66.77**
Working capital loans	159,082.04	24.19	158,707.18	27.90
Fixed asset loans	223,868.81	34.04	199,792.96	35.11
Finance lease receivables	18,748.05	2.85	15,348.38	2.70
Others	5,327.79	0.81	6,008.98	1.06
Total Personal loans	**158,429.47**	**24.09**	**140,331.80**	**24.67**
Personal mortgage loans	73,343.81	11.15	67,439.75	11.85
Personal business loans	65,285.62	9.93	54,466.75	9.58
Personal consumption loans	10,051.30	1.53	9,508.81	1.67
Balance of credit cards	9,748.74	1.48	8,916.49	1.57
Total Discounted bills	**92,206.77**	**14.02**	**48,736.87**	**8.56**
Bank acceptance bills	92,040.23	13.99	44,973.44	7.90
Commercial acceptance bills	166.54	0.03	3,763.43	0.66
Total loans and advances to customers	**657,662.93**	**100.00**	**568,926.17**	**100.00**

As at 31 December 2021, the Group's working capital loans, fixed asset loans and finance lease received amounted to RMB159,082 million, RMB223,869 million and RMB18,748 million, respectively, representing 39.08%, 55.00% and 4.61% of our total corporate loans, respectively, with an increase of RMB375 million or 0.24%, RMB24,076 million or 12.05%, and RMB3,400 million or 22.15%, as compared to the end of last year, respectively, mainly due to the continuous increasing support on the real economy of the Group and the continuous growth of the scale of loans of the Company..

As at 31 December 2021, the Group's personal mortgage loans, personal business loans, personal consumption loans and balance of credit cards amounted to RMB73,344 million, RMB65,286 million, RMB10,051 million and RMB9,749 million, respectively, representing 46.29%, 41.21%, 6.35% and 6.15% of our total personal loans, respectively. Among which, personal business loans and personal mortgage loans increased by RMB10,819 million and RMB5,904 million, or 19.86% and 8.75%, as compared to the end of last year, respectively, while personal consumption loans and balance of credit cards increased by RMB542 million and RMB832 million, or 5.71% and 9.33%, as compared to the end of last year.

As at 31 December 2021, the discounted bank acceptance bills and discounted commercial acceptance bills of the Group amounted to RMB92,040 million and RMB167 million, respectively. Among which, discounted bank acceptance bills increased by RMB47,067 million, as compared to the end of last year, primarily because the Group increased its holdings of discounted assets in accordance with the bill market conditions and capital arrangements within the Group.

DISTRIBUTION OF LOANS BY TYPE OF COLLATERAL

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Collateralized loans	324,521.95	49.34	301,805.77	53.05
Pledged loans	36,011.48	5.48	38,979.93	6.85
Guaranteed loans	164,409.82	25.00	142,863.74	25.11
Unsecured loans	132,719.68	20.18	85,276.73	14.99
Total loans and advances to customers	**657,662.93**	**100.00**	**568,926.17**	**100.00**

As at 31 December 2021, the collateralized loans, guaranteed loans and unsecured loans of the Group increased by RMB22,716 million, RMB21,546 million and RMB47,443 million , or 7.53%, 15.08% and 55.63%, as compared to the end of last year, respectively. The pledged loans decreased by RMB2,968 million, or 7.62%, as compared to the end of last year. The proportion of collateralized and pledged loans to total loans remained high at 54.82%.

2. *Investments*

The following table sets forth the composition of investments of the Group as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Financial assets at fair value through profit or loss	91,628.57	29.16	90,247.50	34.38
Financial assets at fair value through other comprehensive income	65,205.25	20.75	75,677.33	28.82
Financial assets measured at amortized cost	157,404.70	50.09	96,599.36	36.80
Total investments	**314,238.52**	**100.00**	**262,524.19**	**100.00**

As at 31 December 2021, total investments of the Group increased by RMB51,714 million, or 19.70%, to RMB314,239 million as compared to the end of last year.

(II) Liabilities

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

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Amounts due to customers	849,766.80	79.07	778,424.85	81.77
Deposits from banks and other financial institutions	36,226.68	3.37	41,229.92	4.33
Placements from banks and other financial institutions	1,331.55	0.12	1,818.58	0.19
Financial assets sold under repurchase agreements	32,359.98	3.01	10,070.05	1.06
Debt securities issued	108,033.56	10.05	76,643.88	8.05
Others(1)	47,024.79	4.38	43,799.06	4.60
Total liabilities	**1,074,743.36**	**100.00**	**951,986.34**	**100.00**

Note:

(1) Mainly included tax payable, borrowings from central bank and salaries, bonuses, allowances and subsidies payable and others.

As at 31 December 2021, total liabilities of the Group increased by RMB122,757 million, or 12.89%, to RMB1,074,743 million as compared to the end of last year. The amount due to customers stably increased by RMB71,342 million, or 9.16%, as compared to the end of last year, in which its proportion to the liabilities of the Group remained at a relatively high level.

1. *Due to customers*

The following table sets forth the amount due to customers of the Group by product type as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate deposits[1]				
Time	200,646.03	23.61	184,855.37	23.75
Demand	179,302.17	21.10	172,388.27	22.15
Subtotal	**379,948.20**	**44.71**	**357,243.64**	**45.90**
Personal deposits				
Time	327,913.87	38.59	274,991.61	35.33
Demand	125,691.46	14.79	121,225.97	15.57
Subtotal	**453,605.33**	**53.38**	**396,217.58**	**50.90**
Pledged deposits	**13,370.52**	**1.57**	**13,726.69**	**1.76**
Other deposits[2]	**2,842.75**	**0.34**	**11,236.94**	**1.44**
Due to customers	**849,766.80**	**100.00**	**778,424.85**	**100.00**

Notes:

(1) Mainly included deposits from corporate customers and government bodies.

(2) Mainly included treasury time deposits and fiscal deposits .

As at 31 December 2021, the amount due to customers increased by RMB71,342 million, or 9.16%, to RMB849,767 million as compared to the end of last year. With respect to the customer structure of the Group, personal deposits accounted for 53.38% of our total amount due to customers, and the balance of personal deposits increased by RMB57,388 million, or 14.48%, as compared to the end of last year; corporate deposits accounted for 44.71% of our total amount due to customers, and the balance of corporate deposits increased by RMB22,705 million, or 6.36%, as compared to the end of last year. With respect to the maturity structure, the balance of demand deposits accounted for 35.89% of our total amount due to customers, representing a decrease of 1.83 percentage points over the end of last year, while the balance of time deposits (excluding pledged and other deposits) accounted for 62.20%, representing an increase of 3.12 percentage points over the end of last year.

(III) Composition of Shareholders' Equity

The following table sets forth the composition of shareholders' equity of the Group as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Share capital	11,451.27	13.18	9,808.27	12.92
Preference shares	9,820.73	11.30	9,820.73	12.94
Capital reserve	18,957.88	21.82	10,952.99	14.43
Surplus reserve	5,350.06	6.16	5,055.78	6.66
General risk reserve	14,618.36	16.82	12,944.07	17.06
Investment revaluation reserve	87.38	0.10	(238.46)	(0.31)
Remeasurement gains on defined benefit plans	(35.72)	(0.04)	5.07	0.01
Retained earnings	19,777.35	22.76	21,138.63	27.86
Non-controlling interests	6,857.96	7.90	6,398.23	8.43
Total shareholders' equity	**86,885.27**	**100.00**	**75,885.31**	**100.00**

As at 31 December 2021, the Bank recorded a paid-in capital of RMB11,451 million, private placement raising 1,643 million shares for the year, capital reserve of RMB18,958 million and retained earnings of RMB19,777 million. Please refer to the notes to financial statements for further details.

III. LOAN QUALITY ANALYSIS

(I) Five-Category Classification of Loans

The following table sets forth the distribution of the Group's loans by the five-category classification as at the dates indicated, under which non-performing loans include loans classified into substandard, doubtful and loss categories.

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Normal	618,543.63	94.05	533,499.04	93.77
Special mention	27,069.39	4.12	25,117.15	4.42
Substandard	5,569.33	0.85	2,829.24	0.50
Doubtful	5,930.98	0.90	6,211.36	1.09
Loss	549.60	0.08	1,269.38	0.22
Total loans and advances to customers	**657,662.93**	**100.00**	**568,926.17**	**100.00**
Non-performing loan ratio[1]	**–**	**1.83**	**–**	**1.81**

Note:

(1) Calculated by dividing the total amount of non-performing loans by total loans.

Under the complicated and difficult external environment in addition to the impacts of the COVID-19 and other factors, the Group continued to increase risk mitigation and non-performing disposal efforts. As at 31 December 2021, the non-performing loan ratio of the Group was 1.83%, which increased by 0.02 percentage point from the end of last year; the special-mentioned loan accounted for 4.12%, which decreased by 0.3 percentage point from the end of last year.

(II) Distribution of Non-performing Corporate Loans by Industry

The following table sets forth the distribution of the Group's non-performing corporate loans by industry as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021			As at 31 December 2020		
	Amount	Percentage of total (%)	Non-performing loan ratio (%)	Amount	Percentage of total (%)	Non-performing loan ratio (%)
Wholesale and retail	4,794.14	45.77	7.35	1,376.26	15.68	2.22
Leasing and commercial services	2,632.05	25.13	2.64	2,921.50	33.29	3.42
Construction	918.12	8.77	2.36	312.59	3.56	0.80
Manufacturing	649.33	6.20	1.54	643.66	7.33	1.66
Real estate	593.16	5.66	1.00	1,217.20	13.87	2.06
Transportation, storage and postal services	307.35	2.93	3.13	1,065.51	12.14	10.54
Healthcare and social welfare	140.13	1.34	7.02	3.21	0.04	0.15
Agriculture, forestry, animal husbandry and fishery	127.16	1.21	1.29	975.09	11.11	9.49
Information transmission, software and information technology services	81.89	0.78	1.27	24.65	0.28	0.42
Household, repair and other services	81.42	0.78	0.46	4.84	0.06	0.04
Hotel and catering	48.75	0.47	0.27	88.50	1.01	0.47
Education	30.37	0.29	0.25	26.74	0.30	0.27
Production and supply of electricity, heat, gas and water	0.91	0.01	0.03	4.96	0.06	0.19
Water conservation, environment and public utilities management	0.02	–	–	100.32	1.14	0.98
Others	68.91	0.66	0.55	11.67	0.13	0.09
Total non-performing corporate loans	10,473.71	100.00	2.57	**8,776.70**	**100.00**	**2.31**

Note:

(1) Calculated by dividing non-performing loans (loans classified into substandard, doubtful or loss categories) of each industry by gross loans granted to such industry.

As at 31 December 2021, influenced by the pandemic, non-performing loans of wholesale and retail and construction industries increased compared with the end of the previous year.

(III) Distribution of Non-performing Loans by Product Type

The following table sets forth the distribution of the Group's non-performing loans by product type as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021			As at 31 December 2020		
	Amount	Percentage of total (%)	Non-performing loan ratio (%)	Amount	Percentage of total (%)	Non-performing loan ratio (%)
Corporate loans	**10,473.71**	**100.00**	**2.57**	**8,776.70**	**100.00**	**2.31**
Personal loans	**1,576.20**	**100.00**	**0.99**	**1,533.28**	**100.00**	**1.09**
Personal residential mortgage	330.59	20.97	0.45	288.65	18.83	0.43
Personal business loans	761.27	48.30	1.17	728.60	47.52	1.34
Personal consumption loans	192.45	12.21	1.91	221.45	14.44	2.33
Balance of credit cards	291.89	18.52	2.99	294.58	19.21	3.30
Total non-performing loans	**12,049.91**	**100.00**	**1.83**	**10,309.98**	**100.00**	**1.81**

Note:

(1) Calculated by dividing non-performing loans (loans classified into substandard, doubtful or loss categories) in each product type by gross loans in that product type.

Under the complicated and difficult external environment in addition to the impact of the COVID-19 pandemic, as at 31 December 2021, non-performing ratio of corporate loans of the Group increased by 0.26 percentage point to 2.57% as compared to the end of last year.

(IV) Overdue Loans to Customers

The following table sets forth the aging timetable of the Group's loans by loan certificate as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Loans that were not past due	**625,913.95**	**95.17**	**556,383.67**	**97.80**
Loans that were past due	**31,748.98**	**4.83**	**12,542.50**	**2.20**
Within 3 months	14,125.91	2.15	4,983.21	0.87
3 months to 1 year	12,202.05	1.86	5,606.14	0.99
1 year to 3 years	5,136.30	0.78	1,603.10	0.28
Over 3 years	284.72	0.04	350.05	0.06
Total loans and advances to customers	**657,662.93**	**100.00**	**568,926.17**	**100.00**

Due to the impact of multiple factors such as changes in the international political and economic and trade environment and the COVID-19 outbreak, some of our customers were liquidity constrained and temporarily overdue for interest. As at 31 December 2021, overdue loans amounted to RMB31,749 million, representing an increase of RMB19,206 million over the end of the previous year and accounting for 4.83%, representing an increase of 2.63 percentage points as compared with the end of the previous year.

(V) Rescheduled Loans and Advances

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Rescheduled loans and advances	**19,530.39**	**2.97**	6,669.32	1.17

Under the complex and severe external environment, overlaid with the impact of the COVID-19 outbreak and other factors, the Group adjusted the repayment terms of the loan contracts of some borrowers accordingly. As at 31 December 2021, the restructured loans and advances amounted to RMB19,530 million, representing an increase of RMB12,861 million as compared with the end of the previous year.

IV. ANALYSIS OF CAPITAL ADEQUACY RATIO

The Group adopted the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) to calculate its capital adequacy ratio, under which credit risks are measured by the weighted method, market risks are measured by standard method and operational risks are measured by basic indicator approach, and the scope of this calculation covers all branches of the Bank as well as subsidiaries which are financial institutions which comply with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》). The following table sets forth the relevant information of the Group's capital adequacy ratio as at the dates indicated.

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021	As at 31 December 2020
Core Tier 1 capital adequacy ratio	**9.68%**	**9.20%**
Tier 1 capital adequacy ratio	**11.06%**	**10.74%**
Capital adequacy ratio	**13.09%**	**12.56%**
Portion of paid-in capital that may be included	11,451.27	9,808.27
Portion of capital reserve that may be included	18,957.88	10,952.99
Surplus reserve	5,350.06	5,055.78
General risk reserve	14,618.36	12,944.07
Retained earnings	19,777.35	21,138.63
Portion of minority interests that may be included	2,804.66	2,258.26
Others	51.65	(233.40)
Total core Tier 1 capital	73,011.23	61,924.60
Regulatory deductions for core Tier 1 capital	(1,393.51)	(1,525.89)
Of which: goodwill and other intangible assets (excluding land use rights)	(936.03)	(919.92)
Core Tier 1 capital, net	**71,617.72**	**60,398.71**
Other Tier 1 capital		
Other Tier 1 capital instruments and their premium	9,820.73	9,820.73
Portion of minority interests that may be included	407.33	292.89
Net Tier 1 capital	**81,845.78**	**70,512.33**
Tier 2 capital		
Tier 2 capital instruments and related premium that may be included	9,999.00	9,998.87
Excessive loan loss allowances	4,259.50	1,364.19
Portion of minority interests that may be included	778.78	594.20
Net capital	**96,883.06**	**82,469.59**
Total risk-weighted assets	**739,973.78**	**656,572.37**

As at 31 December 2021, the Group's capital adequacy ratio was 13.09%, representing an increase of 0.53 percentage point over the end of last year, mainly due to that the growth rate of net capital over the beginning of the year exceeded that of risk-weighted assets over the end of the last year. Net capital was RMB96,883 million, representing an increase of RMB14,413 million or 17.48% over the end of the last year, mainly due to the successful replenishment of capital through private placement by the Bank. Risk-weighted assets amounted to RMB739,974 million, representing an increase of RMB83,101 million, or 12.70% over the beginning of the year, mainly due to the substantial increase in credit risk-weighted assets for on- and off-balance sheet businesses over the end of the last year, and the increase in operational risk-weighted assets over the end of the last year.

V. ANALYSIS OF LEVERAGE RATIO

As at 31 December 2021, the Group measured and disclosed the leverage ratio in accordance with the Administrative Measures for the Leverage Ratio of Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》) as follows:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021
Net Tier 1 capital	81,845.78
The balance of assets on and off balance sheet after adjustments	1,233,458.97
Leverage ratio (%)	6.64%

VI. SEGMENT INFORMATION

The Group conducts its business principally in Guangdong Province, the PRC. Its major customers and non-current assets are located in Guangdong Province, the PRC.

Summary of business distribution

Operating income

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December			
	2021		2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate banking business	11,605.17	49.42	11,234.46	52.95
Retail banking business	7,592.03	32.33	6,836.68	32.22
Treasury business	3,906.22	16.64	2,838.27	13.37
Others	377.11	1.61	309.00	1.46
Total operating income	23,480.53	100.00	21,218.41	100.00

VII. ANALYSIS OF OFF-BALANCE-SHEET ITEMS

The Group's off-balance-sheet items mainly include acceptance bills, issuance of letters of guarantee, issuance of letters of credit and loan commitments (including unused credit card limit) generated in the course of ordinary business of the Group. As at 31 December 2021, the balances of acceptance bills, issuance of letters of guarantee, issuance of letters of credit and loan commitments (including unused credit card limit) were RMB37,752 million, RMB36,661 million, RMB1,667 million and RMB143,480 million, respectively.

VIII. CONTINGENT LIABILITIES

For details of the Group's contingent liabilities as at 31 December 2021, please refer to note 13 to the consolidated financial statements.

BUSINESS OPERATION

I. Corporate Banking Business

1. Corporate Deposit Business

Adhering to the concept of "establishing the Bank by deposits", and upholding the operation and management concept of "customer-centered, market-oriented", the Bank continued to improve the quality and efficiency of the development of the corporate deposit business through the implementation of classified and hierarchical marketing management strategy. For enterprise customers, the Bank has expanded the deposits of corporate customer group and implemented the return of corporate customer settlement funds, realizing an increase in 0.9% of settlement as compared with the beginning of the year. For village community customers, the Bank continued to consolidate the its advantages in village community business, and improved the financial service level of the whole village in combination with the construction of the whole village financial service scene, to effectively realize the return of village community deposits such as land acquisition compensation and the operation income of village collective owned properties. For institutional clients, the Bank made full play to the advantage in bank government cooperation, and actively applied business platform such as financial authorised payment, rural collective fund account supervision, and "easy bidding", as well as account management services such as property special maintenance fund and pre-sale fund supervision, so as to deeply tap customer value and enhance the depth of cooperation.

2. Corporate Loan Business

The Bank took the "14th Five-Year Plan" of the central, provincial and municipal governments and the strategic development plan of the head Bank as the guidance, firmly supported the development of real economy and private economy, as well as provincial and municipal key infrastructure construction projects in the Guangdong-Hong Kong-Macau Greater Bay Area. The Bank adhered to the original mission, provided small and medium enterprises and agriculture related enterprises with financial services. The Bank handled non-principal repayment and loan renewal services for enterprises through "Lianliandai", so as to effectively reduce the financing cost of small and medium-sized enterprises. The Bank made great efforts to develop green finance, defined the recognition standards of green finance, and increased the investment of green loans. In 2021, the Bank established a green finance working group, built a green finance product system and launched a dedicated green credit product called "Carbon Emission Right Mortgage" to promote the development of green finance with the product; the Bank continuously supported the real economy through product innovation, launched "Ginmi • College Loan"and "Project Financing Loan"; to win the public competitions, the Bank built an agile team to explore industry chain solutions, and launched "Integrated Financial Services Solution in the Industry Park".

3. *Trading Bank Business*

The trading bank business of the Bank focused on customers, and was committed to building an integration of domestic and overseas, local and foreign currencies, online and offline, as well as onshore and offshore global financial service platform. The Bank has built six series of trading bank product systems, covering deposits settlement, cash management, online banking, banking services, supply chain finance and cross-border business. In 2021, the Bank continuously enriched products and enhanced customer experience by focusing on the product digital innovation and application. First, we deepened the development of rural finance business, applied digital technology, innovated and implemented businesses such as “Cun Zi Bao”, supervision of urban renewal funds and supervision of rural collective funds to realise the digital transformation of rural capital management mode and empower rural revitalisation; Second, we promoted the banking and livelihood services at all levels, completed the launch of “digital finance” at two municipalities, six districts and thirteen township levels, and continuously enriched digital livelihood protection services; Third, we launched online products and services such as “Cloud Treasury” cash management, “Single Window” international trade, “Easy second discount”, “E-guarantee”, individual online cross-border remittance and global innovation payment GPI, taking a further step towards digital transformation; Fourth, we made comprehensive use of diversified supply chain financial products and PBOC rediscounting policy tool to reduce the cost of corporate financing and assis the development of industrial finance and the real economy; Fifth, we took cross-border trade and facilitation of investment and financing as the guidance, built the “Ginmi • Cross-border Financial Services Solution”, which covered three product systems of Smart Settlement, Beneficial Trading and Smooth Financing to provide one-stop solutions to cross-border financial services demands, and provided financial services support to "stabilise foreign capital”, “stabilise foreign trade” and the construction of the Guangdong-Hong Kong-Macao Greater Bay Area.

4. *Investment Bank Business*

In 2021, the Bank fully leveraged on its local main underwriter licence, adhered to the development concept of light capitalisation, mainly focusd on the building of investment banking product system that included direct financing, asset securitisation and structural financing, supported the development of Guangdong-Hong Kong-Macao Greater Bay Area with diversified investment banking products, and assisted Guangzhou City to realise the new vitality of an old city. The Bank took innovation as the driving force, assisted enterprises issuing such innovative bonds as carbon neutralisation bonds, rural revitalisation bonds and green bonds, actively responded to national development strategies, and supported rural economic development through syndicated loans and rural revitalisation bonds. In 2021, the direct financing business of the Bank, including bond underwriting, increased steadily and was awarded the WIND Best Credit Underwriter Excellence Award, the Best Interbank Debt Financing Instrument Underwriter Excellence Award and the Bond Underwriting Rapid Progress Award, contributing to a steady increase in market recognition and brand awareness.

II. Retail Finance Business

1. Retail Deposit Business

The Bank maintained a steady growth in the size of deposits, ranking second in Guangzhou in terms of market share and first in terms of growth. In 2021, the Bank implemented the regulatory requirements to reprice retail deposit products and increase the marketing of short and medium term deposit products, to enhance the overall profitability of retail deposits; the Bank focused on the demands of key customer groups such as long-tail customers, high potential youths and urban and rural well-off, launched five special deposit products and one innovative feature, such as "Satisfactory Deposit Slip" and "Smart Rich Holiday", and increased the number of personal deposit products on sale to 18, contributinig to the leading role in product types and overall competitiveness in the industry. The Bank continued to enhance product iteration and optimisation, continued to enrich the types of online deposits channels such as WeChat Banking and Mobile Banking; conducted labelling marketing of retail deposits, and increased differentiated and precise marketing instruments. As of the end of 2021, the scale of the point of time of saving deposits of the Bank was RMB360.1 billion, representing an increase of RMB40.8 billion, or 12.7%, as compared to the beginning of the year. The annual growth rate was 3.22 percentage points higher than the average level of the same industry, and the market share increased by 0.44% over the beginning of the year.

2. Retail Loan Business

Based on the origin of mortgage loans, the Bank's retail credit business continued to innovate and improve efficiency, and optimised consumption loan products and business processes. Under the control of the concentration of real estate loans and the monetary credit policies of the People's Bank of China, the Bank insisted on expanding the mortgage business for brand-new and second-hand housing, which meets the immediate needs of residents. The Bank expanded offline and online consumer loans in bulk through digital empowerment of retail risk control, and developed and launched new products including "Consumer E-loan", "Car Parking E-loan", "Home Loan" and pre-credit for existing customers.

3. Bank Card Business

The Bank continuously enriched its debit card products and incentivised the issuance of debit card products. As of the end of 2021, the Bank issued 17,000 "Leading Yue (領粵卡)" series Nansha talent cards, Zengcheng doctor cards and other high-end Leading Yue talent cards, and undertook RMB880 million of talent subsidies, contributing to the significant comprehensive benefits on credit card, consumption loan, operation loan and mortgage Loan. In 2021, entering into "Naxian Card (納賢卡)" and "Lishi Car (禮士卡)" with Huangpu District enabled the continuous expansion of the service map of "Leading Yue (領粵卡)" series talent cards, and the Banks continuously provided Guangzhou top talents with integrated financial services.

In 2021, the Bank made new breakthroughs in qualification of social security card business, and Heyuan Branch successfully won the tender of social security card project in Heyuan City for a period of three years, becoming the first off-site branch to be awarded a social security card issuance qualification.

In 2021, the Bank issued an accumulation of 686,700 new personal debit cards, and had 8,019,200 existing personal debit cards. The cumulative spending related to the debit cards of the Bank amounted to RMB99,613 million, and the various fee income arising from personal debit cards reached RMB3.3 million.

4. Wealth management and private banking business

The Bank seized the growing trend of residents' asset allocation demand, and vigorously developed its wealth finance business, maintaining stable growth of retail customer assets.

In 2021, the Bank mainly focused on customer service, product system and professional support to improve wealth management services. First, the Bank reshaped customer stratification and refine retail customer management. The Bank developed a differentiated tiered service system, a ranking mechanism and a value proposition to provide differentiated services to customers with different tiers. Second, the Bank built an open product platform and enrich the wealth product system. The Bank enhanced the brand value of "Golden Rice Wealth"from three systems, namely services, products and investment. According to the market changes, the Bank has improved the whole life cycle product management system, optimized the evaluation criteria for institutional and product access, enriched the asset allocation ecosystem, and added three new types of wealth products. Third, the Bank established a framework for investment research and investment advisory, strengthened professional service support, and developed an "investment research-conducting-promotion" asset allocation transmission mechanism.

In 2021, the Bank's wealth business won many honors, successively winning the Wealth Management Award for the Year of 2021 China Golden Tripod Award and the Gamma Award of 2021 Golden Wealth Management Brand. The Bank won the "First Prize", "Second Prize" and "Excellent Organization Award" in the 40th Anniversary of the Resumption of the Issuance of Treasury Bonds organized by the Ministry of Finance, being the only agricultural and commercial bank in China to win three awards.

5. Credit card business

In terms of credit card business, the Bank focused on building a credit card product system with rich levels, distinctive features and friendly experience, and continuously strengthened product and service innovation. The Bank launched the first village card in Guangzhou, and launched the Rural Revitalisation Card and the Huinong Instalment Business to enhance its capability to serve Sannong and local community by means of product portfolio advantages; in order to improve customer acquisition efficiency, the Bank launched digital credit card to realise instant application and use in designated scenarios, to achieve scenario-based customer acquisition. At the same time, the Bank relied on data decision-making and channel building to achieve accurate marketing based on the customer life cycle, and continued to optimise customer experience.

As of the end of December 2021, the Bank issued 1,887.3 thousand credit cards, an increase of 7% as compared to the end of last year. In 2021, the Bank's intermediate income from credit card business amounted to RMB184 million, and the operating income reached RMB725 million.

III. Financial Market Business

The Bank's financial market business mainly covered fund operation business, investment business, bill rediscounting business, asset custody business and wealth management business. In 2021, the triple pressure of shrinking demands, supply shock and weakening expectations faced by the domestic economy with the impact of century pandemic, and the credit risk of some industries increased with aggravating volatility of external financial market. Under this background, the Bank insisted on its working principle of progressing steadily in its financial market business, insisted on low risk business as the main direction of development, insisted on the recurrence of financial market business origins, and continued to deepen the transformation of financial market business following the basic thought of "Adjusting Structure, Controlling Risks, Intensifying Management, Building Ecology and Establishing Brand". In 2021, with the steady growth in scale of the Bank's financial markets business, continuous improvement on profitability, further optimisation of the business structure, constant enhancement of risk control capabilities and full completion of the financial management business rectification and net-worth transformation, various financial markets businesses maintained healthy development.

Meanwhile, in 2021, the Bank received a number of prizes in the financial market, including the "Market Impact Award of the Year - Outstanding Trading Institution (年度市場影響力-活躍交易商)" awarded by the National Interbank Funding Centre, "Top 100 Self-settlement (自營結算100強)" awarded by the China Central Depository & Clearing Co., Ltd., "2021 Excellent Organization of Domestic RMB Financial Bond Underwriting Market Maker - Excellent Underwriter (2021年度境內人民幣金融債券承銷做市團-優秀承銷商)" awarded by the Export-Import Bank of China, and "the Second Session of Golden Sinan Award of China Asset Management Industry – Best Asset Management Rural Commercial Bank (第二屆中國資產管理行業金司南獎-最佳資產管理農村商業銀行)".

(I) Fund Operation Business

The fund operation business of the Bank mainly comprised the interbank placements, bond repurchase business, open market business and issuance of interbank deposit certificates. As the first-tier dealer in the public market, the Bank proactively performed its responsibilities as first-tier dealer, on the one hand, it continued to increase fund utilisation efficiency to increase fund support to the outstanding counterparts, on the other hand, it increased counterparty coverage under risks within control. Its counterparty base basically covered member institutions in the interbank market including banks, securities companies, fund companies and insurance companies, which continuously enhanced the Bank's influence in the interbank market. In 2021, fund trading size of the Bank amounted to RMB8.5 trillion. Meanwhile, the Bank actively promoted the innovation of cross-border financial cooperation in Guangdong, Hong Kong and Macao Greater Bay Area, and supported the development of Macao's offshore RMB market. In 2021, the Bank launched Guangdong's first interbank lending business with Macao RMB Clearing Bank, adding new channels for cross-border financial interconnection in Guangdong, Hong Kong and Macao Greater Bay Area.

(II) Investment Business

The Bank's investment business insisted on low-risk business, mainly investing in government bonds, policy bank bonds, local government bonds, highly-rated credit bonds and high-quality banking loans, and strictly controlled credit risks. In terms of business innovation, the Bank successfully invested RMB50 million RMB Denominated Bonds (Panda Bonds) in the Luso International Bank in 2021, which was the first Panda Bond issued by Macau-based enterprises in China.

Meanwhile, the Bank strengthened its investment research capabilities in the financial market, established a professional investment research team, continued to improve investment research level, and strengthened the support of investment research for investment decision-making. In 2021, investment business grew in scale and profitability as a result of seizing structural investment opportunities in the main market.

(III) Bill Rediscounting Business

The Bank engaged in various bill transaction products such as bill rediscounting, bill pledge and repurchase, bill buy-outs repurchase, etc. The profitability of bill rediscounting business continued to improve through conducting bill trading business with financial institutions to generate liquidity or spread-based income. In terms of selection of counterparts, the Bank cooperated with permitted members of the Shanghai Commercial Paper Exchange Corporation Ltd. such as commercial banks, fund companies and securities companies. In 2021, the Bank's bill trading activity continued to increase, the transaction volume of bill rediscounting amounted to RMB447,559 million.

(IV) Asset Custody Business

The Bank provided efficient and quality custody services on settlement, accounting and investment supervision, etc., in line with the transformation direction of financial market business, strengthened the marketing of public funds, private equity funds and bank financial management custody, strictly implemented risk prevention and control, and steadily developed asset custody business. In 2021, the operation was smooth and orderly and no risk incidents, with a cumulative settlement amount of RMB2,880 billion and 102.9 thousand settlements made.

(V) Wealth Management Business

The Bank seriously implemented requirements of New Regulation on Asset Management, and fully completed the net-worth transformation of wealth management products. The Bank continuously optimised its wealth management business portfolio, cleared interbank wealth management, fully boosted the retail wealth management business, and proactively promoted the development of its entrusted agents-selling business of Renminbi wealth management products. As of the end of 2021, the Bank’s retail wealth management (excluding agent retail wealth management) accounted for 79.91%, and entrusted agent-selling of wealth management accounted for 11.07%.

V. Inclusive and SME Businesses

(I) Active Implementation of Various Policies

The Bank actively responded to the working requirments of the Party Central Committee on "Stability in Six Areas and Six Priorities"and supported the business guidance of real economy development. The Bank thoroughly implemented the requirements of the People's Bank of China's policy of supporting small loans, made full use of the two innovative monetary tools of the People's Bank of China to support credit loans and postpone repayment of principal and interest, and enhanced financial services to assit SME to go through difficult times. As of the end of 2021, the balance of SME loans of the Bank was RMB37.223 billion, representing an increase of 17.88%; It served 32,293 SME loan customers, an increase of 7,751 over the beginning of the year. The weighted average interest rate of SME loans issued by the Bank was 4.90%, which was lower than the weighted average interest rate of similar businesses issued last year, effectively reducing the financing cost of small and micro enterprises. In 2021, the Bank had put in total RMB25,615 million of loans, involving 6,203 farmers in compliance with the requirements of supporting small loan policy, with a weighted average interest rate of 4.56%.

(II) Gradual Upgrading of "Foundation Works"

The Bank adheres to the principle of localized development and continues to promote the gridbased full coverage for village communities, communities and professional markets; Through business cooperation with market managers, membership business associations, trade associations and region associations, the financial service coverage for small-micro businesses can be realised in batches. Relying on the core enterprises of the supply chain, based on the characteristics of the supply chain and the financing needs of each transaction link, the comprehensive service plan of the business model is tailored to expand the financing needs of small and micro enterprises upstream and downstream of the core enterprises in batches.

(III) Full Promotion to the Whole Village Credit

Combining the local development characteristics and business development priorities of the villages, the Bank made full use of the local unique geographical and basic advantages, formulated a tailored batch financing scheme for enterprises, merchants, residents and villagers with different conditions in each key village, and actively built a demonstration credit village of rural financial with "whole village credit", assessed the credit villagers, promoted the construction of rural credit system, further consolidated the size of customer base and improved the quality effect of Inclusive Financing Service. As of the end of 2021, 13 central sub-branches of the Bank released an aggregate investment of RMB750 million throughout the year.

(IV) Establishment of Inclusive Financial Community Bank

Leveraging on the development of large-scale mature community customer clusters, the Bank has established 3 inclusive financial community banks, committed to building an umbrella-shaped "marketing fortress cluster" (i.e., "1+N model") with the central branch as the center and the inclusive financial community bank as the connecting point. Focusing on the needs of community residents and with "convenience" as the core, the Bank carried out various kinds of integrated marketing work to improve the comfort of community residents and fully enhance the availability and convenience of Inclusive Financing Service.

(V) Enriching Inclusive Series Products

The Bank actively launched the product of "Jinmi • Start-up Guaranteed loans", and proactively responded to the government's call to increase support in promoting entrepreneurship and improving people's livelihood; launched the product of "Jinmi • Military Support loans", and proactively leveraged our own service advantages and fulfiled our duties and obligations to support military supporters.

The Bank has continuously improved the series of Jinmi inclusive products, optimised the product of "Jinmi • Poverty Alleviation Microcredit", "Jinmi • SME loans", "Jinmi • Villager Enrichment loans", "Jinmi • Villager E loans", and "Jinmi • Technology loans" to improve the support for village community, small and micro-sized enterprises, and technology enterprises, including increasing the credit limit and tenure, expanding the customer base, improving the customer experience, meeting more scenarios, etc..

(VI) Creating Brand Image of "Golden Rice Inclusive"

The Bank adhered to the inclusive brand vision of "Focusing on Details with Golden Rice Inclusive " to strengthen brand awareness and influence. In 2021, the Bank hosted the online communication meeting of the Inclusive Finance Committee of the Asian Union to promote high quality development of inclusive finance; jointly guided the operating institutions to participate in industry association and government connection conference to promote products and enhance brand image; won various awards such as the 2021 Outstanding Competitive Inclusive Finance Bank Award to enhance the brand awareness; published micro-life passages, produced the "most beautiful inclusive people" promotional video, placed advertisements on elevators and buildings, and visited villages and households for promotion.

VI. Internet Finance

1. Mobile banking

Adhering to the development philosophy of "customer-centered", the Bank strived to enhance the standard of digitalisation and intelligence of mobile banking, to provide customers with safe, quick and convenient online business experience. Firstly, the Bank launched the "Smart Online Business Hall", embedding the remote warm and interactive service mode of the Bank into its online channels through remote real-time audio and video communication, biometric identification and other technologies, so that customers can enjoy "warm" counter-type non-contact services through the smart terminals and quickly handle such businesses that could only be handled in person at offline branch. Secondly, the Bank launched an age-appropriate and barrier-free version of mobile banking. The Bank has made age-appropriate changes to mobile banking in terms of user interface and interaction process, and introduced voice recognition function for the first time to facilitate online financial services for the elderly, practically solved the increasingly prominent problem of "digital gap" among the elderly and fulfilled its responsibility of inclusive finance. Thirdly, the Bank consolidated the basic financial capability of mobile banking, enriched the value-added services of mobile banking, upgraded the payment and settlement functions of mobile banking, and introduced value-added services such as provident fund query and reservation handling. As of 31 December 2021, the Bank had approximately 4.0237 million mobile banking customers with 17.7128 million financial transactions, and a transaction amount of RMB493,005 million. The "Smart Online Business Hall" of the Bank was rewarded the "CLS 2021 China Digital Innovation Application Award".

2. Internet banking

The Bank continued to optimize its internet banking customer experience. As of 31 December 2021, the Bank had approximately 1.9369 million personal internet banking customers with 3.9022 million financial transactions, and a transaction amount of RMB201,324 million. The corporate internet banking contracted customers reached approximately 25,500, and the transaction amount was more than RMB1,200 billion.

3. Direct banking

The Bank continued to deepen the integration of the financial services and convenience scenarios of direct banking, creating convenient scenarios such as "smart campus" and "smart business districts" and building open financial industry to achieve inclusive finance services. As of 31 December 2021, the Bank had approximately 0.8893 million direct banking customers with 0.908 million financial transactions, and transaction amount was RMB18,010 million.

4. WeChat banking

The Bank's WeChat banking integrates publicity, customer service and financial tools, and provides the customers with fast and easy financial services such as wealth management and purchase, financial information, account enquiry, and appointment for corporate account opening, through which the products of the Bank are promoted in a casual manner. As a result, it has gradually become an important channel for the Bank's brand publicity and business promotion. As of 31 December 2021, the Bank's customers of WeChat banking reached 1.0106 million.

VI. Distribution Channels Mode

1. Physical Outlets

As of 31 December 2021, the Bank had 635 operating outlets (including 1 franchise institution), of which 617 were located in the Guangzhou region (including 1 franchise institution) and 18 were non-local outlets in the province. In terms of the number of outlets in the Guangzhou region, the Bank ranked first among the banks in the Guangzhou region. The Bank operated 5 non-local branches in Foshan, Qingyuan, Heyuan, Zhaoqing and Zhuhai, 12 sub-branches and 1 sub-office.

2. Self-service Banking

As of 31 December 2021, the number of ATMs, self-service inquiry terminals and smart service terminals of the Bank amounted to 2,499, among which 1,597 were ATMs, 578 were self-service inquiry terminals and 324 were smart service terminals.

3. Smart Banking

As of 31 December 2021, the Bank had a total of 250 smart banking outlets, and 324 smart facilities including 17 VTM and 307 STM were installed.

FINANCIAL TECHNOLOGY

In 2021, the Bank proactively propelled the establishment of information system and constantly intensified the supporting role of information technology in the development of banking business. The Bank continuously increased its investment in technological innovation and application with the annual investment in information technology amounting to RMB467 million and 307 information technology technicians were hired. In 2021, all important information systems of the Bank maintained a stable operation, no unplanned system outages occurred and the network operation was stable.

I. Technology Governance

The Bank has made great efforts to enhance the ability of science and technology governance and management, established a top-down information technology management framework, established a science and technology finance committee, business continuity management committee and other decision-making authorities, and persistently implemented the "three lines of defense" for information technology risk management.The Board and the senior management conscientiously performed their responsibilities of science and technology governance. The senior management and committees at all levels have organized several meetings to consider the important resolutions, such as the Report of the Finance and Technology Department on the Technology Construction Work Plan for 2021 (《金融科技部關於2021年科技建設工作計劃的匯報》), the Guideline on the Data Governance Work of Guangzhou Rural Commercial Bank (《廣州農村商業銀行數據治理工作指引》) and Report of Building a Distributed Financial Cloud Platform (《分佈式金融雲平台項目建設情況報告》),optimised the structure of finance and technology team and completed the "One Department and Three Centres"structure adjustment of finance and technology department. The Bank improved the software research and development management system, established the management system and management and control mechanism of IT structure, enhanced the technology outsourcing management, and deepened the integration of technology and business, effectively improved the independence of science and technology research and development capability and business support capability, vigorously promoted the implementation of science and technology plan and digital transformation throughout the Bank, and strengthened the science and technology support work of business development and operation management.

II. Information Security Guarantee

The Bank continued to strengthen its capability of information security guarantee by strictly protecting the data center and key information infrastructure. It also actively introduced new technologies and mature systems, timely upgraded security equipment and enhanced external protection capability, continuously improved cyber securities related management system, implemented cyber security responsibilities, carried out penetration tests on the Internet application system, host vulnerability scanning and security baseline inspection, software and hardware inspection, and supervision on handling of incident, conducted application access review and information security assessment, and strengthened system risk prevention and control. By carrying out the systematic information security management, the Bank effectively enhanced the level of information security guarantee and achieved the goal of no major information security incidents occurred throughout the year.

III. Business Continuity Management

The Bank continuously improved its operation and maintainance capbility, successfully completed the protection work of major festivals, including the 100th anniversary of foundation of the Party and the 72nd anniversary of foundation of the PRC, achieved stable operation of the production system throughout the year without major incidents, orderly conducted 11 batches of emergency switchover drills for application systems, a total of 16 sets of intra-city disaster-related switchover drills for important information system, 131 sets of local availability switchover drills for information system, and 2 switchover drills for data centre power to enhance business continuity protection capabilities.

IV. *Development of Financial Technology*

The Bank continued to increase the investment in technology resources, formulated the Financial Technology Strategic Development Plan for 2021-2025 (《金融科技戰略發展規劃(2021-2025)》) based on its strategic vision of "becoming a first-class commercial bank in China", committed to providing strong scientific and technological support for the Bank's strategic development planning and business operation management, and accelerating the comprehensive digital transformation, around two main lines of "integration of business and technology" and "agile science and technology innovation capbility", and built agile science and technology innovation capbility through constructing a solid base of technological infrastructure, consolidating the level of security and protection, establishing a bank-wide centre and system, strengthening data application and service capabilities, and innovating and improving the technological management mechanism.

In 2021, the Bank successfully launched important projects, including the intelligent online business hall, risk management system group, integrated management system for sub-branches, integrated platform for investment bank business and SME service platform, realised the system reverse of Shaoguan Agricultural and Commercial Bank, and completed 35 projects with opearation throughout the year, which effectively supported the business development and operation management of all business lines of the Bank.

V. *Innovation of Information Techonology*

The Bank actively carried out information technology innovation. The distributed financial cloud platform won the "2021 Outstanding Contribution Award for Application Innovation of New Technology in the Financial Industry", the intelligent on-line business hall system won the "2021 China Annual Financial Innovation Value List - Digital Innovation Application Award", and the real-time intelligent double-checking audit system was approved by Guangdong Provincial Finance and Technology Association.

PROTECTION OF THE INTERESTS OF FINANCIAL CONSUMERS

The Bank formulated the Administrative Measures for Financial Consumer Rights Protection of Guangzhou Rural Commercial Bank, Implementation Plan for Payment Service Ageing-friendly Work of Guangzhou Rural Commercial Bank, Service Guideline for Special Financial Consumer Groups of Guangzhou Rural Commercial Bank, Administrative Measures for Consumer Complaints Handling of Guangzhou Rural Commercial Bank, Conduct for Outsourcing Credit Card Payment Collection of Guangzhou Rural Commercial Bank, Regulations on the Protection of Personal Financial Information Security of Guangzhou Rural Commercial Bank and Emergency Disposal Plan for Major Consumer Complaints of Guangzhou Rural Commercial Bank, established consumer dispute resolution mechanism, improved customers interests protection system, optimised service experience of elderly people and special financial consumer groups, strictly supervised and required third-party institutions to collect payments reasonably, to ensure that various channels and businesses have a rule basis and protect the interests of customers.

In 2021, more than 2,000 consumer complaints were accepted by the Bank from various channels increased, mainly related to negotiated credit card repayment. To reduce consumer complaints effectively and improved consumer satisfaction, the Bank set up Credit Card Centre Overdue Negotiation Hotline, and entered into the relevant Consumer Mediation Agreement with Guangdong Zhenghe Consumer Interests Protection Centre to expand consumer complaint channels, actively promoted the establishment of a diversified financial dispute resolution mechanism, and resolved financial consumer disputes through non-litigation third party resolution.

In 2021, the Bank launched a number of promotional and educational activities, including "3·15 Consumer Rights Protection Education and Publicity Week", "popularizing financial knowledge and keeping your money in your pocket" and "2021 financial joint publicity and education activity month". The promotional activities were conducted in various forms, with a total of 243 WeChat promotional articles, 2 articles on media publicity and knowledge dissemination, 560,000 broadcasts of interactive voice risk information by 95313 Phone Banking, 7 financial knowledge promotional pages published by Mobile Banking and Pearl River direct banking, to expand the audience and effectively raise financial consumers' risk prevention awareness.

In 2021, the Bank conducted a number of inspections on the protection of personal financial information security, which involved the completeness of the personal information protection system, and the collection, storage and use of information whether within the regulatory requirements and the risk management of outsourcing services, covering all lines of businesses, and rectified problems in a timely manner to ensure that the protection of personal information security was put into practice.

The Bank continuously improved its ageing-friendly service by setting up caring windows and caring seats at all of outlets with handy items, such as presbyopic glasses and magnifier, opened 50 elderly consumer service areas, installed barrier-free access or assistance equipment at 546 outlets (including self-service outlets) throughout the Bank to achieve barrier-free access for special groups. The Bank built 150 warm-hearted stations to provide outdoor workers, the elderly and other public members with convenient services such as rest and financial services knowledge popularity, and provided comprehensive services for special groups through 961111 hotline for special people, the "You Say, I Do" online business hall service and the continuous provision of door-to-door service to broaden the service channels.

COMPREHENSIVE RISK MANAGEMENT

I. Credit Risk Management

Credit risk refers to the risk of economic losses of the Bank arising from failure of the borrower or the counterparty to fulfil relevant obligations as per the contract for various reasons.

The Bank established a comprehensive risk management structure of independent functions, balance of risks, and three lines of defense performing their respective duties, implemented compliance and risk director delegation-based and dual reporting risk management model. The Risk Management Department, Credit Approval Department and Asset Monitoring Department at the head office are responsible for credit risk management.

In 2021, the Bank took the promotion of risk management reform as main line, system development and risk identification as important point and management and control of asset quality as focus, improved credit risk management system, and effectively enhanced its credit risk management capability and level.

1. The Bank pushed forward the optimisation of asset structure, and issued annual credit policies based on the Bank's risk preference and asset portfolio allocation plan, in an effort to guide the credit resources focus towards local enterprises and further increase the support for private enterprises, inclusive and small and micro-sized businesses, and Sannong, strengthened financial support for the real economy, and continued to promote the optimisation of credit risk and asset portfolio structure.

2. The Bank improved the risk management structure, established a second-tier department, namely the financial market risk management department to enhance the independence of risk control in the financial market business; the post lending management function was transferred to the risk management department to strengthen the comprehensive process of risk management and control.

3. The Bank has comprehensively established and implemented the system of key personnel in charge of operation, issued administrative measures on business owner of credit business principal responsibility system for the operation of credit business, clarified the relevant responsible person of the operating institution is the key personnel in charge of operation of credit business, set the upper limit of non-performing tolerance for the relevant personnel, and ensured the full implementation of credit business responsibility by means of a rigid system, to promote the continuous improvement of risk operation and management capabilities of the Bank.

4. The Bank optimised the credit approval model and authorisation management system, implemented centralized approval for credit business, unified the review and approval standards and improved the quality and efficiency of review and approval; improved the decision-making process and approval mechanism for large credit business; improve the management system for full-time reviewers, improved the review and approval talent training system and accelerated the building of a professional and high quality review and approval team.

5. The Bank strengthened the asset quality control, reshaped the risk warning mechanism, formulated post lending work details, clarified the management responsibilities of relevant departments and key positions and prescribed post lending actions; formulated administrative measures for key consumers, and strengthened the coordination, promotion and supervision of post lending management.

6. The Bank strengthened the disposal of non-performing assets by continuously carrying out the absolute collection campaign on non-performing assets, formulated special disposal work plan of non-performing assets, revised the debt transfer system of non-performing assets, improved the incentive and assessment mechanism, increased the promotion of non-performing assets, accelerated the disposal of offsetting assets and enhanced the disposal efficiency of non-performing assets.

7. The Bank accelerated construction of the risk information system, launched and put the first phase of the project group of the risk management system into practice, overcame the difficulties in systematical management of financial market business, realised the close systematical management of the whole process of medium and high-risk financial market business, and brought the digital transformation of risk management to a new level.

During the Reporting Period, the credit risk asset quality of the Bank was effectively managed through the above key initiatives and was in line with the expected control objectives of the Bank.

II. Liquidity Risk Management

Liquidity risk refers to the risk that sufficient funds cannot be obtained at a reasonable cost in time to meet debts falling due, perform other payment obligations and meet other capital needs of normal business.

The objective of liquidity risk management of the Bank is to meet the liquidity needs arising from assets, liabilities and off-balance sheet businesses and fulfil payment obligations to external parties in a timely manner under the normal operating environment of the Bank or at a highly stressed condition through the establishment of a scientific and comprehensive liquidity risk management mechanism and effective identification, measurement, monitoring and reporting of liquidity risks, so as to maintain the balance between effectiveness and security of funds.

The Board of Directors assumes the ultimate responsibility for liquidity risk management, while the Asset/Liability Management Committee under the senior management is responsible for formulating policies and strategies related to the overall liquidity risk management of the Bank, and the Asset/Liability Management Department is responsible for the daily liquidity risk management of the Bank under the guidance of the Asset/Liability Management Committee. Each of the business lines cooperated to perform active liquidity management.

In 2021, the Group continued to implement liquidity risk policies and various measures for liquidity risk management, and enhanced the uniform and centralized management of liquidity risk. The specific management measures included: Firstly, the Group made use of the capital position system for daily position management, centralized scheduling, and conducted timely monitoring and proper supplementation to guarantee the safety of provisions. Secondly, the Group included the requirements for liquidity risk management into its business plan to ensure limiting the existing quality liquidity assets within a safe range. Thirdly, based on the risk preference in liquidity risk approved by the Board of Directors, the Group formulated limits on liquidity risk every quarter, and monitored the execution of the risk limit every month and assessed the execution every quarter to ensure liquidity risk is under control. Fourthly, the Group monitored liquidity indicators monthly and made forward-looking predictions of liquidity indicators and gaps, and timely identified risks, and made reasonable capital arrangement. Fifthly, the Group carried out stress testing for liquidity risk quarterly to timely assess the Group's liquidity risk tolerance and risk mitigating capability, and added stress testing during the important sensitive period to enhance the monitoring and prevention of liquidity risk on a timely basis. Sixthly, the Group regularly carried out liquidity risk emergency drills in order to improve the efficiency of its response under emergency situation.

During the Reporting Period, the overall liquidity risks of the Bank were under control, without any significant liquidity risk incidents, all main liquidity risk indicators were able to meet the standards every month, and results of the stress test also showed that the Bank had adequate risk mitigating capability to deal with the crises under pressure.

III. Market Risk Management

Market risk refers to the risk of losses in on- and off-balance sheet businesses from adverse changes in market prices (interest rate, exchange rate, stock prices and commodity prices). The market risk faced by the Bank exists in the Bank's transaction books and bank books, mainly including interest rate risk and exchange rate risk.

In 2021, the Bank remained concerned about changes in currency policies and market prices, and took a number of measures to enhance the capability to manage market risk. Firstly, it formulated the basic investment policy, and the allocation of major assets was mainly interest rate bonds and high-ranked credit bonds. Secondly, it implemented the risk monitoring mechanism, and established the full-calibre risk monitoring mechanism for on- and off-balance sheet credit bonds, implemented the penetrate-through principle, dynamically collected the underlying bond holdings, conducted overall analysis from the dimensions of scale, limit, and profit and loss on a regular basis, timely indicated risks and supervised rectifications for abnormal deviations in indicators. Thirdly, it carried out stress tests towards market risk on a regular basis, analyzed valuation changes and its impacts on the Bank under light, medium and heavy pressure conditions, and advised on the protection against market risk fluctions.

During the Reporting Period, the overall market risks of the Bank were under control, without any significant market risk incidents, all important market risk indicators were able to meet the standards every month, and results of the stress test also showed that the Bank was adequate to deal with the valuation change impacts on revenue, net profit and capital adequacy ratios under pressure.

IV. Operational Risk Management

Operational risk refers to the risk of losses caused by imperfections or problems of internal procedures, staff and IT system, and external events.

In 2021, the Bank continuously optimised and improved its operational risk management system. Firstly, it revised the operational risk management measures through the Bank, and clarified the operational risk management responsibilities and management requirements of all units of the Bank; Secondly, it set quantitative monitoring indicators to achieve multi-dimensional normalisation risk monitoring for institutions and businesses; Thirdly, it strengthened incident loss data statistics, analysis and reporting; Fourthly, it enhanced the behavior management of employees, conducted investigation against abnormal behaviors, and ascertained and disposed of non-compliant hidden.

V. Information Technology Risk Management

Information Technology Risk Conditions refer to information technology in the application process of the Bank generating operation, law and reputation risks due to natural factors, human factors, technical loopholes and management flaws.

In 2021, the Bank took no significant information technology risk incidents and no important business operation interruptions as management targets, and continuously strengthened information technology risk management. Firstly, it conducted information technology risk normalisation monitoring, and strengthened risk warning in important areas and sections; Secondly, it conducted risk assessment on information technology development projects, important information system to put into practice and significant changes, meanwhile, conducted specialised risk assessment on information technology operation and maintenance and information technology outsourcing security management, gave play to the responsibility of the second line of defense; Thirdly, it successfully completed business continuity risk rectification, improved business continuity rehearsal effects, and prevented important business operation interruption risks.

VI. Compliance Risk Management

Compliance risk refers to the risk of legal sanction or regulatory penalty, major property loss or reputation loss as a result of its non-compliance with the laws, rules and relevant industry codes.

In 2021, the Bank strengthened compliance risk management by closely adhering to its "14th Five-Year Plan" strategic development plan, and push forward to the implementation of its supervision system. Firstly, it continuously conducted and optimised system construction through pre-compliance review, system re-examination, system loophole ascertainment and ineffective system elimination in order to "manage increment, optimize inventory". Secondly, it enhanced monitoring in key areas, enforced the responsibility for the implementation and inspection of supervisory system, deeply inspected the weaknesses in compliance management, and effectively improve the efficiency of compliance management.

VII. Legal Risk Management

Legal risk refers to the risk of incurring legal sanctions or other negative consequences that arises out of or in connection with the failure of the Bank to comply with requirements of relevant laws and regulations during the Bank's operation; the unfavorable legal defects that exist in products, services or information provided to clients, transactions engaged in, and contracts, agreements or other documents executed by the Bank; legal disputes (litigation or arbitration proceedings) between the Bank and its clients, counterparties and stakeholders; important changes in relevant laws and regulations and other relevant rules; and other relevant legal events that occur internally and externally.

In 2021, the Bank continuously strengthened legal risk management, improved legal risk management level and control capability, implemented Civil Code and other new laws and regulations, continuously optimised agreement contents, and practically enhanced risk prevention and control in litigation cases.

VIII. Implementation of the Basel Capital Accord

The Bank promoted the implementation of the New Basel Capital Accord in accordance with regulatory requirements. In 2021, the Bank continued to optimize the construction of a risk-weighted asset measurement system. Through new and optimised data interfaces of upstream system, the Bank improved the quality of basic data. In accordance with the organisation and arrangement of CBIRC, implemented the third round of quantitative measurement for the revision of the capital control regulations; formulated an annual risk preference statement and indicator system in accordance with Basel Capital Accord, built optimisation and upgrade project for non-retail internal rating, and cooperated with the completion of the annual FSAP stress test of the People's Bank of China.

IX. Money Laundering Risk Management

During the Reporting Period, the Bank strictly implemented regulatory requirements, seriously performed anti-money laundering basic obligation, increased resources investment, strengthened internal control and management, straightened working mechanism, further improved money laundering risk management system, and improved money laundering risk prevention level of the Bank.

Firstly, it optimised internal control system in accordance with latest regulatory requirements, detailed management requirements including customer due diligence, money laundering risk assessment and list monitoring; Secondly, it continuously optimised and upgraded relevant money laundering system to improve technology support of money laundering risk management; Thirdly, it conducted the inspection and assessment of all levels of coverage to improve the coverage and effectiveness of inspection and supervision management; Fourthly, it continuously improved the business quality of anti-money laundering employees and steadily push forward to the building of a professional workforce; Fifthly, it conducted diversified promotion to improve the publics anti-money laundering awareness.

X. Reputation Risk Management

Reputation risk refers to the behavior of the Bank, the behavior of practitioners or external events that lead to negative evaluations of the Bank by stakeholders, the public and the media, thereby damaging the brand value of the Bank, detrimental to the normal operations of the Bank, and even affecting market stability and social stability.

During the Reporting Period, the Bank established a sound reputation risk management mechanism, actively prevented reputation risks, responded to negative public opinion events, and effectively maintained a good market image of the Bank, so as to achieve the overall goal of reputation risk management.

XI. Country Risk Management

Country risk refers to the risk incurred to a bank arising from the inability or refusal by the borrower or debtor to repay banking financial institution debt, losses suffered by banking financial institution or its commercial presence in such country or region and other losses due to economic, political, social changes and events in a country or a region.

During the Reporting Period, the Bank cross-border business strictly implemented anti-money laundering obligation, and carried out business monitoring in high-risk countries (regions) in accordance with the lists of high-risk countries (regions) and enhanced surveillance countries (regions) issued by international anti-money laundering organisations such as the Financial Action Task Force (FATF), the Asia Pacific Group on Money Laundering (APG) and the Eurasian Anti-money Laundering and Anti-terrorism Financing Group (EAG) and recognized by China and also issued by the relevant Chinese authorities, and strengthened due diligence and other control measures on business in high-risk countries (regions). The Bank implemented agent bank entry, monitoring and exit management mechanism among overseas banks, regularly assessed risks of agent banks and the countries (regions) where they located, and implemented dynamic adjustments.

INTERNAL AUDIT

The Bank has established an independent and vertical audit management system. The independent audit department was established under the Board of Directors. Under the leadership of the Party Committee and the Board of Directors of the Bank, under the guidance and supervision of the Board of Supervisors, the audit department is responsible for the overall management the whole bank's audit work, fully performed the audit supervisory function of the third risk defense, continually improved the Bank's business operation, risk management, internal control and compliance and corporate governance effects through audit, evaluation and supervision and rectification. The audit department regularly reports its work to the Party Committee and the Board of Directors and Board of Supervisors of the Bank, and submits major audit matters to the Bank's Party committee for pre-study and consideration before submitting to the Board of Directors for consideration.

During the Reporting Period, the audit department fully carried the work requirements of the superior management organisations, implemented the work arrangements of the Party committee, Board of Directors and Board of Supervisors, strengthened the leading function of Party Building, committed to management innovation and establishment of audit team, system and technology, enhanced project process management and control, and further improved audit efficiency and effect. The audit department insisted on the general idea of emphasis on the key points, development from point to area, risk unveiling and rectification enforcement by adhering to its audit objective of value addition, solidly carried out various audit projects, discovered some hidden risks and internal control weaknesses in a timely manner, facilitated various business systems, procedures and systematical function consummate, and played a constructive role in "curing and preventing".

INTERNAL CONTROL

The Bank has established an internal control governance and organisation structure with reasonable division of labor, clear responsibilities and clear reporting relationships. Among them, the Board of Directors is responsible for the establishment and effective implementation of the internal control system. The Audit Committee and Related Party Transactions and Risk Management Committee under the Board of Directors are responsible for assisting the Board of Directors in fulfilling its supervision and management responsibilities. The Board of Supervisors is responsible for supervising the Board of Directors and the senior management to improve the internal control system and perform their internal control duties. The senior management is responsible for implementing the decisions of the Board of Directors and guaranteeing the effective fulfillment of all responsibilities of internal control.

The Bank attaches great importance to the construction of internal control management and has formulated the Internal Control Guidelines of Guangzhou Rural Commercial Bank (《廣州農村商業銀行內部控制指引》) in accordance with the Guidelines on Internal Control of Commercial Banks (《商業銀行內部控制指引》), the Basic Standard for Enterprise Internal Control (《企業內部控制基本規範》) and other laws and regulations, and in conjunction with the actual situation of the Bank, which regulate internal control responsibilities, internal control measures, internal control guarantees, internal control evaluation, internal control supervision, information and communication, and internal control of subsidiaries.

PRINCIPAL SUBSIDIARIES

Zhujiang County Bank is the general term for the various rural banks established by the Bank as a main promoter. It is of great significance for performing social responsibility by the Bank, improving the level of financial services for Sannong and small and micro businesses, assisting rural revitalisation and inclusive financial development, and further building a multi-level rural financial service network. During the Reporting Period, the Bank strengthened its consolidated management capabilities for rural banks and promoted their steady and high-quality development. As of the end of 2021, the Bank established 25 Zhujiang County Banks in 9 provinces and cities of China.

As a wholly-owned subsidiary promoted and established by the Bank, Zhujiang Financial Leasing Co., Ltd. was incorporated and commenced operation in December 2014, and mainly engaged in financial leasing related business. In 2021, upon the approval of CBIRC Guangdong Bureau, the Company increased its registered capital from RMB1 billion to RMB1.5 billion through transferring the undistributed profit as at the end of December and completed industrial and commercial registration changes.

The Bank strategically controls four rural commercial banks, namely Hunan Zhuzhou Zhujiang Rural Commercial Bank Co., Ltd., Chaozhou Rural Commercial Bank Co., Ltd., Guangdong Nanxiong Rural Commercial Bank Co., Ltd. and Shaoguan Rural Commercial Bank Co., Ltd. They are mainly engaged in monetary financial business. Among them, Hunan Zhuzhou Zhujiang Rural Commercial Bank Co., Ltd. completed its restructuring and commenced in December 2017, with registered capital of RMB600 million. Chaozhou Rural Commercial Bank Co., Ltd. completed its restructuring and commenced in June 2019, with a registered capital of RMB2,630 million. Guangdong Nanxiong Rural Commercial Bank Co., Ltd. completed its restructuring and commenced in July 2019, with a registered capital of RMB430 million. Shaoguan Rural Commercial Bank Co., Ltd. completed its restructuring and commenced in June 2020, with a registered capital of RMB1,374 million.

CHANGES IN SHARE CAPITAL AND DIVIDEND

I. CHANGES IN SHARES CAPITAL

Unit: share, %

	31 December 2020		Change during the Reporting Period Amount	31 December 2021	
	Quantity	Proportion	of change	Quantity	Proportion
Total share capital	**9,808,268,539**	**100**	**1,643,000,000**	**11,451,268,539**	**100**
Non-overseas listed shares	**7,987,933,539**	**81.44**	**1,338,000,000**	**9,325,933,539**	**81.44**
non-overseas listed non-state-owned legal person shareholdings	3,715,358,176	37.88	–	3,715,358,176	32.45
non-overseas listed state-owned legal person shareholdings	1,796,589,712	18.32	1,338,000,000	3,134,589,712	27.37
non-overseas listed natural person shareholdings	2,475,985,651	25.24	–	2,475,985,651	21.62
Overseas listed foreign shares	**1,820,335,000**	**18.56**	**305,000,000**	**2,125,335,000**	**18.56**

Notes:

(1) As of the end of the Reporting Period, the total number of shareholders of the Bank's Non-overseas Listed Shares was 29,144, and all non-overseas listed shares of the Bank were deposited in China Securities Depository and Clearing Corporation Limited. The total number of registered shareholders of H Shares was 90 (of which HKSCC Nominees Limited, as a nominee, acted on behalf of some shareholders).

(2) The shares held by state-owned legal persons represent the Non-overseas Listed Shares of the Bank held by 16 state-owned legal person shareholders, including Guangzhou Metro Group Co., Ltd., Guangzhou CityRenewal Group Co., Ltd., etc.

(3) As of the end of the Reporting Period, 44,434,152 Non-overseas Listed Shares of the Bank were involved in judicial freezing, representing 0.39% of the total share capital of the Bank, and 1,018,807,752 Non-overseas Listed Shares of the Bank were involved in pledge, representing 8.90% of the total share capital of the Bank.

II. ISSUE, PURCHASE, SALE AND REDEMPTION OF SECURITIES

During the Reporting Period, the Bank completed the issuance of 1,643 million ordinary shares in total, including 305 million H shares and 1,338 million Non-overseas listed ordinary shares on 1 December 2021 and 21 December 2021, respectively. Upon completion of issuance of H Shares and the Domestic Shares, the registered capital of the Bank increased to RMB11,451,268,539, and the total number of shares of the Bank increased to 11,451,268,539. The net proceeds raised from the issuance, after deducting relevant issuance costs was RMB9,663 million, which was entirely used to replenish core tier 1 capital of the Bank.

During the Reporting Period, the Bank did not issue any convertible bonds.

During the Reporting Period, the Bank and its subsidiaries did not purchase, sell and redeem any securities of the Bank.

III. DIVIDENDS

The Board proposed a cash dividend of RMB1.05 (tax inclusive) per 10 shares for 2021 to all shareholders in an aggregate amount of approximately RMB1,202 million (tax inclusive). Such dividend distribution plan will be submitted to the 2021 AGM for consideration. Provided such proposal is approved at the 2021 AGM, the above dividends will be distributed to shareholders of the Non-overseas Listed Shares and shareholders of H Shares of the Bank on or before 24 July 2022. Such proposed dividends will be denominated in RMB. Dividend payable to holders of non-overseas listed shares shall be paid in RMB, whereas dividend payable to holders of H Shares shall be paid in HKD. The applicable exchange rate for dividends payable in HKD shall be the average of the central parity rates of RMB to HKD of the five business days preceding the date of declaration of such dividend at the 2021 AGM of the Bank (inclusive) as announced by the People's Bank of China. During the Reporting Period, the Bank was not aware that any shareholders had waived or agreed to any arrangement to waive dividends. For further details on the 2021 dividend of the Bank, please refer to the circular of the Bank on the 2021 annual general meeting.

I. STATEMENT OF THE BANK'S COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE HONG KONG LISTING RULES

The third session of the Board of Directors of the Bank was elected at the first extraordinary general meeting in 2021 held on 23 February 2021, with a total of 15 members. On the same day, Mr. Yi Xuefei and Mr. Zhang Jian were re-elected as executive directors of the Bank. On 18 March 2021, the qualifications of 11 Directors have been approved by the regulatory authority, including executive director Mr. Cai Jian, non-executive Directors Mr. Yuan Xiaoyi, Ms. Feng Kaiyun, Mr. Zuo Liang, Mr. Zhang Junzhou, Mr. Zhuang Yuemin, Mr. Feng Yaoliang and Mr. Lai Zhiguang, independent non-executive Directors Mr. Du Jinmin, Mr. Tan Jinsong and Mr. Zhang Hua. The third session of the Board of Directors performed its duties in March 2021, and the members of the second session of the Board of Directors have retired. At the time of the third session of the Board of Directors performed their duties, the qualifications of two independent non-executive directors, including Mr. Liao Wenyi and Mr. Ma Hok Ming, had yet to be approved by the regulatory authority. On 29 July 2021, the qualifications of the above two independent non-executive Directors were approved by the regulatory authority. Therefore, from 18 March to 28 July 2021, the number of independent non-executive Directors of the third session of the Board of Directors of the Bank was less than one third of the number of members of the Board of Directors, which did not comply with Rule 3.10A of the Listing Rules. From 29 July 2021 to the end of the Reporting Period, the number of independent non-executive Directors of the Bank has continuously met relevant regulations.

On 19 March 2021, the Nomination and Remuneration Committee was elected by the third session of the Board of Directors of the Bank. At that time, the qualification of independent non-executive Directors of Mr. Liao Wenyi and Mr. Ma Hok Ming had yet to be approved by the regulatory authority. The number of independent non-executive Directors in the Nomination and Remuneration Committee did not account for the majority, which did not comply with Rule 3.25 of the Listing Rules and code provision A.5.1 set out in the Corporate Governance Code (which has been renumbered as Rule 3.27A since 1 January 2022) of the Listing Rules. On 29 July 2021, the qualifications of the above two independent non-executive Directors were approved and they were elected as members of the Nomination and Remuneration Committee of the third session of the Board of Directors on 31 August 2021. From 31 August 2021 to the end of the Reporting Period, the membership structure of the Committee has continuously met relevant regulations.

Save as disclosed above, the Bank has complied with the code provisions set out in Appendix 14 of the Hong Kong Listing Rules.

II. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank has adopted, in respect of securities transactions by Directors, Supervisors and relevant employees, the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix 10 to the Hong Kong Listing Rules. Having made specific enquiries, all Directors and Supervisors confirmed that they have complied with the Model Code during the year ended 31 December 2021.

III. MATERIAL LEGAL PROCEEDINGS AND ARBITRATIONS

During the Reporting Period, the Bank acted as a defendant or a third party in a total of five pending litigations and arbitrations with an amount exceeding RMB10 million, involving an underlying amount of RMB546 million.

IV. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In order to promote the steady operation of Beijing Mentougou Zhujiang County Bank Co., Ltd., a subsidiary of the Bank, upon consideration and approval at the Bank's 2022 first extraordinary general meeting held on 18 February 2022, the Bank will increase its capital by RMB250 million to Beijing Mentougou Zhujiang County Bank Co., Ltd..

Save for the above, the Bank and its subsidiaries did not have any significant events after the Reporting Period.

V. EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2021, the total number of employees of the Group was 14,168, representing an increase of 227 employees or 2% as compared to the end of the last year. Of which, 13,571 employees entered into labor contracts with the Group, representing an increase of 101 employees as compared to the end of the last year; and 597 employees were dispatched workers, representing an increase of 126 employees as compared to the end of last year.

The remuneration of the Bank's employees consists of fixed remuneration, variable remuneration and welfare income; fixed remuneration includes basic post salary and allowances, variable remuneration includes performance-based remuneration and various types of deferred payment performance-based remuneration, and welfare income includes social insurance premiums, housing provident fund, etc. The Bank's remuneration management policy applies to all employees who have established a labor contract with the Bank, and there are no exceptions beyond the remuneration plan.

VI. REVIEW OF ANNUAL RESULTS

The figures in respect of the Group' s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group' s auditor, PricewaterhouseCoopers, to the amounts set out in the Group' s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

The annual results of the Bank for the twelve months ended 31 December 2021 has been reviewed by the Audit Committee and the Board of Directors of the Bank.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

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

	Year ended 31 December	
	2021	2020
Interest income	**42,565,951**	37,149,999
Interest expense	**(23,006,795)**	(19,502,516)
Net interest income	**19,559,156**	17,647,483
Fee and commission income	**1,639,910**	1,628,042
Fee and commission expense	**(320,843)**	(301,081)
Net fee and commission income	**1,319,067**	1,326,961
Net trading gains	**2,042,793**	1,976,684
Net gains on financial investments	**343,932**	361,338
Other income, gains or losses	**215,584**	(94,061)
Operating income	**23,480,532**	21,218,405
Operating expenses	**(6,420,267)**	(7,037,461)
Credit impairment losses	**(12,540,167)**	(7,851,759)
Impairment losses on other assets	**(62,812)**	(41,620)
Profit before income tax	**4,457,286**	6,287,565
Income tax expense	**(680,993)**	(1,010,948)
Profit for the year	**3,776,293**	5,276,617
Attributable to:		
Shareholders of the Bank	**3,175,208**	5,081,295
Non-controlling interests	**601,085**	195,322
	3,776,293	5,276,617
Earnings per share (RMB yuan)		
– basic and diluted	**0.26**	0.45

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 December 2021

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

	Year ended 31 December	
	2021	2020
Profit for the year	**3,776,293**	5,276,617
Other comprehensive income (after tax, net)		
Items that may be reclassified to profit or loss		
Changes in the fair value of financial assets at fair value through other comprehensive income	**97,298**	(1,484,369)
Changes in the expected credit losses of financial assets at fair value through other comprehensive income	**262,484**	89,612
Items that will not be reclassified to profit or loss		
Remeasurement (losses)/gains on defined benefit plans	**(40,862)**	25,677
Sub-total of other comprehensive income for the year	**318,920**	(1,369,080)
Total comprehensive income for the year	**4,095,213**	3,907,537
Total comprehensive income attributable to:		
Shareholders of the Bank	**3,460,253**	3,734,221
Non-controlling interests	**634,960**	173,316
	4,095,213	3,907,537

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

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

	31 December 2021	31 December 2020
ASSETS		
Cash and deposits with central bank	**86,264,989**	103,784,552
Deposits with banks and other financial institutions	**20,275,410**	25,012,864
Placements with banks and other financial institutions	**33,951,904**	21,711,156
Financial assets held under resale agreements	**53,049,060**	46,447,688
Loans and advances to customers	**637,553,811**	553,168,340
Financial investments		
– Financial assets at fair value through profit or loss	**91,628,563**	90,247,494
– Financial assets at fair value through other comprehensive income	**65,205,249**	75,677,332
– Financial assets at amortized cost	**157,404,703**	96,599,360
Property and equipment	**2,750,899**	2,937,590
Goodwill	**734,237**	734,237
Deferred tax assets	**7,665,004**	6,706,441
Other assets	**5,144,797**	4,844,592
Total assets	**1,161,628,626**	1,027,871,646
LIABILITIES		
Due to central bank	**24,859,889**	20,303,227
Deposits from banks and other financial institutions	**36,226,681**	41,229,918
Placements from banks and other financial institutions	**1,331,545**	1,818,581
Financial liabilities at fair value through profit or loss	**5,619**	5,052
Financial assets sold under repurchase agreements	**32,359,979**	10,070,054
Customer deposits	**849,766,804**	778,424,854
Income tax payable	**1,344,407**	1,919,918
Debt securities issued	**108,033,562**	76,643,876
Other liabilities	**20,814,874**	21,570,856
Total liabilities	**1,074,743,360**	951,986,336

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

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

	31 December 2021	31 December 2020
EQUITY		
Share capital	**11,451,269**	9,808,269
Preference shares	**9,820,734**	9,820,734
Reserves	**38,977,950**	28,719,443
Retained earnings	**19,777,351**	21,138,630
Equity attributable to shareholders of the Bank	**80,027,304**	69,487,076
Non-controlling interests	**6,857,962**	6,398,234
Total equity	**86,885,266**	75,885,310
Total liabilities and equity	**1,161,628,626**	1,027,871,646

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

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

	Attributable to shareholders of the Bank										
			Reserves								
	Share capital	Preference shares	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Subtotal	Retained earnings	Total	Non–Controlling interests	Total
Balance at 1 January 2021	9,808,269	9,820,734	10,952,990	5,055,777	12,944,073	(233,397)	28,719,443	21,138,630	69,487,076	6,398,234	75,885,310
Net profit for the year	-	-	-	-	-	-	-	3,175,208	3,175,208	601,085	3,776,293
Other comprehensive income for the year	-	-	-	-	-	285,045	285,045	-	285,045	33,875	318,920
Total comprehensive income	-	-	-	-	-	285,045	285,045	3,175,208	3,460,253	634,960	4,095,213
Contribution of shareholders	1,643,000	-	8,019,981	-	-	-	8,019,981	-	9,662,981	-	9,662,981
Transactions with non–controlling interests	-	-	(33,614)	-	-	-	(33,614)	-	(33,614)	33,614	-
Shareholders' donation	-	-	18,526	-	-	-	18,526	-	18,526	6,238	24,764
Appropriation to surplus reserve	-	-	-	294,284	-	-	294,284	(294,284)	-	-	-
Dividends declared and paid to ordinary shareholders	-	-	-	-	-	-	-	(1,961,654)	(1,961,654)	(215,084)	(2,176,738)
Dividends declared and paid to preference shareholders	-	-	-	-	-	-	-	(606,264)	(606,264)	-	(606,264)
Appropriation to general reserve	-	-	-	-	1,674,285	-	1,674,285	(1,674,285)	-	-	-
Balance at 31 December 2021	11,451,269	9,820,734	18,957,883	5,350,061	14,618,358	51,648	38,977,950	19,777,351	80,027,304	6,857,962	86,885,266

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

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

	Attributable to shareholders of the Bank										
			Reserves								
	Share capital	Preference shares	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Subtotal	Retained earnings	Total	Non–Controlling interests	Total
Balance at 1 January 2020	9,808,269	9,820,734	10,920,403	5,055,777	11,236,832	1,113,677	28,326,689	20,391,000	68,346,692	5,362,619	73,709,311
Net profit for the year	-	–	–	–	–	–	–	5,081,295	5,081,295	195,322	5,276,617
Other comprehensive income for the year	-	–	–	–	–	(1,347,074)	(1,347,074)	–	(1,347,074)	(22,006)	(1,369,080)
Total comprehensive income	-	–	–	–	–	(1,347,074)	(1,347,074)	5,081,295	3,734,221	173,316	3,907,537
Capital contributed by non-controlling shareholders	-	–	–	–	–	–	–	–	–	6,000	6,000
Transactions with non–controlling interests	-	–	(2,534)	–	–	–	(2,534)	–	(2,534)	2,534	–
Acquisition of subsidiaries	-	–	–	–	–	–	–	–	–	1,045,376	1,045,376
Shareholders' donation	-	–	35,121	–	–	–	35,121	–	35,121	12,764	47,885
Appropriation to surplus reserve	-	–	–	–	–	–	–	–	–	–	–
Dividends declared and paid to ordinary shareholders	-	–	–	–	–	–	–	(1,961,654)	(1,961,654)	(204,375)	(2,166,029)
Dividends declared and paid to preference shareholders	-	–	–	–	–	–	–	(664,770)	(664,770)	–	(664,770)
Appropriation to general reserve	-	–	–	–	1,707,241	–	1,707,241	(1,707,241)	–	–	–
Balance at 31 December 2020	9,808,269	9,820,734	10,952,990	5,055,777	12,944,073	(233,397)	28,719,443	21,138,630	69,487,076	6,398,234	75,885,310

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

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

	Year ended 31 December	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**4,457,286**	6,287,565
Adjustments for:		
Interest income on financial investments	**(6,729,577)**	(6,001,534)
Interest income accrued on impaired financial assets	**(189,040)**	(55,960)
Interest expense on debt securities	**2,746,373**	2,623,903
Net trading gains	**(783,342)**	(677,208)
Net gains on financial investments	**(343,932)**	(361,338)
Net foreign exchange gains	**157,403**	390,672
Negative goodwill	**-**	(76,229)
Net gains on disposal of property and equipment	**(22,304)**	(59,214)
Depreciation and amortization	**877,508**	876,705
Depreciation of investment properties	**7,871**	18,265
Interest expense on lease liabilities	**53,343**	54,696
Impairment losses	**12,722,102**	8,219,757
Others	**1,407**	21,069
	12,955,098	11,261,149
Net decrease/(increase) in operating assets:		
Balances with central bank	**9,810,760**	2,832,044
Deposits with banks and other financial institutions	**7,519,289**	153,402
Placements with banks and other financial institutions	**(10,410,070)**	(1,933,896)
Financial assets held under resale agreements	**266,139**	(4,874,187)
Loans and advances to customers	**(92,710,540)**	(89,285,997)
Increase in financial assets at fair value through profit or loss	**(4,746,549)**	(5,487,204)
Other assets	**(684,539)**	(1,025,449)
	(90,955,510)	(99,621,287)
Net increase/(decrease) in operating liabilities:		
Due to central bank	**4,556,662**	11,340,143
Deposits from banks and other financial institutions	**(5,003,237)**	25,273
Placements from banks and other financial institutions	**(487,036)**	840,907
Financial liabilities at fair value through profit or loss	**567**	5,052
Financial assets sold under repurchase agreements	**22,289,925**	337,699
Customer deposits	**71,467,667**	109,574,574
Other liabilities	**2,644,470**	(642,706)
	95,469,018	121,480,942
Net cash flows from operating activities before tax	**17,468,606**	33,120,804
Income tax paid	**(5,023,562)**	(2,612,528)
Net cash flows from operating activities	**12,445,044**	30,508,276

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

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

	Year ended 31 December 2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and other long-term assets	**(450,910)**	(471,317)
Proceeds from disposal of property and equipment and other long-term assets	**56,325**	80,433
Cash paid for investments	**(156,368,574)**	(127,503,038)
Proceeds from sale and redemption of investments	**105,912,196**	105,712,498
Acquisition of subsidiaries	**-**	1,289,955
Return on investments	**7,224,993**	8,418,369
Net cash flows used in investing activities	**(43,625,970)**	(12,473,100)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	**9,662,981**	–
Capital contributed by non-controlling shareholders	**-**	6,000
Transactions with non-controlling interests	**-**	(2,445)
Shareholders' donation	**24,711**	31,525
Proceeds from debt securities issued	**169,501,311**	140,968,279
Repayment of debt securities issued	**(138,259,664)**	(143,140,563)
Interest paid on debt securities	**(2,598,334)**	(3,047,798)
Dividends paid on ordinary shares	**(1,961,654)**	(1,961,654)
Dividends paid to preference shares	**(606,264)**	(664,770)
Payment for lease contracts	**(305,754)**	(371,206)
Dividends paid to non-controlling shareholders	**(215,084)**	(204,375)
Net cash flows from/(used in) financing activities	**35,242,249**	(8,387,007)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**4,061,323**	9,648,169
Cash and cash equivalents at the beginning of the year	**95,700,856**	86,870,896
Effect of exchange rate changes on cash and cash equivalents	**(220,904)**	(818,209)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**99,541,275**	95,700,856
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	**38,328,946**	34,321,172
Interest paid	**(15,996,383)**	(13,404,969)

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

1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and interpretations promulgated by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

These financial statements have been prepared on an accrual basis and under the historical cost convention except for financial assets/liabilities at fair value through profit or loss and other comprehensive income that have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

1.1 Standards, amendments and interpretations effective in 2021

On 1 January 2021, the Group adopted the following new standards, amendments and interpretations. The Group has not early adopted any other standards, interpretations or amendments that have been issued but is not yet effective.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform Phase 2
Amendments to IFRS 16	Covid–19–Related Rent Concessions

1 BASIS OF PREPARATION (CONTINUED)

1.1 Standards, amendments and interpretations effective in 2021 (Continued)

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

In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.

The Phase 2 amendments provide the following reliefs:

- When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement.

- The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition.

Given the pervasive nature of IBOR–based contracts, the reliefs could affect companies in all industries.

Amendments to IFRS 16

As a result of the COVID–19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

The adoption of the above amendments does not have a significant impact on the operation results, comprehensive income and financial position of the Group.

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

1 BASIS OF PREPARATION (CONTINUED)

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 17	Insurance Contracts	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non–current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

1 BASIS OF PREPARATION (CONTINUED)

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

IFRS 17

IFRS 17 was issued as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re–measured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability–weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

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

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

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

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Amendments to IAS 1

The narrow–scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non–current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

1 BASIS OF PREPARATION (CONTINUED)

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

Amendments to IAS 1 (Continued)

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Amendments to IAS 1 and IFRS Practice Statement 2

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to IAS 8

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

1 BASIS OF PREPARATION (CONTINUED)

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

Amendments to IAS 12

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right–of–use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

IAS 12 did not previously address how to account for the tax effects of on–balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

1 BASIS OF PREPARATION (CONTINUED)

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

Amendments to IAS 16

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

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

Amendments to IFRS 3

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

Amendments to IAS 37

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

1 BASIS OF PREPARATION (CONTINUED)

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 Standards 2018–2020

The following improvements were finalised in 2020:

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

- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

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

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

Amendments to IFRS 10 and IAS 28

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non–monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non–monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

The Group is assessing the impact of adopting the above standards and amendments. Currently the adoption of the above is expected not to have a material impact on the Group's consolidated financial statements.

2 OPERATING SEGMENT INFORMATION

2.1 Operating segments

For management purposes, the Group is organized into four different operating segments as follows:

Corporate banking

The corporate banking segment covers financial products and services for corporate customers including deposits, loans, settlement, clearing and other trade–related services.

Retail banking

The retail banking segment covers financial products and services for individual customers including deposits, debit and credit cards, personal and collateral loans and personal wealth management services.

Financial market business

The financial market business segment covers proprietary tradings and agent services including money market placements, investments, repurchases and foreign exchange transactions.

Others

This segment covers businesses other than corporate banking, retail banking and financial market business, of which the assets, liabilities, income and expenses cannot be directly attributable or allocated to certain segment on a reasonable basis.

Inter–segment transfer pricing is made in accordance with the sources, funding periods and interest rates announced by the People's Bank of China (the "PBOC") and the interbank market rates. The allocation of expenses between segments above is based on the benefits received.

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

2 OPERATING SEGMENT INFORMATION (CONTINUED)

2.1 Operating segments (continued)

	Corporate banking	Retail banking	Financial market business	Others	Total
Year ended 31 December 2021					
Interest income	22,636,704	9,884,317	10,044,930	–	42,565,951
Interest expense	(7,910,309)	(8,972,280)	(6,124,206)	–	(23,006,795)
Inter–segments interest (expense)/income	(3,761,193)	6,268,100	(2,506,907)	–	
Net interest income	10,965,202	7,180,137	1,413,817	–	19,559,156
Fee and commission income	950,170	565,438	124,302	–	1,639,910
Fee and commission expense	(151,807)	(150,595)	(18,441)	–	(320,843)
Net fee and commission income	798,363	414,843	105,861	–	1,319,067
Net trading gains	–	–	2,042,793	–	2,042,793
Net gains on financial investments	–	–	343,932	–	343,932
Other income, gains or losses	(158,391)	(2,952)	(181)	377,108	215,584
Operating income	11,605,174	7,592,028	3,906,222	377,108	23,480,532
Operating expenses	(2,106,988)	(3,658,692)	(458,270)	(196,317)	(6,420,267)
Credit impairment losses	(6,636,830)	(1,596,991)	(4,211,444)	(94,902)	(12,540,167)
Impairment losses on other assets	(33,243)	(7,999)	(21,095)	(475)	(62,812)
Profit before tax	2,828,113	2,328,346	(784,587)	85,414	4,457,286
Income tax expense					(680,993)
Profit for the year					3,776,293
Other segment information:					
Depreciation and amortization	289,212	516,640	59,348	20,179	885,379
Capital expenditure	110,130	209,334	20,363	6,775	346,602
As at 31 December 2021					
Segment assets	386,909,318	165,865,349	594,074,328	14,779,631	1,161,628,626
Segment liabilities	(402,671,005)	(480,796,181)	(190,799,901)	(476,273)	(1,074,743,360)
Other segment information:					
Credit commitments	184,804,846	34,755,253	–	–	219,560,099

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

2 OPERATING SEGMENT INFORMATION (CONTINUED)

2.1 Operating segments (continued)

	Corporate banking	Retail banking	Financial market business	Others	Total
Year ended 31 December 2020					
Interest income	20,887,050	8,316,132	7,946,817	–	37,149,999
Interest expense	(7,515,971)	(7,510,302)	(4,476,243)	–	(19,502,516)
Inter–segments interest (expense)/income	(2,559,361)	5,629,498	(3,070,137)	–	–
Net interest income	10,811,718	6,435,328	400,437	–	17,647,483
Fee and commission income	965,923	539,275	122,844	–	1,628,042
Fee and commission expense	(149,314)	(129,332)	(22,435)	–	(301,081)
Net fee and commission income	816,609	409,943	100,409	–	1,326,961
Net trading gains	–	–	1,976,684	–	1,976,684
Net gains on financial investments	–	–	361,338	–	361,338
Other income, gains or losses	(393,868)	(8,596)	(598)	309,001	(94,061)
Operating income	11,234,459	6,836,675	2,838,270	309,001	21,218,405
Operating expenses	(2,271,858)	(4,183,494)	(402,452)	(179,657)	(7,037,461)
Credit impairment losses	(4,006,609)	(492,986)	(3,351,177)	(987)	(7,851,759)
Impairment losses on other assets	(21,238)	(2,613)	(17,764)	(5)	(41,620)
Profit before tax	4,934,754	2,157,582	(933,123)	128,352	6,287,565
Income tax expense					(1,010,948)
Profit for the year					5,276,617
Other segment information:					
Depreciation and amortization	286,390	545,932	44,749	17,899	894,970
Capital expenditure	148,622	284,460	26,860	11,375	471,317
As at 31 December 2020					
Segment assets	376,091,693	140,912,981	497,563,719	13,303,253	1,027,871,646
Segment liabilities	(383,960,378)	(415,096,700)	(152,631,325)	(297,933)	(951,986,336)
Other segment information:					
Credit commitments	179,256,319	25,169,787	–	–	204,426,106

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

2 OPERATING SEGMENT INFORMATION (CONTINUED)

2.2 Geographic information

The Bank mainly operates in Guangdong Province, China. The major customers and non–current assets are located in Guangdong Province, China.

3 NET INTEREST INCOME

	Year ended 31 December	
	2021	2020
Interest income		
Loans and advances to customers	**32,481,755**	27,856,038
Financial investments	**6,729,577**	6,001,534
– Financial assets at amortized cost	**4,425,668**	3,225,959
– Financial assets at fair value through other comprehensive income	**2,303,909**	2,775,575
Financial assets held under resale agreements	**919,818**	886,216
Due from central bank	**1,102,134**	1,086,314
Deposits with banks and other financial institutions	**1,332,667**	1,319,897
Subtotal	**42,565,951**	37,149,999
Interest expense		
Customer deposits	**(17,760,620)**	(14,981,538)
Debt securities issued	**(2,746,373)**	(2,623,903)
Deposits from banks and other financial institutions	**(1,250,124)**	(1,022,058)
Borrowings from other banks(i)	**(427,705)**	(322,417)
Due to central bank	**(425,552)**	(369,401)
Financial assets sold under repurchase agreements	**(343,078)**	(128,503)
Lease liabilities	**(53,343)**	(54,696)
Subtotal	**(23,006,795)**	(19,502,516)
Net interest income	**19,559,156**	17,647,483
Including:		
Interest income accrued on impaired financial assets	**189,040**	55,960

(i) The interest expenses for the long–term and short–term borrowings from other banks were incurred by Zhujiang Financial Leasing Co., Ltd., a wholly–owned subsidiary of the Bank.

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

4 NET FEE AND COMMISSION INCOME

	Year ended 31 December	
	2021	2020
Fee and commission income:		
Agency and custodian service fees	**347,514**	440,659
Syndicate loan fees	**292,391**	142,421
Bank card fees	**232,322**	250,336
Guarantee and commitment service fees	**191,620**	182,623
Settlement and electronic channel business fees	**181,997**	170,065
Wealth management product related fee income	**124,290**	122,854
Financial lease business fees	**77,767**	63,371
Advisory and consultancy fees	**44,563**	61,630
Foreign exchange business fees	**16,837**	38,516
Others	**130,609**	155,567
Subtotal	**1,639,910**	1,628,042
Fee and commission expense:		
Bank card fees	**(71,796)**	(75,839)
Settlement and electronic channel business fees	**(23,968)**	(23,130)
Others	**(225,079)**	(202,112)
Subtotal	**(320,843)**	(301,081)
Net fee and commission income:	**1,319,067**	1,326,961

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

5 CREDIT IMPAIRMENT LOSSES

	Year ended 31 December	
	2021	2020
Loans and advances to customers		
– Loans and advances to customers at amortized cost	**8,307,154**	4,061,628
– Impairment gains on assets (i)	**(119,123)**	(326,378)
– Loans and advances to customers at fair value through other comprehensive income	**12,275**	360,883
Financial investments	**1,260,759**	574,517
Off–balance sheet activities	**3,042,267**	2,577,608
Deposits with banks and other financial institutions	**(179)**	311,929
Placements with banks and other financial institutions	**10,702**	276,542
Others	**26,312**	15,030
Total	**12,540,167**	7,851,759

(i) The Group recognized the excess of the collection amount of the purchased loans over the fair value on the purchase date as asset impairment gains.

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

6 INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
Current income tax	**1,759,237**	2,224,931
Deferred income tax	**(1,078,244)**	(1,213,983)
Total	**680,993**	1,010,948

As Xinjin Zhujiang County Bank meets the conditions as pronounced by the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission on the continuation of the income tax policy for the western development (Announcement No. 23 of 2020), its income tax is calculated based on the rate of 15% of the taxable income.

Except for Xinjin Zhujiang County Bank, income tax is calculated based on the statutory rate of 25% of the taxable income of the Group for the respective periods.

The difference between the actual income tax charged in the profit or loss and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December	
	2021	2020
Profit before income tax	**4,457,286**	6,287,565
Tax calculated at a tax rate of 25%	**1,114,322**	1,571,891
Difference in preferential tax rates	**(3,111)**	–
Tax effect arising from income not subject to tax (i)	**(765,575)**	(603,824)
Tax effect of expenses that are not deductible for tax purposes (ii)	**78,168**	55,920
Adjustments on income tax for prior years which affect current profit or loss	**257,189**	(13,039)
Income tax expense	**680,993**	1,010,948

(i) The income not subject to tax mainly represents interest income arising from treasury bonds, which is income tax free in accordance with the PRC tax regulations.

(ii) The expenses that are not tax deductible for tax purposes mainly represent certain expenditures, such as entertainment expenses and so forth, which are not deductible for tax purposes according to PRC tax regulations.

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

7 DIVIDENDS

	Year ended 31 December 2021	2020
Dividends on ordinary shares declared and paid:	**1,961,654**	1,961,654
Dividend per share (in RMB yuan)	**0.20**	0.20
Dividends on preference shares declared	**606,264**	664,770

(a) Distribution of final dividend for 2020

A cash dividend of RMB0.2 per ordinary share related to 2020, amounting to RMB1,961,654 thousand in total was approved in the annual general meeting held on 8 June 2021.

The above dividend was recognized as distribution and paid during the year ended 31 December 2021.

(b) Distribution of preference dividend

A cash dividend for preference share, amounting to RMB606,264 thousand in total was approved by the board of directors on 30 April 2021.

The above dividend was recognized as distribution and paid during the year ended 31 December 2021.

8 EARNINGS PER SHARE

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

	Year ended 31 December 2021	2020
Net profit attributable to ordinary shareholders of the Bank (in RMB thousand)	**3,175,208**	5,081,295
Less: distribution for the year attributable to preference shareholders of the Bank	**(606,264)**	(664,770)
Net profit for the year attributable to ordinary shareholders of the Bank	**2,568,944**	4,416,525
Divided: Weighted average number of ordinary shares in issue (in thousand)	**9,858,855**	9,808,269
Basic and diluted earnings per share (in RMB yuan)	**0.26**	0.45

During the years 2021 and 2020, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur in the year ended 31 December 2021, and therefore the conversion feature of preference shares has no dilutive effect on earnings per share calculation.

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

9 LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances to customers:

	As at 31 December	
	2021	2020
Loans and advances at amortised cost		
Corporate loans and advances		
– Corporate loans	**407,026,690**	379,857,495
– Discounted bills	**444,538**	1,868,222
	407,471,228	381,725,717
Personal loans and advances		
– Personal residential mortgages	**73,343,811**	67,439,751
– Personal business loans	**65,285,621**	54,466,750
– Personal consumption loans	**10,051,295**	9,508,812
– Credit cards overdraft	**9,748,738**	8,916,488
	158,429,465	140,331,801
Gross amount of loans and advances at amortised cost	**565,900,693**	522,057,518
Less: ECL allowance of loans and advances at amortised cost	**(20,109,119)**	(15,757,830)
Net amount of loans and advances at amortised cost	**545,791,574**	506,299,688
Loans and advances at fair value through other comprehensive income		
Corporate loans and advances		
– Discounted bills	**91,762,237**	46,868,652
Net amount of loans and advance to customers	**637,553,811**	553,168,340

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

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2021	2020
Government bonds	**27,346,564**	13,725,234
Bonds issued by policy bank	**9,738,005**	21,414,511
Bonds issued by financial institutions	**1,031,255**	2,243,957
Certificates of deposit issued by other financial institutions	**6,389**	46,045
Assets backed securities issued by other banks and non–bank financial institutions	**1,351,904**	3,176,810
Corporate bonds	**3,781,683**	4,423,335
Trust and asset management plan	**4,260,904**	7,894,769
Fund and other investment	**42,624,437**	35,948,298
Interest receivable	**1,487,422**	1,374,535
Total	**91,628,563**	90,247,494

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2021	2020
Government bonds	**21,572,767**	18,703,129
Bonds issued by policy banks	**26,041,193**	35,372,734
Bonds issued by financial institutions	**443,258**	984,193
Assets backed securities issued by other banks and non–bank financial institutions	**1,888,592**	2,295,188
Corporate bonds	**5,894,778**	9,263,436
Certificates of deposit issued by other financial institutions	**2,386,467**	1,145,227
Trust and asset management plans (i)	**5,789,631**	6,537,923
Interest receivable	**1,188,563**	1,375,502
Total	**65,205,249**	75,677,332

(i) Trust and asset management plans as at 31 December 2021 were invested in credit assets.

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

12 FINANCIAL ASSETS AT AMORTIZED COST

	As at 31 December	
	2021	2020
Government bonds	**70,669,273**	25,140,355
Bonds issued by policy banks	**53,291,330**	35,043,690
Bonds issued by financial institutions	**3,555,241**	677,600
Certificates of deposit issued by other financial institutions	**6,405,226**	19,270,099
Assets backed securities issued by other banks and non–bank financial institutions	**8,553,199**	7,110,358
Corporate bonds	**3,391,171**	3,270,966
Trust and asset management plans (i)	**10,839,761**	5,825,068
Interest receivable	**2,271,846**	1,214,395
Subtotal	**158,977,047**	97,552,531
Less：		
ECL allowance	**(1,572,344)**	(953,171)
Total	**157,404,703**	96,599,360

(i) Trust and asset management plans as at 31 December 2021 were invested in credit assets.

13 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Loan and credit card commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

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

13 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(a) Loan and credit card commitments (continued)

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan and credit card commitments are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the year had the counterparties failed to perform as contracted.

	As at 31 December	
	2021	2020
Bank acceptances	**37,751,574**	28,630,154
Letters of credit issued	**1,667,390**	1,906,302
Guarantees issued	**36,660,849**	42,383,086
Loan and credit card commitments (i)	**143,480,286**	131,506,564
Subtotal	**219,560,099**	204,426,106
Allowance for credit commitments	**651,637**	751,894
Total	**218,908,462**	203,674,212

(i) Loan commitments of the Group are the unconditionally revocable loan commitments.

(b) Operating lease commitments

During the year, the Group leased certain of their office properties under operating lease arrangements, and the total future minimum lease payments in respect of non–cancellable operating leases are as follows:

	As at 31 December	
	2021	2020
Within one year	**3,207**	6,546
After one year but not more than two years	**1,319**	6,482
After two years but not more than three years	**995**	6,574
After three years	**8,465**	11,866
Total	**13,986**	31,468

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

13 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(c) Capital commitments

At the end of the year, the Group had capital commitments as follows:

	As at 31 December	
	2021	2020
Contracted, but not provided for	**454,621**	310,103

(d) Credit risk–weighted amount of financial guarantees and credit related commitments

	As at 31 December	
	2021	2020
Financial guarantees and credit related commitments	**26,609,177**	32,970,606

The credit risk–weighted amount refers to the amount as computed in accordance with the formula promulgated by the CBIRC and depends on the credit worthiness of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments.

(e) Legal proceedings

As at 31 December 2021, the expected total claimed amounts of the litigation cases of which the Bank or its subsidiaries are the defendant amounted to RMB26,070 thousand (2020: RMB24,663 thousand). In the opinion of management, the Bank has made adequate provisions for any probable losses based on the current facts and circumstances. The litigation cases are not expected to have a significant impact on the Bank's business, financial condition and performance.

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

14 FINANCIAL RISK MANAGEMENT

(a) Credit risk

(i) Loans and advances to customers

By industry	31 December 2021 Amount	31 December 2021 (%)	31 December 2020 Amount	31 December 2020 (%)
Corporate loans				
Lease and commercial service	**99,733,134**	**15.18%**	85,472,116	15.02%
Wholesale and retail	**65,188,859**	**9.91%**	61,918,810	10.88%
Real estate	**59,025,406**	**8.98%**	58,970,712	10.37%
Manufacturing	**42,120,565**	**6.40%**	38,662,748	6.80%
Construction	**38,937,475**	**5.92%**	39,218,277	6.89%
Hotel and catering	**18,274,513**	**2.78%**	18,954,296	3.33%
Resident services, repairing and other services	**17,641,848**	**2.68%**	13,039,577	2.29%
Education	**12,017,335**	**1.83%**	9,963,574	1.75%
Water, environment and public facilities management	**10,472,339**	**1.59%**	10,211,563	1.79%
Agriculture, forestry, farming and fishery	**9,850,454**	**1.50%**	10,273,440	1.81%
Transportation, warehouse and postal services	**9,818,709**	**1.49%**	10,108,741	1.78%
Information transmission, software and IT services	**6,448,392**	**0.98%**	5,922,902	1.04%
Culture, sports and entertainment	**3,358,704**	**0.51%**	2,632,448	0.46%
Financial services	**3,183,114**	**0.48%**	4,176,621	0.73%
Energy and utilities	**3,027,707**	**0.46%**	2,608,827	0.46%
Healthcare and social welfare	**1,997,322**	**0.30%**	2,204,346	0.39%
Others	**5,930,814**	**0.90%**	5,518,497	0.97%
Subtotal	**407,026,690**	**61.89%**	379,857,495	66.76%
Discounted bills	**92,206,775**	**14.02%**	48,736,874	8.57%
Personal loans	**158,429,465**	**24.09%**	140,331,801	24.67%
Total	**657,662,930**	**100.00%**	568,926,170	100.00%

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

14 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(i) Loans and advances to customers (continued)

By geography	As at 31 December 2021	2020
Guangzhou	**542,501,488**	458,081,490
Pearl River Delta (except Guangzhou)	**42,771,059**	40,009,299
Guangdong Province (except Pearl River Delta)	**41,771,747**	42,692,298
Central China	**20,197,504**	17,936,573
Western China	**2,454,174**	2,445,615
Yangtze River Delta	**2,418,657**	2,410,851
Bohai Rim	**1,271,863**	1,345,882
North–east China	**509,261**	445,230
Others	**3,767,177**	3,558,932
Total	**657,662,930**	568,926,170

By collateral type	As at 31 December 2021	2020
Unsecured loans	**132,719,680**	85,276,731
Guaranteed loans	**164,409,814**	142,863,740
Collateralised loans	**324,521,951**	301,805,773
Pledged loans	**36,011,485**	38,979,926
Total	**657,662,930**	568,926,170

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

14 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(i) Loans and advances to customers (continued)

	Overdue loans and advances to customers				
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
31 December 2021					
Unsecured loans	305,101	249,745	105,333	19,552	679,731
Guaranteed loans	7,923,541	4,591,046	2,859,311	129,114	15,503,012
Collateralised loans	5,607,921	7,299,828	2,162,184	133,983	15,203,916
Pledged loans	289,348	61,428	9,467	2,073	362,316
Total	14,125,911	12,202,047	5,136,295	284,722	31,748,975

	Overdue loans and advances to customers				
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
31 December 2020					
Unsecured loans	279,094	456,074	55,050	18,655	808,873
Guaranteed loans	850,307	307,006	779,435	118,998	2,055,746
Collateralised loans	3,835,558	2,288,575	764,769	211,888	7,100,790
Pledged loans	18,251	2,554,483	3,845	513	2,577,092
Total	4,983,210	5,606,138	1,603,099	350,054	12,542,501

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

14 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

(i) Analysis of the remaining maturity of the assets and liabilities is set out below:

31 December 2021	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and deposits with central bank	–	31,864,275	–	–	–	–	–	54,400,714	86,264,989
Deposits with banks and other financial institutions (1)	281,585	17,169,394	59,427,898	4,425,746	25,971,751	–	–	–	107,276,374
Financial assets at fair value through profit or loss	8,294,784	37,136,198	5,925,753	10,298,627	17,417,623	10,176,645	1,298,962	1,079,971	91,628,563
Financial assets at amortized cost	1,828,392	–	1,224,906	5,908,809	15,422,943	95,519,645	37,500,008	–	157,404,703
Financial assets at fair value through other comprehensive income	2,837,611	–	296,634	464,937	5,238,370	36,670,064	19,697,633	–	65,205,249
Loans and advances to customers	20,241,229	–	23,815,665	42,046,436	190,694,277	223,776,995	136,979,209	–	637,553,811
Other financial assets	384,446	–	886,158	176,419	116,962	45,089	214,627	–	1,823,701
Total financial assets	33,868,047	86,169,867	91,577,014	63,320,974	254,861,926	366,188,438	195,690,439	55,480,685	1,147,157,390
Financial liabilities:									
Due to central bank	–	–	1,211,978	2,640,444	20,943,778	–	–	63,689	24,859,889
Deposits from banks and other financial institutions (2)	–	6,070,309	36,593,258	11,914,149	15,340,489	–	–	–	69,918,205
Financial liabilities at fair value through profit or loss	–	5,619	–	–	–	–	–	–	5,619
Customer deposits (3)	–	326,115,733	25,672,379	52,556,426	174,890,665	254,441,919	273,790	15,815,892	849,766,804
Lease liabilities	–	–	25,084	50,167	200,579	529,270	131,699	–	936,799
Debt securities issued	–	–	1,378,602	35,290,277	61,365,681	–	9,999,002	–	108,033,562
Other financial liabilities	961	13,554	913,817	2,208,701	9,111,426	1,181,844	36,997	237,282	13,704,582
Total financial liabilities	961	332,205,215	65,795,118	104,660,164	281,852,618	256,153,033	10,441,488	16,116,863	1,067,225,460
Net liquidity gap	33,867,086	(246,035,348)	25,781,896	(41,339,190)	(26,990,692)	110,035,405	185,248,951	39,363,822	79,931,930

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

14 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(i) Analysis of the remaining maturity of theassets and liabilities is set out below (continued):

31 December 2020	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and deposits with central bank	–	40,476,522	–	–	–	–	–	63,308,030	103,784,552
Deposits with banks and other financial institutions (1)	287,631	12,557,971	51,211,571	4,380,166	22,221,474	2,512,895	–	–	93,171,708
Financial assets at fair value through profit or loss	3,319,693	30,621,318	2,657,983	10,533,054	23,510,533	16,966,850	2,291,360	346,703	90,247,494
Financial assets at amortized cost	2,293,387	–	5,620,115	8,381,928	21,946,688	37,051,337	21,305,905	–	96,599,360
Financial assets at fair value through other comprehensive income	1,629,721	–	993,959	1,554,391	4,438,388	38,896,967	28,163,906	–	75,677,332
Loans and advances to customers	4,759,603	–	23,435,407	40,855,734	161,083,875	206,164,954	116,868,767	–	553,168,340
Other financial assets	599,892	–	530,893	174,848	68,323	29,892	97,417	–	1,501,265
Total financial assets	12,889,927	83,655,811	84,449,928	65,880,121	233,269,281	301,622,895	168,727,355	63,654,733	1,014,150,051
Financial liabilities:									
Due to central bank	–	–	800,000	1,706,510	17,762,483	–	–	34,234	20,303,227
Deposits from banks and other financial institutions (2)	–	5,160,140	12,882,761	12,476,018	22,599,634	–	–	–	53,118,553
Financial liabilities at fair value through profit or loss	–	5,052	–	–	–	–	–	–	5,052
Customer deposits (3)	–	317,362,600	20,925,023	44,433,433	135,312,122	247,805,356	1,398,566	11,187,754	778,424,854
Lease liabilities	–	–	25,844	51,689	198,794	575,454	106,192	–	957,973
Debt securities issued	–	–	1,496,850	20,060,068	44,088,869	999,221	9,998,868	–	76,643,876
Other financial liabilities	751	11,488	697,156	1,573,506	7,614,949	1,196,157	28,426	328,867	11,451,300
Total financial liabilities	751	322,539,280	36,827,634	80,301,224	227,576,851	250,576,188	11,532,052	11,550,855	940,904,835
Net liquidity gap	12,889,176	(238,883,469)	47,622,294	(14,421,103)	5,692,430	51,046,707	157,195,303	52,103,878	73,245,216

14 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(i) Analysis of the remaining maturity of the assets and liabilities is set out below (continued):

(1) Includes placements with banks and other financial institutions, financial assets held under resale agreements.

(2) Includes financial assets sold under repurchase agreements.

(3) Demand deposits from customers are classified as repayable on demand for disclosure purposes. In practice, there is a stable portion which has a longer maturity profile.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement was published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.grcbank.com). The 2021 annual report prepared in accordance with the IFRSs and the Listing Rules will be published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.grcbank.com), and will be dispatched to the holders of H Shares of the Bank in due course.

This annual results announcement is prepared in both English and Chinese versions. In the event of any discrepancies in interpretation between the English version and Chinese version, the Chinese version shall prevail.

By Order of the Board
Guangzhou Rural Commercial Bank Co., Ltd.*
Cai Jian
Chairman

Guangzhou, the PRC
March 31, 2022

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Cai Jian, Mr. Yi Xuefei and Mr. Zhang Jian; six non-executive directors, namely, Ms. Feng Kaiyun, Mr. Zuo Liang, Mr. Zhang Junzhou, Mr. Zhuang Yuemin, Mr. Feng Yaoliang and Mr. Lai Zhiguang; and five independent non-executive directors, namely, Mr. Liao Wenyi, Mr. Du Jinmin, Mr. Tan Jinsong, Mr. Zhang Hua and Mr. Ma Hok Ming.

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