



甘肅銀行股份有限公司*

BANK OF GANSU CO., LTD.*

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

Stock code: 2139



2021

ANNUAL REPORT

**Bank of Gansu 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/deposit-taking business in Hong Kong.*

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Chairman's Statement



Liu Qing
Chairman of the Board of Directors

The year 2021 marked the centenary of the founding of the Communist Party of China, the year in which the goals of the two centenary converged, the opening year of the "14th Five-Year" Plan, and the 10th anniversary of the establishment of Bank of Gansu. During the year, we resonated with the times and walked with the motherland, drawing strength from a century of history of the Party and steadily promoting high-quality development.

During the year, we wrote the answer to the struggle for love of the Party and love of the Bank, without being distracted by temporary problems. We held the banner high, rallied our strength, carried out study about and education on the history of the Party effectively, and grandly celebrated the 100th anniversary of the founding of the Party and the 10th anniversary of the establishment of Bank of Gansu. We held the second Party congress with a success, elected the new session of Party Committee, successfully completed the renewal of the Board of Directors and the Board of Supervisors, promoted the implementation of a new round of strategic planning for development, inspired and encouraged the staff of the Bank to stay true to the founding mission, embrace the responsibilities and strive to write a new chapter of high-quality development in the new era.

During the year, we stayed true to the founding mission for a success, writing an answer sheet as doers. In the face of various risks, challenges and a sudden "lasting prevention fight against the COVID-19 pandemic", we never slackened in pandemic prevention, our outlets did not suspend, and our services were not interrupted. We supported provincial-level major projects, top ten ecological industries, serve the revitalization in rural areas, green finance, "stability on the six fronts (namely, employment, financial sector, foreign trade, foreign and domestic investments, and market expectations)" and "security in the six areas (namely, employment, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments)", showing our good image of "be ready to act, and act must bear fruits" in Gansu Province.

During the year, we have written a strong and effective development answer sheet without waiting for the whip. We adhered to the concept of "solving problems in the course of development and planning for better development in the course of solving problems", and steadily implemented strategic transformation, significantly improved development quality and efficiency, effectively enhanced the risk control capability, continued the deepening of various reforms, and orderly advanced the team building, making solid strides in high-quality development.

During the year, we were determined and kept calm, did our best and moved forward with determination. We ranked 300th among "Top 1000 World Banks 2021" by The Banker (a British magazine), were listed in the "Top 100 Banks in China's Banking Industry" list by the China Banking Association for the fifth consecutive year, and received the "Provincial Governor Financial Award" for the eighth time. We are grateful for all our hard work and efforts, and we appreciate the governments at all levels, all regulators, shareholders, customers and the community for their support!

The year 2022 is an important year for us to enter a new journey of building a modern socialist country in all aspects and marching towards the goal of the second centenary. We will take Xi Jinping's thought on socialism with Chinese characteristics for a new era as the guidance, fully implement the spirits of the 19th National Congress of the Communist Party of China and all previous plenary sessions of the 19th session of Central Committee of the Communist Party of China, follow the general principle of making progresses while maintaining stability, take the five-year development strategic plan as our guide and make overall planning for the work of "strengthening Party building, reinforcing weak links, cementing foundation, adjusting structure, preventing risks, improving efficiency, and promoting development", to promote a steady improvement in management and operation and quality, and move with determination towards the goal of becoming "a listed urban commercial bank with high-quality development and a comprehensive financial service provider of the first choice in the region".



Chairman of the Board of Directors
Liu Qing

Definitions

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

“Articles of Association” or “Articles”	the articles of association of the Bank
“Baiyin City Commercial Bank”	the former Baiyin City Commercial Bank Co., Ltd. (白銀市商業銀行股份有限公司). In May 2011, 25 legal entities, all shareholders of Baiyin City Commercial Bank and all shareholders of Pingliang City Commercial Bank jointly promoted and incorporated the Bank
“Bank” or “our Bank”	Bank of Gansu Co., Ltd. (甘肅銀行股份有限公司), a joint stock company incorporated in Gansu Province, the PRC on November 18, 2011 with limited liability in accordance with PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Banking Ordinance”	Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Board of Directors” or “Board”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“Capital Administrative Measures”	the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) promulgated by the CBRC on June 7, 2012 and effective on January 1, 2013
“CBRC”	the former China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CBIRC Gansu Office”	the China Banking and Insurance Regulatory Commission Gansu Office (中國銀行保險監督管理委員會甘肅監管局)
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Corporate Governance Code”	Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for in Renminbi or credited as paid

“Gansu Electric Power Investment”	Gansu Province Electric Power Investment Group Co., Ltd. (甘肅省電力投資集團有限公司), a company incorporated in the PRC on July 16, 1990, and a wholly-owned subsidiary of Gansu State-owned Assets Investment. As of December 31, 2021 and up to the Latest Practicable Date, Gansu Electric Power Investment held approximately 4.21% equity interests in the Bank
“Gansu Highway Aviation Tourism”	Gansu Province Highway Aviation Tourism Investment Group Co., Ltd (甘肅省公路航空旅遊投資集團有限公司), a company incorporated in the PRC on December 24, 1999, which is wholly-owned by Gansu SASAC. As of December 31, 2021 and up to the Latest Practicable Date, Gansu Highway Aviation Tourism held approximately 18.30% equity interests in the Bank. It is a substantial Shareholder and connected person of the Bank
“Gansu SASAC”	the State-owned Assets Supervision and Administration Commission of the Gansu Provincial Government (甘肅省人民政府國有資產監督管理委員會)
“Gansu State-owned Assets Investment”	Gansu Province State-owned Assets Investment Group Co., Ltd. (甘肅省國有資產投資集團有限公司), a company incorporated in the PRC on November 23, 2007, and 84% of its equity interest owned by Gansu SASAC and 16% of its equity interest owned by Jiuquan Iron & Steel. As of December 31, 2021 and up to the Latest Practicable Date, it directly held approximately 12.67% equity interests in the Bank, and indirectly held approximately 10.74% equity interests in the Bank through its subsidiaries, including Gansu Electric Power Investment and Jinchuan Group. It is a substantial Shareholder and connected person of the Bank
“GDP”	gross domestic product
“GRC system”	the internal control, compliance and operational risk management system
“green finance”	economic activities supporting environmental improvements, climate change, conservation and high efficiency utilization of resources, including financial services for project investment, financing, operation and risk management in environmental protection, energy conservation, clean energy, green transportation and green architecture
“H Share(s)”	ordinary shares issued by the Bank in Hong Kong, with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed and traded on the Hong Kong Stock Exchange
“HK\$, “HKD” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKMA”	the Hong Kong Monetary Authority
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (香港聯合交易所有限公司證券上市規則), as amended, supplemented or otherwise modified from time to time



Definitions

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRSs”	International Financial Reporting Standards, International Accounting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
“independent third party”	a person or entity not considered a connected person or an associate of a connected person of the Bank under the Hong Kong Listing Rules
“Jinchuan Group”	Jinchuan Group Co., Ltd. (金川集團股份有限公司), a company incorporated in the PRC on September 28, 2001, of which Gansu State-owned Assets Investments is its largest shareholder, holding 47.97% of its equity interests. As of December 31, 2021 and up to the Latest Practicable Date, Jinchuan Group held approximately 6.53% equity interests in the Bank
“Jingning Chengji Rural Bank”	Pingliang Jingning Chengji Rural Bank Co., Ltd., a joint stock company with limited liability incorporated in the PRC on September 18, 2008 and a subsidiary of the Bank
“Jiuquan Iron & Steel”	Jiuquan Iron & Steel (Group) Co., Ltd. (酒泉鋼鐵(集團)有限責任公司), a company incorporated in the PRC on May 26, 1998, and 68.42% of its equity interest owned by Gansu SASAC and 31.58% of its equity interest owned by Gansu State-owned Assets Investment. As of December 31, 2021 and up to the Latest Practicable Date, Jiuquan Iron & Steel held approximately 6.53% equity interests in the Bank
“Latest Practicable Date”	March 30, 2022, the latest practicable date for ascertaining certain information in this annual report before its publication
“Listing”	the listing of H Shares of the Bank on the Hong Kong Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
“non-standard credit assets”	credit assets that are not traded on the interbank markets or stock exchanges, which for the purpose of this annual report represents our investments in trust plans, asset management plans and wealth management products issued by other financial institutions
“NPL ratio” or “non-performing loan ratio”	the percentage ratio calculated by dividing non-performing loans by total loans
“NPLs” or “non-performing loans”	loans classified as substandard, doubtful and loss according to the five-category loan classification system of the Bank
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC

“Pingliang City Commercial Bank”	the former Pingliang City Commercial Bank Co., Ltd. (平涼市商業銀行股份有限公司). In May 2011, 25 legal entities, all shareholders of Baiyin City Commercial Bank and all shareholders of Pingliang City Commercial Bank jointly promoted and incorporated the Bank
“PRC” or “China”	the People’s Republic of China, but for the purpose of this annual report only, referring to Mainland China, i.e., excluding Hong Kong, Macau and Taiwan, unless otherwise specified in the context
“PRC Commercial Banking Law”	the Commercial Banking Law of the PRC (《中華人民共和國商業銀行法》), which was promulgated by the 13th meeting of the Standing Committee of the 8th National People’s Congress on May 10, 1995 and became effective on July 1, 1995, as amended, supplemented or otherwise modified from time to time
“PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), as amended and adopted by the Standing Committee of the 10th National People’s Congress on October 27, 2005 and became effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time
“PRC GAAP”	the PRC Accounting Standards for Business Enterprises (中國企業會計準則) promulgated by Ministry of Finance of the PRC on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
“PRC Securities Law”	the Securities Laws of the PRC (《中華人民共和國證券法》), as promulgated by the 6th meeting of the Standing Committee of the 9th National People’s Congress on December 29, 1998 and previously modified upon approval by the Standing Committee of the 13th National People’s Congress on December 28, 2019, as amended, supplemented or otherwise modified from time to time
“provincial urban commercial bank(s)”	local urban commercial bank(s), whose establishment was promoted by the provincial government
“related party(ies)”	has the meaning ascribed to it under the Administrative Measures for the Related Party Transactions of Banking and Insurance Institutions (《銀行保險機構關聯交易管理辦法》) promulgated by the CBIRC, the PRC GAAP and/or IFRSs
“related party transaction(s)”	has the meaning ascribed to it under the Administrative Measures for the Related Party Transactions of Banking and Insurance Institutions promulgated by the CBIRC, the PRC GAAP and/or IFRSs
“Reporting Period”	the year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time



Definitions

“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares in the share capital of the Bank with a nominal value of RMB1.00 each
“subsidiary(ies)”	has the meaning ascribed to it under Rule 1.01 of the Hong Kong Listing Rules
“Supervisor(s)”	the supervisor(s) of the Bank
“three rurals”	rural areas, agriculture and farmers
“United States” or “U.S.”	the United States of America
“US\$”, “USD” or “U.S. dollar(s)”	U.S. dollars, the lawful currency of the United States of America
“we”, “us”, “our”, “Group” or “our Group”	the Bank and its subsidiary on a consolidated basis

In this annual report:

- *certain amounts and percentage figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*
- *unless the context otherwise requires, the terms “associate(s)”, “close associate(s)”, “connected person(s)”, “connected transaction(s)”, “core connected person(s)” and “substantial shareholder(s)” have the meanings given to such terms in the Hong Kong Listing Rules.*
- *for the ease of reference, in this annual report, unless otherwise indicated, the terms “gross loans and advances to customers”, “loans” and “grant of loans” are used synonymously.*
- *if there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.*

Company Profile

I. BASIC INFORMATION OF THE COMPANY

Legal Name of the Company in Chinese	:	甘肅銀行股份有限公司
Legal Name of the Company in English	:	Bank of Gansu Co., Ltd.
Legal Representative	:	Liu Qing
Authorized Representatives	:	Liu Qing, Wong Wai Chiu
Secretary to the Board of Directors	:	Hao Jumei
Company Secretary	:	Wong Wai Chiu
Registered Address	:	525-1 Donggang West Road, Chengguan District, Lanzhou City, Gansu Province, the PRC
Principal Office Address	:	Bank of Gansu Building, 525-1 Donggang West Road, Chengguan District, Lanzhou City, Gansu Province, the PRC
Customer Service Hotline	:	+86 400 86 96666
Telephone	:	+86 931 877 0491
Facsimile	:	+86 931 877 1877
Website of the Bank	:	www.gsbankchina.com
Principal Place of Business in Hong Kong	:	40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong
H Share Information Disclosure Website	:	www.hkexnews.hk
Stock Listing Place, Stock Short Name and Stock Code	:	The Stock Exchange of Hong Kong Limited, BANK OF GANSU, 2139
Domestic Shares trustee agency	:	China Securities Depository and Clearing Corporation Limited
H Share Registrar	:	Computershare Hong Kong Investor Services Limited
PRC Legal Adviser	:	Grandall Law Firm (Shanghai)
Hong Kong Legal Adviser	:	Latham & Watkins LLP
Domestic Auditor	:	Shinewing Certified Public Accountants LLP
International Auditor	:	SHINEWING (HK) CPA Limited
Place of Inspection of the Annual Report	:	Office of the Board of the Bank

II. HISTORY OF THE BANK

In light of the lack of provincial urban commercial banks in Gansu Province and in order to promote the economic development of Gansu Province, the People's Government of Gansu Province decided to establish a provincial urban commercial bank by building on the foundations of Baiyin City Commercial Bank and Pingliang City Commercial Bank. Therefore, on May 30, 2011, 25 legal entities (including large and medium-sized SOEs in Gansu Province and private enterprises in and outside Gansu Province) and representatives of all shareholders of Baiyin City Commercial Bank and Pingliang City Commercial Bank jointly entered into a promoters agreement in respect of Dunhuang Bank Co., Ltd. (敦煌銀行股份有限公司). Pursuant to the agreement, the 25 legal entities contributed cash and all shareholders of both Baiyin City Commercial Bank and Pingliang City Commercial Bank contributed the appraised net assets of Baiyin City Commercial Bank and Pingliang City Commercial Bank, respectively, to jointly incorporate Dunhuang Bank Co., Ltd. On August 24, 2011, the General Office of the People's Government of Gansu Province approved the change to the name of the Bank to be incorporated from the former "Dunhuang Bank Co., Ltd." to "Bank of Gansu Co., Ltd.". On September 27, 2011, the CBIRC approved the establishment of the Bank. On November 18, 2011, the CBIRC Gansu Office approved the commencement of business of the Bank and the conversion of Baiyin City Commercial Bank, Pingliang City Commercial Bank and their branches and sub-branches into Baiyin Branch, Pingliang Branch and its sub-branches. On the same day, the Bank was granted the enterprise business license by the Administration for Industry and Commerce of Gansu Province and was formally incorporated under the PRC Company Law. The Bank is the only provincial urban commercial bank in Gansu Province.

The registered address of the Bank is 525-1 Donggang West Road, Chengguan District, Lanzhou City, Gansu Province, the PRC. The Bank has established a principal place of business in Hong Kong at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong and was registered as a non-Hong Kong company on June 28, 2017 under Part XVI of the Companies Ordinance. The Bank appointed Mr. Wong Wai Chiu as the Bank's authorized representative for the acceptance of service of process and notices in Hong Kong. The address for service of process on the Bank in Hong Kong is the same as the Bank's principal place of business in Hong Kong.

As the Bank was established in the PRC, the Bank's corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. The Bank carries on banking business in the PRC under the supervision and regulation of the CBIRC and the PBOC. The Bank is not an authorized institution within the meaning of the Banking Ordinance, and is not subject to the supervision of the HKMA, nor authorized to carry on banking and/or deposit-taking business in Hong Kong.

The Bank's H Shares were listed on the Main Board of the Hong Kong Stock Exchange on January 18, 2018.

III. AWARDS OF THE BANK IN 2021

Awards and Honors	Awarding Party/Media
Ranked 300th among the 2021 Top 1,000 World Banks (50th among Chinese banks)	The Banker Magazine
Ranked 49th among the 2021 Top 100 Banks in China's Banking Industry (2021年中國銀行業100強)	China Banking Association
2020 Provincial Governor Financial Award (2020年度省長金融獎)	The People's Government of Gansu Province
Awarded "Mobile Intelligence Innovative Award" at the 2021 China Financial Digital Technology Innovation Competition (2021中國金融數字科技創新大賽「移動智能創新獎」)	www.cebnet.com.cn
2021 China Financial Innovation Top 10 Credit Card Financial Innovation Award (2021年中國金融創新十佳信用卡金融創新獎)	The Banker Magazine
Silver Award in the "Crossover Marketing" category of the 2021 Financial Digital Marketing Innovation Competition (2021金融數字化營銷創新大賽「跨界營銷類」銀獎)	Financial Digital Development Alliance (金融數字化發展聯盟)
"The Best Credit Card Brand Impact Award of the Year" of 2021 China Financial Digital Development Gold List Awards (2021中國金融數字化發展金榜獎「年度最佳信用卡品牌影響力獎」)	Financial Digital Development Alliance (金融數字化發展聯盟)
The Gold Award of "Best Smart Service Award for Mobile Banking" of 2021 China Digital Finance (2021中國數字金融「手機銀行最佳智能服務獎」金獎)	China Financial Certification Authority (CFCA)
Best Corporate Governance Award at the "China Finance Awards" (「中國融資大獎」最佳企業管治獎)	China Financial Market Magazine (《中國融資》雜誌)
Best Brand Value Award at the "China Finance Awards" (「中國融資大獎」最佳品牌價值獎)	China Financial Market Magazine (《中國融資》雜誌)
Best ESG Award at the "China Finance Awards" (「中國融資大獎」最佳ESG獎)	China Financial Market Magazine (《中國融資》雜誌)
"Business Innovation Award" for Collateral Management Services (擔保品管理服務「業務創新獎」)	China Central Depository & Clearing Co., Ltd.
"Outstanding Partnership Award" for 2021 (2021年度「優秀合作獎」)	City Commercial Banks Clearing Co., Ltd. (城銀清算服務有限責任公司)
Iron-horse Award for the Most Competitive Small and Medium-sized Bank in Technology (鐵馬—最具科技競爭力中小銀行)	Modern Bankers Magazine (《當代金融家》雜誌)

Financial Highlights

FIVE-YEAR FINANCIAL DATA

(Expressed in millions of RMB, unless otherwise stated)	2021	2020	2019	2018	2017
Results of operations					
Interest income	13,676.2	14,752.9	14,380.0	15,327.1	14,045.8
Interest expense	(8,752.0)	(9,002.5)	(9,092.1)	(8,199.3)	(6,560.8)
Net interest income	4,924.2	5,750.4	5,287.9	7,127.8	7,485.0
Fee and commission income	392.4	379.3	357.6	362.7	462.8
Fee and commission expenses	(41.6)	(50.4)	(104.4)	(196.6)	(86.1)
Net fee and commission income	350.8	328.9	253.2	166.1	376.7
Net trading gains/(losses)	953.1	716.3	1,489.8	1,089.2	(21.9)
Net gains/(losses) arising from investment securities	192.1	(1.4)	131.2	42.7	116.9
Net exchange (losses)/gains	(148.5)	(279.7)	68.9	388.2	(13.2)
Other operating income/(expenses), net	5.9	(21.2)	2.3	58.2	109.0
Operating income	6,277.6	6,493.3	7,233.3	8,872.2	8,052.5
Operating expenses	(2,289.0)	(2,319.5)	(2,356.5)	(2,271.0)	(2,052.2)
Impairment losses on assets, net of reversals	(3,438.3)	(3,754.5)	(4,312.0)	(1,962.4)	(1,523.0)
Operating profit	550.3	419.3	564.8	4,638.8	4,477.3
Share of result of an associate	0.1	1.3	(0.1)	(1.0)	1.8
Profit before tax	550.4	420.6	564.7	4,637.8	4,479.1
Income tax credit/(expense)	22.9	141.8	(53.4)	(1,198.2)	(1,115.4)
Profit for the year	573.3	562.4	511.3	3,439.6	3,363.7
Profit for the year attributable to:					
– Owners of the Bank	570.7	558.2	509.1	3,435.3	3,358.5
– Non-controlling interests	2.6	4.2	2.2	4.3	5.2
Profit for the year	573.3	562.4	511.3	3,439.6	3,363.7

(Expressed in millions of RMB, unless otherwise stated)	2021	2020	2019	2018	2017
Major indicators of assets/liabilities					
Total assets	358,504.6	342,363.8	335,044.5	328,622.4	271,147.6
Of which: total loans and advances to customers	198,595.3	181,825.7	170,449.2	160,885.3	130,283.6
Total liabilities	326,448.2	310,899.0	310,355.5	303,374.8	254,534.6
Of which: deposits from customers	255,987.9	249,677.7	236,868.7	210,723.3	192,230.6
Total equity	32,056.4	31,464.8	24,689.0	25,247.6	16,613.0
Per Share (RMB)					
Net assets per Share	2.13	2.09	2.45	2.51	2.21
Basic earnings per Share	0.04	0.06	0.05	0.35	0.45
Diluted earnings per Share	0.04	0.06	0.05	0.35	0.45
Profitability indicators (%)					
Return on assets ⁽¹⁾	0.16	0.17	0.15	1.15	1.30
Return on equity ⁽²⁾	1.81	2.00	2.05	16.43	22.46
Net interest spread ⁽³⁾	1.48	1.72	1.74	2.07	2.74
Net interest margin ⁽⁴⁾	1.65	1.97	1.96	2.37	2.91
Net fee and commission income to operating income ratio ⁽⁵⁾	5.59	5.07	3.50	1.87	4.68
Cost-to-income ratio ⁽⁶⁾	34.52	34.30	31.53	24.72	24.81
Capital adequacy indicators (%)					
Core tier-one capital adequacy ratio ⁽⁷⁾	11.95	12.85	9.92	11.01	8.71
Tier-one capital adequacy ratio ⁽⁸⁾	11.95	12.85	9.92	11.01	8.71
Capital adequacy ratio ⁽⁹⁾	12.44	13.39	11.83	13.55	11.54
Shareholders' equity to total assets ratio	8.94	9.19	7.37	7.68	6.13
Assets quality indicators (%)					
Non-performing loan	2.04	2.28	2.45	2.29	1.74
Provision coverage ratio ⁽¹⁰⁾	132.04	131.23	135.87	169.47	222.00
Provision to total loan ratio ⁽¹¹⁾⁽¹²⁾	2.70	2.99	3.33	3.89	3.86
Other indicator (%)					
Loan to deposit ratio ⁽¹³⁾	77.58	72.82	71.96	76.35	67.77



Financial Highlights

Notes:

- (1) Calculated by dividing the net profit for a year by the average balance of total assets at the beginning and the end of that year.
- (2) Calculated by dividing the net profit for a year by the average balance of total equity at the beginning and the end of that year.
- (3) Represents the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing net fee and commission income by operating income.
- (6) Calculated by dividing total operating expenses (net of business tax and surcharges) by operating income.
- (7) Core tier-one capital adequacy ratio = (core tier-one capital — corresponding capital deductions)/risk-weighted assets.
- (8) Tier-one capital adequacy ratio = (tier-one capital — corresponding capital deductions)/risk-weighted assets.
- (9) Capital adequacy ratio = (total capital — corresponding capital deductions)/risk-weighted assets.
- (10) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans and advances.
- (11) Provision to total loan ratio = provision for impairment losses on loans/total loans and advances to customers.
- (12) In accordance with the relevant regulatory requirements, as a non-systematically important bank in China, the Bank's provision for total loan ratio shall follow the minimum standard of 2.5%.
- (13) Calculated by dividing total loans and advances to customers by total customer deposits. The loan to deposit ratio is no longer a regulatory ratio for PRC commercial banks under the amended PRC Commercial Banking Law, which became effective on October 1, 2015.

Management Discussion and Analysis

ENVIRONMENT AND PROSPECT

In 2021, the COVID-19 pandemic continued to spread around the world, and the recovery of the world economy was unstable and unbalanced, with increasing uncertainties. China maintained its leading position in the world in terms of domestic economic development and pandemic prevention and control, while was under triple pressure of contraction of demand, supply shock, and expected weakening. For the year as a whole, the economy maintained its recovery, and the gross domestic product increased by 8.1% year-on-year, well completing the main targets and tasks. The economic operation of Gansu Province, where the Bank's business activities are mainly located, had been stabilized and improved, and its gross regional domestic product exceeded one trillion yuan, up 6.9% year-on-year, marking a good start to the "14th Five-Year Plan".

Facing with the opportunities and challenges brought about by strengthened financial regulation, downward market interest rates, the frontline-oriented services of large-scale banks, changing customer needs, and increasingly mature digital technologies, the expansion of the scale of urban commercial banks generally slowed down, their profitability weakened, and problems such as difficulty in capital replenishment and mounting pressure of risk prevention and control were prominent.

At the same time, the transformation of China's economic structure accelerated, the cultivation of new driving forces was accelerated, innovation became a new engine for economic development, and green and low-carbon transformation provided new driving forces for development. The development of China's economy still tended to be stable and upward in a long run. Gansu Province actively participated in the co-construction of national strategies such as the "Belt and Road" initiative, the Western Development in the New Era, the ecological protection and high-quality development of the Yellow River Basin, and the "Dual Carbon (namely, carbon emission peaking and carbon neutrality)", and a large number of major projects such as that in transportation, water conservancy, energy, ecology, urban pipeline network, and new infrastructure will be implemented at an accelerated pace, providing huge opportunities and favorable conditions for the Bank's high-quality development.

In 2022, the Bank will continue to adhere to its market positioning, deeply integrate itself into the province's overall economic and social development, seize macro policies and regional development opportunities, be led by a five-year development strategy, adhere to the general keynote of seeking progress in a stable manner, focus on the theme of high-quality development, implement the new development concept completely, accurately and comprehensively, so as to realize steady improvement in operation and management and steadily improve quality, to contribute stronger financial strength to local economic and social development.

EVALUATION ON THE IMPACT OF COVID-19 PANDEMIC

Under the impact of the COVID-19 pandemic, the uncertainties of global economy have further increased and the stable development of macro economy is facing great challenges. In 2021, the outbreak of the COVID-19 cases occurred in multiple locations sporadically in China, and the prevention and control of the outbreak continued to be carried out in the areas where it occurred. The Bank continued to implement a series of policies and measures including the Notice of the General Office of the State Council on Further Strengthening the Bailout and Assistance for the Small and Medium-sized Enterprises (Guo Ban Fa [2021] No. 45) (《國務院辦公廳關於進一步加大對中小企業紓困幫扶力度的通知》(國辦發[2021] 45號)), the Notice on Further Strengthening Financial Support for the Prevention and Control of COVID-19 (Yin Fa [2020] No. 29) (《關於進一步強化金融支持防控新型冠狀病毒感染肺炎疫情的通知》(銀發[2020] 29號)), the Guidance Opinions on Further Strengthening Financial Services for Small, Medium and Micro Enterprises (Yin Fa [2020] No. 120) (《關於進一步強化中小微企業金融服務的指導意見》(銀發[2020] 120號)), the Notice on Further Implementing the Phased Delay in Repayment of Principal and Interest of Loans for Small, Medium and Micro Enterprise (Yin Fa [2020] No. 122) (《關於進一步對中小微企業貸款實施階段性延期還本付息的通知》(銀發[2020] 122號)) and the Notice on Increasing the Support of Unsecured Loans for Micro and Small Enterprises (Yin Fa [2020] No. 123) (《關於加大小微企業信用貸款支持力度的通知》(銀發[2020] 123號)), to reduce the burden on enterprises through effective measures such as increasing credit support, lowering interest rates on loans, implementing preferential policies, lowering service fees and charges, etc., so as to help small and medium-sized enterprises to tide over the difficult times, support the real enterprises to resume their work and production in an orderly manner and strengthen financial support for the prevention and control of the pandemic.

Overall, the COVID-19 pandemic has affected the operation of enterprises in certain industries and the overall economic operation, which has affected the quality or return level of the Bank's credit and investment assets to a certain extent. The Bank actively responded to the national call, strictly implemented relevant policies, and formulated a series of financial service work plans according to local conditions, but has not fully hedged the impact of the pandemic on the Bank's financial position and operating conditions.

DEVELOPMENT STRATEGY

The Bank is committed to building itself into a "listed urban commercial bank with high-quality development and a comprehensive financial service provider of the first choice in the region", with value creation as its core mission and high quality development as its core objective, to achieve balanced development in terms of scale, profitability, risk and capital.

To achieve the aforesaid goals, the Bank plans to: (i) build government financial business into a cornerstone business for high-quality development, realize transformation and development of traditional businesses such as retail and corporate, and turn emerging businesses such as special asset operation into profit growth points. (iii) strengthen risk management and control and improve asset quality; (iv) promote the transformation of light capital and optimize the revenue structure; (v) give play to the advantages of provincial urban commercial banks and take the path of characteristics; (vi) strengthen customer management and enhance profit contribution; (vii) enrich the product system effectively and enhance market competitiveness; and (viii) optimize the structure of the talent team to empower high-quality development.

OVERALL BUSINESS REVIEW

The bank recorded a total operating income of RMB6,277.6 million in 2021, representing a decrease of 3.3% as compared to RMB6,493.3 million in 2020. The main reason for the decrease in the Bank's operating income: In 2021, the COVID-19 pandemic burst out in multiple places, which had a certain impact on the social and economic operation and the operation of financial institutions. In particular, from October to November 2021, the cases of COVID-19 pandemic occurred in Lanzhou, Tianshui and other places in Gansu Province, which had a direct impact on the Bank's operations. Meanwhile, the Bank actively adjusted asset and liability structures by reducing non-standardized investment assets, and actively adopted measures such as reducing loan interest rates and reducing or waiving fees and charges to strongly support micro, small and medium-sized enterprises in the province to tide over the difficulties, which also affected the Bank's operating income to a certain extent. The year-on-year slight increase in net profit was mainly attributable to the enhancement of the asset quality of the Bank and the decrease in the provision for asset impairment loss.

As at December 31, 2021, the Bank's total assets amounted to RMB358,504.6 million, representing a year-on-year increase of 4.7%; total loans and advances to customers amounted to RMB198,595.3 million, representing a year-on-year increase of 9.2%; the non-performing loan ratio was 2.04%, representing a decrease of 0.24 percentage point as compared to the end of 2020, mainly because the Bank continued to improve its comprehensive risk management system, implemented a sound and prudent risk appetite and risk management strategy, continuously improved its asset quality control mechanism, strengthened credit access management, optimized its asset structure, and further strengthened its efforts in disposal of non-performing assets, and the real economy has continued to improve in line with a series of supporting policies implemented by the relevant authorities of the PRC, comprehensively facilitating the enhancement of the asset quality of the Bank; total deposits from customers amounted to RMB255,987.9 million, representing a year-on-year increase of 2.5%.

(a) Analysis of the Consolidated Statements of Profit or Loss

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			Percentage change (%)
	2021	2020	Increase or decrease	
Interest income	13,676.2	14,752.9	(1,076.7)	(7.3)
Interest expense	(8,752.0)	(9,002.5)	250.5	(2.8)
Net interest income	4,924.2	5,750.4	(826.2)	(14.4)
Fee and commission income	392.4	379.3	13.1	3.5
Fee and commission expenses	(41.6)	(50.4)	8.8	(17.5)
Net fee and commission income	350.8	328.9	21.9	6.7
Net trading gains	953.1	716.3	236.8	33.1
Net gains/(losses) arising from investment securities	192.1	(1.4)	193.5	–
Net exchange losses	(148.5)	(279.7)	131.2	(46.9)
Other operating income/(expenses), net	5.9	(21.2)	27.1	(127.8)
Operating income	6,277.6	6,493.3	(215.7)	(3.3)
Operating expenses	(2,289.0)	(2,319.5)	30.5	(1.3)
Impairment losses on assets, net of reversals	(3,438.3)	(3,754.5)	316.2	(8.4)
Operating profit	550.3	419.3	131.0	31.2
Share of result of an associate	0.1	1.3	(1.2)	(92.3)
Profit before tax	550.4	420.6	129.8	30.9
Income tax credit	22.9	141.8	(118.9)	(83.9)
Profit for the year	573.3	562.4	10.9	1.9
Profit for the year attributable to:				
– Owners of the Bank	570.7	558.2	12.5	2.2
– Non-controlling interests	2.6	4.2	(1.6)	(38.1)
Profit for the year	573.3	562.4	10.9	1.9

Management Discussion and Analysis

Net interest income

The net interest income was the largest component of the Bank's operating revenue, accounting for 88.6% and 78.4% of the operating income in 2020 and 2021, respectively. Such decrease in the percentage for 2021 was mainly attributable to the decrease in the percentage in net interest income as a result of increase in net gains from investment trading and net gains from fees. The table below sets forth the Bank's interest income, interest expenses and net interest income for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			Percentage (%)
	2021	2020	Increase or decrease	
Interest income	13,676.2	14,752.9	(1,076.7)	(7.3)
Interest expense	(8,752.0)	(9,002.5)	250.5	(2.8)
Net interest income	4,924.2	5,750.4	(826.2)	(14.4)

The table below sets forth the average balances of interest-earning assets and interest-bearing liabilities, the related interest income or expenses and the average yield of related assets or average cost of related liabilities of the Bank for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2021			Year ended December 31, 2020		
	Average ⁽¹⁾	Interest income	Average yield ⁽²⁾ (%)	Average balance ⁽¹⁾	Interest income	Average yield ⁽²⁾ (%)
Interest-earning assets						
Loans and advances to customers	185,581.1	10,381.9	5.59	171,553.7	10,088.3	5.88
Investment securities and other financial assets ⁽³⁾	102,251.1	3,086.9	3.02	113,831.3	4,613.5	4.05
Deposits with banks	3,122.0	26.9	0.86	1,525.1	40.1	2.63
Financial assets held under resale agreements and placements with other financial institutions	16,674.6	377.0	2.26	16,645.5	350.5	2.11
Deposits with the central bank ⁽⁴⁾	22,155.1	328.6	1.48	23,420.6	350.6	1.50
Total interest-earning assets	329,783.9	14,201.3	4.31	326,976.2	15,443.0	4.72

Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2021			Year ended December 31, 2020		
	Average Balance ⁽¹⁾	Interest expense	Average cost ⁽²⁾ (%)	Average balance ⁽¹⁾	Interest expense	Average Cost ⁽²⁾ (%)
Interest-bearing liabilities						
Deposits from customers	254,655.4	7,003.7	2.75	248,589.9	7,171.3	2.88
Financial assets sold under repurchase agreements	4,654.4	103.6	2.23	2,768.6	82.8	2.99
Debt securities issued ⁽⁵⁾	27,026.7	868.6	3.21	35,036.7	1,219.2	3.48
Deposits from banks and other financial institutions	16,660.0	642.2	3.85	10,667.5	461.7	4.33
Borrowings from the central bank	6,119.6	129.5	2.12	2,723.7	61.2	2.25
Lease liabilities	244.7	4.4	1.80	301.7	6.3	2.09
Total interest-bearing liabilities	309,360.8	8,752.0	2.83	300,088.1	9,002.5	3.00
Net interest income		5,449.3			6,440.5	
Net interest spread⁽⁶⁾			1.48			1.72
Net interest margin⁽⁷⁾			1.65			1.97

Notes:

- (1) The daily average balances of interest-earning assets and interest-bearing liabilities are derived from our unaudited management accounts of the Bank.
- (2) Calculated by dividing interest income/expense by average balance.
- (3) Primarily includes interest income from debt investments and others; the main difference against interest income is that such item includes interest income from financial assets at fair value through profit or loss classified into net trading gains.
- (4) Primarily includes statutory deposit reserves, surplus deposit reserves and fiscal deposits reserves.
- (5) Primarily includes interbank certificates and tier-two capital bonds.
- (6) Represents the difference between the average yield of total interest-earning assets and the average cost of total interest-bearing liabilities.
- (7) Calculated by dividing net interest income by the daily average balance of interest-earning assets.

The table below sets forth the changes in interest income and interest expense attributable to changes in amount and interest rate for the periods indicated. Changes in amount are measured by changes in average balances, and changes in interest rate are measured by changes in average interest rates. Changes caused by both amount and interest rate have been allocated to changes in amount.



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(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2021 vs 2020 Increase/(decrease) due to		
	Amount ⁽¹⁾	Interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
Interest-earning assets			
Loans and advances to customers	784.1	(497.5)	293.6
Investment securities and other financial assets	(349.7)	(1,172.5)	(1,526.6)
Deposits with banks	13.7	(27.0)	(13.2)
Financial assets held under resale agreements and placements with other financial institutions	0.7	25.0	26.5
Deposits with the central bank	(18.7)	(4.7)	(22.0)
Change in interest income	121.0	(1,340.6)	(1,241.7)
Interest-bearing liabilities			
Deposits from customers	166.8	(323.2)	(167.6)
Financial assets sold under repurchase agreements	42.1	(21.0)	20.8
Debt securities issued	(257.1)	(94.6)	(350.6)
Deposits from banks and other financial institutions	230.7	(51.2)	180.5
Borrowings from the central bank	72.0	(3.5)	68.3
Lease liabilities	(1.0)	(0.9)	(1.9)
Change in interest expense	262.4	(510.1)	(250.5)
Change in net interest income	(141.4)	(830.5)	(991.2)

Notes:

- (1) Represents the average balance for the year minus the average balance for the previous year, multiplied by the average yield/cost for the year.
 - (2) Represents the average yield/cost for the year minus the average yield/cost for the previous year, multiplied by the average balance for the previous year.
 - (3) Represents interest income/expense for the year minus interest income/expense for the previous year.
- (i) **Interest income**

The table below sets forth the principal components of interest income of the Bank for the periods indicated.

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(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2021		2020	
	Amount	% of total (%)	Amount	% of total (%)
Loans and advances to customers	10,381.9	73.1	10,088.3	65.2
Investment securities and other financial assets ⁽¹⁾	3,086.9	21.7	4,613.5	29.9
Deposits with banks	26.9	0.2	40.1	0.3
Financial assets held under resale agreements and placements with other financial institution	377.0	2.7	350.5	2.3
Deposits with the central bank	328.6	2.3	350.6	2.3
Total	14,201.3	100.0	15,443.0	100.0

Note:

- (1) the main difference against interest income is that such item includes interest income from financial assets at fair value through profit or loss classified into net trading gains.

Interest income decreased by 8.0% from RMB15,443.0 million in 2020 to RMB14,201.3 million in 2021, primarily due to a decrease in the average yield of interest-earning assets from 4.72% in 2020 to 4.31% in 2021, which in turn was primarily due to the fact that the Bank actively responded to the national policies, reduced the burden on small and medium-sized enterprises and supported small and medium-sized enterprises to tide over the difficult times through measures such as lowering interest rates on loans; at the same time, the Bank took initiative to adjust the asset structure, enhanced the support for real economy, and reduced the non-standard investment assets which resulted in the year-on-year decrease of interest income.

(A) Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 65.2% and 73.1% of total interest income in 2020 and 2021, respectively. The table below sets forth the average balance, interest income and average yield of loans and advances to customers of the Bank by product for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Average balance ⁽¹⁾	Year ended December 31,				
		2021		2020		
		Interest income	Average yield (%)	Average balance ⁽¹⁾	Interest income	Average yield (%)
Corporate loans	111,636.5	6,989.0	6.26	109,974.0	7,017.5	6.38
Retail loans	45,299.0	2,709.2	5.98	35,950.6	2,243.0	6.24
Discounted bills	28,645.6	683.7	2.39	25,629.1	827.8	3.23
Total loans and advances to customers	185,581.1	10,381.9	5.59	171,553.7	10,088.3	5.88

Note:

- (1) Represents the average of daily balances based on our unaudited management accounts of the Bank.



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(B) Interest income from investment securities and other financial assets

Interest income from investment securities and other financial assets decreased by 33.1% from RMB4,613.5 million in 2020 to RMB3,086.9 million in 2021, primarily due to a 10.2% decrease in the average balance of investment securities and other financial assets, from RMB113,831.3 million in 2020 to RMB102,251.1 million in 2021. The decrease in average balance was primarily due to the fact that the Bank took initiative to adjust the asset structure, and enhanced the support for real economy and reduced the non-standard investment assets. The average yield decreased from 4.05% in 2020 to 3.02% in 2021, mainly due to the fact that the Bank adjusted its standard and non-standard investment portfolios structure.

(C) Interest income from deposits with banks

Interest income from deposits with banks decreased by 32.9% from RMB40.1 million in 2020 to RMB26.9 million in 2021, primarily due to a decrease in the average yield of deposits with banks, from 2.63% in 2020 to 0.86% in 2021, which in turn was mainly due to the new deposits with banks were demand deposits; the average balance of deposits with banks increased by 104.7% from RMB1,525.1 million in 2020 to RMB3,122.0 million in 2021, which was mainly due to the increase in business volume.

(D) Interest income from financial assets held under resale agreements and placements with other financial institutions

Interest income from financial assets held under resale agreements and placements with other financial institutions increased by 7.6% from RMB350.5 million in 2020 to RMB377.0 million in 2021, which was primarily due to a 0.2% increase in the average balance of financial assets held under resale agreements and placements with other financial institutions, from RMB16,645.5 million in 2020 to RMB16,674.6 million in 2021; an increase in the average yield of financial assets held under resale agreements and placements with other financial institutions, from 2.11% in 2020 to 2.26% in 2021.

(E) Interest income from deposits with the central bank

Interest income from deposits with the central bank decreased by 6.3% from RMB350.6 million in 2020 to RMB328.6 million in 2021, primarily due to a 5.4% decrease in the average balance of deposits with the central bank, from RMB23,420.6 million in 2020 to RMB22,155.1 million in 2021. The lower average balance was primarily due to a decrease of required reserve ratio, resulting in a decrease of statutory deposit reserve, and a decrease of surplus deposit reserve,



(ii) Interest expense

The table below sets forth the principal components of interest expense of the Bank for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2021		2020	
	Amount	% of total (%)	Amount	% of total (%)
Deposits from customers	7,003.7	80.0	7,171.3	79.7
Financial assets sold under repurchase agreements	103.6	1.2	82.8	0.9
Debt securities issued	868.6	9.9	1,219.2	13.5
Deposits from banks and other financial institutions	642.2	7.3	461.7	5.1
Borrowings from the central bank	129.5	1.5	61.2	0.7
Lease liabilities	4.4	0.1	6.3	0.1
Total	8,752.0	100.0	9,002.5	100.0

Interest expense decreased by 2.8% from RMB9,002.5 million in 2020 to RMB8,752.0 million in 2021, primarily due to a decrease in the average cost of interest-bearing liabilities, from 3.00% in 2020 to 2.83% in 2021. The decrease in the average cost of interest-bearing liabilities was due to the decrease in market interest rates and the Bank's strengthening of control of the cost of debt. The average balance of interest-bearing liabilities increased by 3.1% from RMB300,088.1 million in 2020 to RMB309,360.8 million in 2021, primarily due to the increase of customer deposits of the Bank in line with business growth.

(A) Interest expense on deposits from customers

Interest expense on deposits from customers decreased by 2.3% from RMB7,171.3 million in 2020 to RMB7,003.7 million in 2021, primarily due to the decrease in the average cost ratio of customer deposits from 2.88% in 2020 to 2.75% in 2021, which was due to lower market interest rates and the reduction of deposit cost by the Bank; the average balance of customer deposits increased by 2.4% from RMB248,589.9 million in 2020 to RMB254,655.4 million in 2021. The increase in the average balance of customer deposits was mainly due to the increase in customer deposits with business growth.

(B) Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements increased by 25.1% from RMB82.8 million in 2020 to RMB103.6 million in 2021 primarily due to a 68.1% increase in the average balance of financial assets sold under repurchase agreements, from RMB2,768.6 million in 2020 to RMB4,654.4 million in 2021. The increase in average balance was mainly due to the increase in repurchase transactions by the Bank. The average cost of financial assets sold under repurchase agreements decreased from 2.99% in 2020 to 2.23% in 2021, which was mainly due to decline of market interest rates.



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(C) Interest expense on debt securities issued

Interest expense on debt securities issued decreased by 28.8% from RMB1,219.2 million in 2020 to RMB868.6 million in 2021, primarily due to a 22.9% decrease in the average balance of debt securities issued, from RMB35,036.7 million in 2020 to RMB27,026.7 million in 2021, which in turn was mainly due to the repayment upon maturity of certain issued bonds. The average cost rate of issued debt securities decreased from 3.48% in 2020 to 3.21% in 2021, which was mainly due to repayment of certain issued bonds with high interest rates upon maturity, which lowered the average cost rates of issued debt securities in general.

(D) Interest expense on deposits from banks and other financial institutions

Interest expense on deposits from banks and other financial institutions increased by 39.1% from RMB461.7 million in 2020 to RMB642.2 million in 2021, primarily due to a 56.2% increase in the average balance of deposits from banks and other financial institutions, from RMB10,667.5 million in 2020 to RMB16,660.0 million in 2021. Such increase in the average balance was primarily because of the fund raising through deposits from banks and other financial institutions. In 2020 and 2021, the average cost of deposits from banks and other financial institutions decreased from 4.33% to 3.85%.

(E) Interest expense on borrowings from the central bank

Interest expense on borrowings from the central bank increased by 111.6% from RMB61.2 million in 2020 to RMB129.5 million in 2021, primarily due to a 124.7% increase in the average balance of borrowings from the central bank, from RMB2,723.7 million in 2020 to RMB6,119.6 million in 2021. Such increase in average balance was primarily due to the increase in new reloans during the period to support small and micro businesses. From 2020 to 2021, the average cost of borrowings from the central bank decreased from 2.25% to 2.12%.

(iii) Net interest spread and net interest margin

Net interest spread decreased from 1.72% in 2020 to 1.48% in 2021, primarily due to a decrease in average yield of total interest-earning assets, from 4.72% to 4.31%. Such decrease in average yield was primarily due to (i) the Bank actively responded to the national policies, reduced the burden on small and medium-sized enterprises, and supported small and medium-sized enterprises to tide over the difficult times through measures such as lowering interest rates on loans; (ii) the Bank took initiative to adjust the asset structure, and enhanced the support for real economy and reduced the non-standard investment assets which resulted in the year-on-year decrease in yield.

Net interest margin decreased from 1.97% in 2020 to 1.65% in 2021, primarily due to (i) the Bank actively responded to the national policies, reduced the burden on small and medium-sized enterprises, and supported small and medium-sized enterprises to tide over the difficult times through measures such as lowering interest rates on loans, meanwhile, the Bank took initiative to adjust the asset structure, and enhanced the support for real economy and reduced the non-standard investment assets which resulted in the year-on-year decrease of interest income; (ii) as the scale of business grew, the average daily scale of the interest-bearing assets of the Bank increased.



(iv) **Non-interest income**

(A) **Net fee and commission income**

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2021	2020	Increase or decrease	Percentage change (%)
Fee and commission income				
Wealth management service fees	76.3	50.4	25.9	51.4
Agency service fees	70.5	68.2	2.3	3.4
Settlement and clearing fees	177.0	190.7	(13.7)	(7.2)
Bank acceptance bill service fees	25.6	41.5	(15.9)	(38.3)
Letters of guarantee fees	10.6	2.3	8.3	360.9
Others ⁽¹⁾	32.4	26.2	6.2	23.7
Subtotal	392.4	379.3	13.1	3.5
Fee and commission expenses	(41.6)	(50.4)	8.8	(17.5)
Net fee and commission income	350.8	328.9	21.9	6.7

Note:

(1) Primarily include guarantee fees and advisory service income.

Net fee and commission income increased by 6.7% from RMB328.9 million in 2020 to RMB350.8 million in 2021, primarily because the Bank actively promoted the light capital transformation, the optimization of business structure and the enhancement of marketing effort for product expansion.

(B) **Net trading gains**

Net trading gains primarily included gains from disposal of financial assets and interest income from financial assets held for trading for the period. We had net trading gains of RMB716.3 million in 2020, and net trading gains of RMB953.1 million in 2021, primarily reflecting gains from disposal of, and holding financial assets. The increase was mainly due to the floating income on fair value of investments assets during the year, resulting from the recovery of the value of investments assets.

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(C) Net gains (losses) arising from investment securities

The net gains arising from investment securities and other financial assets included net gains from selling investment securities and other financial assets and revaluation gains arising from the reclassification of other comprehensive income to gains or losses upon the disposal of assets. The net losses arising from investment securities and other financial assets of the Bank was RMB1.4 million in 2020. The net gains arising from investment securities and other financial assets of the Bank was RMB192.1 million in 2021. The net gains was due to the net trading gains from disposal of investment securities during the year.

(D) Net exchange losses

Net exchange gains mainly included net gains arising out of foreign exchange settlement and translation of foreign exchange investment assets. We had net exchange losses of RMB279.7 million in 2020 and net exchange losses of RMB148.5 million in 2021, primarily reflecting the fluctuation of market exchange rate.

(E) Other operating income (expenses), net

Other operating income mainly included government subsidies, net income from the short-term leasing of fixed assets and assets disposal and others. Other operating expenses of the Bank was RMB21.2 million in 2020. In 2021, the other operating gains of the Bank was RMB5.9 million, mainly due to the increase in government subsidies received and income from disposal of assets during the period.

(v) Operating expenses

Operating expenses decreased by 1.3% from RMB2,319.5 million in 2020 to RMB2,289.0 million in 2021, primarily due to the decrease in premises and equipment expenses resulting from the re-assessment of the remaining service life of the assets of the Bank and adjustment of depreciation life of the assets, resulting in the decrease in depreciation and amortization expenses.

The table below sets forth the principal components of operating expenses of the Bank for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2021	2020	Increase or decrease	Percentage change (%)
Staff costs	1,225.9	1,215.0	10.9	0.9
Premises and equipment expenses	426.6	562.8	(136.2)	(24.2)
General management and administrative	514.4	449.1	65.3	14.5
Business tax and surcharge	122.1	92.6	29.5	31.9
Total	2,289.0	2,319.5	(30.5)	(1.3)
Cost-to-income ratio⁽¹⁾ (%)	34.52	34.30	0.22	0.64

Note:

(1) Calculated by dividing total operating expenses (net of business tax and surcharge) by total operating income.

(A) Staff costs

The table below sets forth the components of staff costs for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,		Increase or decrease	Percentage change (%)
	2021	2020		
Salaries and bonuses	847.5	899.9	(52.4)	(5.8)
Social insurance	212.4	168.2	44.2	26.3
Housing allowances	74.8	72.7	2.1	2.9
Staff welfares	68.3	52.0	16.3	31.3
Labour union and staff education expenses	16.9	16.4	0.5	3.0
Others	6.0	5.8	0.2	3.4
Total staff costs	1,225.9	1,215.0	10.9	0.9

Staff costs increased by 0.9% from RMB1,215.0 million in 2020 to RMB1,225.9 million in 2021, primarily because of the increase in the number of employees during the year and the termination of preferential policies of temporary reduction of or exempt from basic pension insurance, unemployment insurance and work related injury insurance contribution pursuant to the Notice of the Temporary Reduction of and Exempt from Social Insurance by Enterprise issued by the Ministry of Human Resources and Social Security, Ministry of Finance and State Taxation Administration (Ren She Bu Fa ([2020] No. 11) (《人力資源社會保障部財政部稅務總局關於階段性減免企業社會保險費的通知》(人社部發[2020] 11號)) and the Notice on Extension of the Implementation Period of the Policy of Temporary Reduction of and Exempt from Social Insurance Premium for Enterprises (Ren She Bu Fa ([2020] No. 49) (《關於延長階段性減免企業社會保險費政策實施期限等問題的通知》(人社部發[2020] 49號)).

(B) Premises and equipment expenses

Premises and equipment expenses decreased by 24.2% from RMB562.8 million in 2020 to RMB426.6 million in 2021. The decrease in premises and equipment expenses was primarily due to the re-assessment of the remaining service life of the assets of the Bank and adjustment of depreciation life of the assets, resulting in the decrease in depreciation and amortization expenses.

(C) General management and administrative expenses

General management and administrative expenses primarily included business promotion fees, administrative fees, transportation fee and repair expenses. General management and administrative expenses increased by 14.5% from RMB449.1 million in 2020 to RMB514.4 million in 2021, mainly due to the impact of COVID-19 pandemic, resulting in more expenses for pandemic prevention and optimization of business structure and the enhancement of marketing effort for product expansion and related consulting services.

(D) Business tax and surcharge

The Bank pays taxes on interest income from loans, fee and commission income and securities trading gains. Business tax and surcharges of the Bank increased by 31.9% from RMB92.6 million in 2020 to RMB122.1 million in 2021, mainly reflecting the increase in taxes in line with the business growth.

Management Discussion and Analysis

(vi) Impairment losses on credit/assets

The table below sets forth the principal components of impairment losses on credit/assets for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			Percentage change (%)
	2021	2020	Increase or decrease	
Loans and advances to customers	1,472.5	3,104.9	(1,632.4)	(52.6)
Investment assets	1,967.6	650.5	1,317.1	202.5
Other assets	(4.3)	(9.4)	5.1	(54.3)
Acceptance bills, letters of guarantees and unused credit card commitments	2.5	8.5	(6.0)	(70.6)
Total impairment losses on credit/assets	3,438.4	3,754.5	(316.1)	(8.4)

Impairment losses on credit/assets decreased by 8.4% from RMB3,754.5 million in 2020 to RMB3,438.4 million in 2021, mainly due to the decrease in the provision for credit impairment resulting from the improvement of the quality of assets.

Credit impairment losses on loans and advances to customers decreased by 52.6% from RMB3,104.9 million in 2020 to RMB1,472.5 million in 2021, mainly due to the improvement of asset quality in 2021, resulting in a decrease in provision for credit impairment loss.

Credit impairment losses on investment assets increased from RMB650.5 million of provision in 2020 to RMB1,967.6 million of provision in 2021, mainly due to the enhancement of effort to write off non-standard credit assets, resulting in the increase in the impairment on credit.

(vii) Income tax credit

Income tax credit in 2020 was RMB141.8 million while the income tax credit in 2021 was RMB22.9 million. The Income tax credit was mainly due to the provision for asset impairment losses and the enhancement of effort to write off assets and additional deduction on research and development expenses, resulting in the temporary differences of deductible losses, as well as recognition of deferred income tax assets and deferred income tax expenses, resulting in the occurrence of income tax credit.

(b) Analysis of the Consolidated Statement of Financial Position

(i) Assets

As of December 31, 2021 and 2020, the total assets of the Bank were RMB358,504.6 million and RMB342,363.8 million, respectively. Major components of total assets include (i) loans and advances to customers; (ii) investment securities and other financial assets; (iii) deposits with banks; (iv) cash and deposits with the central bank; and (v) financial assets held under resale agreements. The table below sets forth the components of total assets as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021		As of December 31, 2020	
	Amount	% of total (%)	Amount	% of total (%)
Assets				
Loans and advances to customers, gross	198,595.3	55.4	181,825.7	53.0
Provision for impairment losses	(5,354.2)	(1.5)	(5,438.9)	(1.6)
Net loans and advances to customers	193,241.1	53.9	176,386.8	51.4
Investment securities and other financial assets ⁽¹⁾	110,593.4	30.8	105,982.7	31.0
Deposits with banks and placements with other financial institutions	8,779.3	2.4	3,716.1	1.1
Cash and deposits with the central bank	20,660.6	5.8	26,666.7	7.8
Financial assets held under resale agreements	13,092.1	3.7	19,150.1	5.6
Other assets ⁽²⁾	12,138.1	3.4	10,461.4	3.1
Total assets	358,504.6	100.0	342,363.8	100.0

Notes:

- (1) Including financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortized cost.
- (2) Primarily consist of property and equipment, deferred tax assets, interests receivable, interests in an associate and right-of-use assets.

(A) Loans and advances to customers

As of December 31, 2021, the total loans and advances to customers of the Bank were RMB198,595.3 million, representing an increase of 9.2% as compared to the end of last year. Total loans and advances to customers accounted for 55.4% of the total assets of the Bank, representing an increase of approximately 2.4 percentage points as compared to the end of last year.

Management Discussion and Analysis

The table below sets forth loans and advances to customers by product as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021		As of December 31, 2020	
	Amount	% of total (%)	Amount	% of total (%)
Corporate loans	126,837.4	63.8	110,853.4	61.0
Retail loans	48,006.1	24.2	41,359.8	22.7
Discounted bills	23,751.8	12.0	29,612.5	16.3
Total loans and advances to customers	198,595.3	100.0	181,825.7	100.0

Loans and advances to customers are the largest component of total assets. The Bank offers a variety of loan products, substantially all of which are denominated in Renminbi. Loans and advances to customers, net of provisions for impairment losses, represented 53.9 % and 51.4% of total assets as of December 31, 2021 and 2020, respectively.

The Bank's corporate loans increased by 14.4% from RMB110,853.4 million as of December 31, 2020 to RMB126,837.4 million as of December 31, 2021, the increase in corporate loans was primarily due to the Bank's positive response to national policies by adjusting the asset structure and enhancing the support for real economy.

The Bank's retail loans mainly comprise of personal business loans, personal consumption loans and residential and commercial mortgage loans. The Bank's retail loans increased by 16.1% from RMB41,359.8 million as of December 31, 2020 to RMB48,006.1 million as of December 31, 2021, primarily due to (i) the increased efforts of the Bank to develop the credit card overdraft business; and (ii) the adjustment of the Bank's loan portfolio to increase consumption loans.

Loans and advances to customers by type of collateral

The table below sets forth loans and advances to customers by type of collateral as of the dates indicated. If a loan is secured by multiple forms of collateral, the classification is based on the primary form of collateral.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021		As of December 31, 2020	
	Amount	% of total (%)	Amount	% of total (%)
Collateralized loans	86,698.8	43.7	83,120.4	45.7
Pledged loans	12,738.4	6.4	14,706.2	8.1
Guaranteed loans	72,524.4	36.5	60,822.4	33.5
Unsecured loans	26,633.7	13.4	23,176.7	12.7
Total loans and advances to customers	198,595.3	100.0	181,825.7	100.0

As of December 31, 2020 and 2021, collateralized loans, pledged loans and guaranteed loans in the aggregate represented 87.3% and 86.6% of total loans and advances to customers, respectively. Collateralized loans and pledged loans are subject to loan-to-value ratio limits based on the type of collateral. We usually only accept guarantees provided by listed companies or guarantee companies. We evaluate a guarantee company based on its size, credit history and risk-resistance level, as well as the value and quality of any collateral provided by the borrower.



Unsecured loans increased by 14.9% from RMB23,176.7 million as of December 31, 2020 to RMB26,633.7 million as of December 31, 2021. The increase of unsecured loans was primarily due to the successive launching of certain unsecured online loan products by utilizing big data resources and the enhancement on the development of the credit card overdraft business in 2021.

Change to the provisions for impairment losses on loans and advances to customers

The table below sets forth the change to the provisions for impairment losses on loans and advances to customers as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	2021	2020
As of January 1	5,438.9	5,682.4
Charge for the year	1,472.5	3,104.9
Write-offs for the year and others	(1,613.8)	(3,463.1)
Reversal of write-offs of loans and advances for the previous years	56.6	114.7
As of December 31	5,354.2	5,438.9

Provisions for impairment losses on loans and advances to customers decreased by 1.60% from RMB5,438.9 million as of December 31, 2020 to RMB5,354.2 million as of December 31, 2021, primarily due to provision for write-offs and other consumption loans exceeding provision for the loans for the period.

(B) Investment securities and other financial assets

As of December 31, 2021 and 2020, the Bank's investment securities and other financial assets (original value) were RMB111,983.2 million and RMB107,339.9 million, representing 31.2%% and 31.4% of its total assets, respectively.

Investment securities and other financial assets primarily include debt securities, asset management plans issued by other financial institutions, trust plans, wealth management products and fund products and others.

Investment securities and other financial assets (original value) increased by 4.3% from RMB107,339.9 million as of December 31, 2020 to RMB111,983.2 million as of December 31, 2021. This increase was primarily due to the adjustment of the Bank's investment portfolio to increase standard investment assets after taking into account the investment factors, market conditions and other factors.

Management Discussion and Analysis

(ii) Liabilities

As of December 31, 2021 and 2020, the total liabilities were RMB326,448.2 million and RMB310,899.0 million, respectively. Major components of the liabilities include (i) deposits from customers; (ii) deposits from banks and other financial institutions; (iii) financial assets sold under repurchase agreements; (iv) debt securities issued; (v) borrowings from the central bank; (vi) other liabilities. The table below sets forth the components of total liabilities as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021		As of December 31, 2020	
	Amount	% of total (%)	Amount	% of total (%)
Deposits from customers	255,987.9	78.4	249,677.7	80.4
Deposits from banks and other financial institutions	17,844.1	5.5	11,625.7	3.7
Financial assets sold under repurchase agreements	6,051.5	1.9	8,730.1	2.8
Debt securities issued	28,883.3	8.8	23,551.5	7.6
Borrowings from the central bank	7,055.1	2.2	6,620.2	2.1
Other liabilities ⁽¹⁾	10,626.3	3.2	10,693.8	3.4
Total liabilities	326,448.2	100.0	310,899.0	100.0

Note:

(1) Primarily include interest payables, taxes payable, accrued staff costs, lease liabilities and deferred tax liabilities.

(A) Deposits from customers

Deposits from customers are the largest component of total liabilities. As of December 31, 2020 and 2021, deposits from customers represented 80.4% and 78.4% of the total liabilities, respectively.

We offer RMB-denominated demand and time deposit products to corporate and retail customers. The table below sets forth deposits from customers by product and customer type as of the dates indicated

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021		As of December 31, 2020	
	Amount	% of total (%)	Amount	% of total (%)
Corporate deposits				
Demand deposits	57,145.2	22.3	60,133.9	24.1
Time deposits	20,101.6	7.9	22,260.6	8.9
Subtotal	77,246.8	30.2	82,394.5	33.0
Retail deposits				
Demand deposits	35,183.9	13.8	31,259.5	12.5
Time deposits	129,059.5	50.4	117,781.6	47.2
Subtotal	164,243.4	64.2	149,041.1	59.7
Pledged deposits	10,108.2	3.9	11,845.7	4.7
Others	4,389.5	1.7	6,396.4	2.6
Total deposits from customers	255,987.9	100.0	249,677.7	100.0

Total deposits from customers increased by 2.5% from RMB249,677.7 million as of December 31, 2020 to RMB255,987.9 million as of December 31, 2021. The increases in deposits from customers were primarily attributable to our enhanced marketing efforts to grow retail deposits scale.

Management Discussion and Analysis

(B) Debts securities issued

In April 2017, the Bank issued financial bonds in an aggregate principal amount of RMB1,000.0 million. The bonds have a term of five years and bear an interest rate of 5.00% per annum.

From January 1, 2021 to December 31, 2021, the Bank issued several tranches of zero-coupon interbank certificates in an aggregate face value of RMB63,040.0 million. These interbank certificates have terms of one month to one year and bear effective interest rates between 2.4% and 3.6% per annum.

(iii) Shareholders' equity

The table below sets forth the change in Shareholders' equity of the Bank for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021		As of December 31, 2020	
	Amount	% of total (%)	Amount	% of total (%)
Share capital	15,069.8	47.0	15,069.8	47.9
Capital reserve	5,956.4	18.6	5,955.5	18.9
Defined benefit scheme reserve	(3.9)	–	(2.8)	–
Investment revaluation reserve	157.1	0.5	137.2	0.4
Surplus reserve	1,727.9	5.4	1,616.0	5.2
General reserve	4,955.9	15.4	4,539.0	14.4
Retained earnings	4,155.7	13.0	4,113.9	13.1
Non-controlling interests	37.5	0.1	36.2	0.1
Total equity	32,056.4	100.0	31,464.8	100.0



(c) Asset quality analysis

(i) Breakdown of loans by the five-category classification

The Bank's non-performing loans are classified into substandard, doubtful and loss-making loans and advances to customers. As of December 31, 2021, the Bank's non-performing loans amounted to RMB4,054.9 million. The table below sets forth loans and advances to customers by loan classification as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021		As of December 31, 2020	
	Amount	% of total (%)	Amount	% of total (%)
Normal	187,139.0	94.3	170,790.3	93.9
Special mention	7,401.4	3.7	6,890.8	3.8
Substandard	1,041.6	0.5	1,055.9	0.6
Doubtful	1,820.8	0.9	2,553.2	1.4
Loss	1,192.5	0.6	535.5	0.3
Total loans and advances to customers	198,595.3	100.0	181,825.7	100.0
Non-performing loans and non-performing loan ratio⁽¹⁾	4,054.9	2.04	4,144.6	2.28

Note:

(1) Calculated by dividing non-performing loans by total loans and advances to customers.

As of December 31, 2021 and 2020, the non-performing loan ratios of the Bank were 2.04% and 2.28%, respectively, representing a decrease of 0.24 percentage point.

Management Discussion and Analysis

(ii) Concentration of loans

(A) Concentration by industry and distribution of non-performing loans

The table below sets forth the breakdown of loans and non-performing loans by industry as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021				As of December 31, 2020			
	Loan amount	% of total (%)	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	% of total (%)	Non- performing loan amount	Non- performing loan ratio (%)
Corporate loans								
Wholesale and retail	12,316.7	6.2	1,024.8	8.32	15,077.9	8.3	814.7	5.40
Manufacturing	28,447.7	14.3	342.2	1.20	21,603.0	11.9	636.7	2.95
Agriculture, forestry, animal husbandry and fishing	8,513.5	4.3	384.4	4.51	7,955.7	4.4	349.3	4.39
Construction	11,681.2	5.9	291.9	2.50	12,364.9	6.8	320.9	2.60
Real estate	11,533.1	5.8	45.0	0.39	13,176.7	7.2	45.0	0.34
Mining	5,382.0	2.7	15.4	0.29	5,186.1	2.9	13.1	0.25
Water, environment and public facility management	3,495.8	1.8	0.0	0.00	2,494.2	1.4	0.0	0.00
Culture, sports and entertainment	4,618.8	2.3	1.0	0.02	3,428.7	1.9	29.6	0.86
Leasing and business services	18,483.9	9.3	94.8	0.51	10,080.6	5.5	42.7	0.42
Electricity, heating power, gas and water production and supply	2,111.3	1.1	20.5	0.97	3,064.6	1.7	23.4	0.76
Transportation, storage and services	7,990.2	4.0	34.2	0.43	5,344.8	2.9	23.0	0.43
Education	1,602.6	0.8	0.2	0.01	1,585.9	0.9	0.0	0.00
Accommodation and catering	2,686.8	1.3	63.5	2.36	2,654.1	1.4	66.1	2.49
Financial	4,575.0	2.3	0.0	0.00	1,860.0	1.0	0.0	0.00
Health and social services	2,161.2	1.1	0.0	0.00	2,230.1	1.2	3.8	0.17
Residents and other services	505.3	0.2	22.2	4.39	1,215.3	0.7	1.1	0.09
Scientific research, technical service and geological prospecting	613.8	0.3	19.9	3.25	1,315.6	0.7	20.0	1.52
Information transmission, computer service and software	116.7	0.1	9.4	8.04	118.5	0.1	9.7	8.18
Public administration, social security and social organizations	1.8	0.0	0.0	0.00	96.7	0.1	0.0	0.00
Retail loans	48,006.1	24.2	1,685.5	3.51	41,359.8	22.7	1,745.5	4.22
Discounted bills	23,751.8	12.0	0.0	0.00	29,612.5	16.3	0.0	0.00
Total amount	198,595.3	100.0	4,054.9	2.04	181,825.7	100.0	4,144.6	2.28

Note: Non-performing loan ratio of an industry is calculated by dividing the balance of non-performing loans of the industry by the balance of loans granted to the industry.

Loans to borrowers in the manufacturing, leasing and business services, wholesale and retail, construction, real estate industries represented the largest components of the Bank's corporate loan portfolio. Loans to these industries accounted for 65.2% and 65.0% of total corporate loans as of December 31, 2020 and 2021, respectively.

(B) Borrower concentration

Loans to the 10 largest single borrowers

The following table sets forth the 10 largest single borrowers (excluding group borrowers) as reported to the PRC regulator as of December 31, 2021 and the balances of loans to these borrowers, all of which were classified as normal.

(Expressed in millions of RMB, unless otherwise stated)		As of December 31, 2021	
Customers	Industries involved	Amount	% of total loans (%)
Borrower A	Manufacturing	8,000.0	4.0
Borrower B	Leasing and business services	2,452.0	1.2
Borrower C	Construction	2,400.0	1.2
Borrower D	Leasing and business services	2,018.0	1.0
Borrower E	Leasing and business services	2,008.0	1.0
Borrower F	Financial	1,800.0	0.9
Borrower G	Manufacturing	1,600.0	0.8
Borrower H	Leasing and business services	1,473.0	0.7
Borrower I	Leasing and business services	1,358.0	0.7
Borrower J	Leasing and business services	1,300.0	0.7
Total		24,409.0	12.3

Management Discussion and Analysis

(C) Non-performing loans by product

The table below sets forth Bank's loans and non-performing loans by product type as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021			As of December 31, 2020		
	Loan amount	Non-performing loan amount	Non-performing loan ratio ⁽¹⁾ (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio ⁽¹⁾ (%)
Corporate loans						
Working capital loans	81,466.1	2,309.9	2.84	68,982.6	1,842.3	2.67
Fixed asset loans	45,356.8	45.0	0.10	41,330.0	45.0	0.11
Others ⁽²⁾	14.5	14.5	100.00	540.8	511.8	94.64
Sub-total	126,837.4	2,369.4	1.87	110,853.4	2,399.1	2.16
Retail loans						
Personal business loans	5,479.1	1,038.7	18.96	6,572.6	1,246.3	18.96
Personal consumption loans	18,104.6	328.1	1.81	13,877.0	234.9	1.69
Residential and commercial	24,422.4	318.7	1.30	20,910.2	264.3	1.26
Sub-total	48,006.1	1,685.5	3.51	41,359.8	1,745.5	4.22
Discounted bills	23,751.8	0.0	0.00	29,612.5	0.0	0.00
Total loans	198,595.3	4,054.9	2.04	181,825.7	4,144.6	2.28

Notes:

(1) Calculated by dividing non-performing loans by loans and advances to customers of each product category.

(2) Primarily consist of advances for bank acceptance bill.

The non-performing loan ratio of corporate loans decreased by 0.29 percentage point from 2.16% as of December 31, 2020 to 1.87% as of December 31, 2021.

The non-performing loan ratio of retail loans decreased by 0.71 percentage point from 4.22% as of December 31, 2020 to 3.51% as of December 31, 2021.

(D) Loan aging schedule

The table below sets forth the loan aging schedule for loans and advances to customers as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021		As of December 31, 2020	
	Amount	% of total (%)	Amount	% of total (%)
Loans not overdue	189,841.2	95.6	171,082.8	94.1
Loans past due for:				
1 to 90 days	5,356.9	2.7	7,011.9	3.9
91 days to 1 year	1,134.4	0.6	1,607.7	0.9
1 to 3 years	1,825.7	0.9	1,897.0	1.0
3 years or more	437.1	0.2	226.3	0.1
Subtotal	8,754.1	4.4	10,742.9	5.9
Total loans and advances to customers	198,595.3	100.0	181,825.7	100.0

(d) Segments information

(i) Summary of business segment

We operate three principal lines of business: corporate banking, retail banking and financial market operations. The table below sets forth the operating income for each of our principal business segments for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2021		2020	
	Amount	% of total (%)	Amount	% of total (%)
Corporate banking	2,551.4	40.6	2,510.1	38.7
Retail banking	2,348.5	37.4	2,015.3	31.0
Financial market operations	1,453.8	23.2	2,242.6	34.5
Others ⁽¹⁾	(76.1)	(1.2)	(274.8)	(4.2)
Total operating income	6,277.6	100.0	6,493.2	100.0

Note:

- (1) Primarily represent assets, liabilities, income and expenses which cannot be directly attributable or cannot be allocated to a segment on a reasonable basis.



Management Discussion and Analysis

(ii) Summary of geographical segment information

No geographical information is presented as most of the Group's operations are conducted in Gansu Province of the PRC and all non-current assets are located in Gansu Province of the PRC and the revenue is derived from local activities there.

(e) Off-balance sheet commitments

Off-balance sheet commitments primarily consist of bank acceptances, letters of guarantee, operating lease commitments and capital commitments. The table below sets forth our contractual amounts of off-balance sheet commitments as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021	As of December 31, 2020
Credit commitments		
Bank acceptances ⁽¹⁾	16,141.0	18,488.8
Letters of guarantee ⁽²⁾	1,926.1	1,686.5
Letters of credit	1,457.9	903.8
Unused credit card commitment	7,979.0	5,857.3
Subtotal	27,504.0	26,936.4
Capital commitments	61.1	30.2
Total	27,565.1	26,966.6

Notes:

- (1) Bank acceptances refer to our undertakings to pay bank bills drawn on our customers.
- (2) The Bank issues letters of credit and guarantee to third parties to guarantee our customers' contractual obligations.

Off-balance sheet commitments increased by 2.2% from RMB26,966.6 million as of December 31, 2020 to RMB27,565.1 million as of December 31, 2021. The increase in off-balance sheet commitments were primarily due to the enhancement of the promotion effort on credit card business of the Bank in 2021 and the unused limit of credit card has significantly increased.



(f) Miscellaneous

1. During the Reporting Period, the Bank actively promoted the development of inclusive business. The Bank promoted the establishment of the “Rural Revitalization Finance Department” and established the Inclusive Finance Department and the Rural Revitalization Finance Department in 19 first-level branches, systematically forming a bank-wide financial service system and an organizational guarantee system to support inclusive finance and rural revitalization. As at the end of 2021, the Banks’ balance of the loans for inclusive small and micro enterprises amounted to RMB10.348 billion, with the total investment of RMB7.736 billion. The number of inclusive small and micro customers was 8,143, with an accumulated support of 5,550 inclusive small and micro customers in the year; the average interest rate of loans for inclusive small and micro enterprises was 6.53%. Firstly, the Bank implemented the extension policy, handled a total of RMB1,338 million of the deferred principal repayment. Secondly, the Bank carried out the first loan campaign, and won 644 new first loan customers, among which 288 were corporate customers with a loan amount of RMB5,315 million; 356 were personal customers with a loan amount of RMB61 million; thirdly, the Bank assisted in the resumption of work and production. RMB7.736 billion loans were granted to 5,550 inclusive small and micro enterprises throughout the year; fourthly, we innovated in financial products, launched the “anti-pandemic loans” product, and offered 34 loans to 33 anti-pandemic enterprises with a total loan amount of RMB155 million. The Bank promoted “entrepreneurial loans” for the unemployed and entrepreneurs, allocated 1,565 loans with a total loan amount of RMB197 million. We developed the “government procurement loans” product, which invested RMB165 million. We launched the “quick housing loans” product and realized online application, real-time approval and recycling, with the total investment of RMB609 million. We launched the “small and micro e-loan” product, which provides online business credit loans to small and micro enterprises and individual entrepreneurs at an interest rate as low as 4.7% to make it easier and less costly for small and micro enterprises to obtain financing. The balance of RMB427 million of “small and micro e-loan” during the year was allocated to 2,559 enterprises, effectively solving the problem of growth in the number of loan customers for inclusive small and micro enterprises.

Management Discussion and Analysis

1.1 BUSINESS REVIEW

(a) Corporate banking

The Bank offers corporate customers a broad range of financial products and services, including loans, discounted bills, deposits and fee and commission-based products and services. The Bank's corporate customers primarily include government agencies, public organizations, SOEs, private enterprises and foreign-invested enterprises. The Bank is committed to serving local customers with a focus on small and micro enterprises.

In addition, the Bank commits to seeking to develop long-term relationships with customers by closely monitoring their financial needs and by offering tailored financial solutions. As of December 31, 2021, the Bank had over 3,332 corporate borrowers with total loans of RMB126,837.4 million, and more than 84,098 corporate deposit customers with total deposits of RMB77,246.8 million. In 2020 and 2021, operating income from the Bank's corporate banking business accounted for 38.7% and 40.6% of its total operating income, respectively. The table below sets forth the financial performance of the Bank's corporate banking business for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,		Percentage change (%)
	2021	2020	
Net external interest income ⁽¹⁾	4,959.0	4,887.9	1.5
Net inter-segment interest expenses ⁽²⁾	(2,544.5)	(2,588.6)	(1.7)
Net interest income	2,414.5	2,299.3	5.0
Net fees and commission income	137.0	210.7	(35.0)
Operating income	2,551.5	2,510.0	1.7
Operating expenses	(930.3)	(896.6)	3.8
Impairment losses on assets	(810.7)	(2,736.1)	(70.4)
Operating profit/(loss)	810.5	(1,122.7)	(172.2)
Profit/(loss) before tax	810.5	(1,122.7)	(172.2)

Notes:

(1) Represents net income and expenses from third parties.

(2) Represents inter-segment expenses and consideration of transfer.

(i) Corporate loans

Corporate loans constituted the largest component of the Bank's loan portfolio. As of December 31, 2021 and 2020, corporate loans amounted to RMB126,837.4 million and RMB110,853.4 million, accounting for 63.8% and 61.0% of the Bank's total loans and advances to customers, respectively.

(ii) Discounted bills

The Bank purchases bank and commercial acceptance bills with remaining maturities of up to one year at discounted prices from banks and corporate customers to satisfy their short-term funding needs. As of December 31, 2021 and 2020, discounted bills totaled RMB23,751.8 million and RMB29,612.5 million, accounting for 12.0% and 16.3% of the Bank's total loans and advances to customers, respectively.

(iii) Corporate deposits

The Bank accepts demand and time deposits denominated in Renminbi and major foreign currencies (including USD, HKD and EUR) from corporate customers. As of December 31, 2021 and 2020, corporate deposits totaled RMB77,246.8 million and RMB82,394.5 million, accounting for 30.2% and 33.0% of the Bank's total customer deposits, respectively.

(iv) Fee and commission-based products and services

The Bank offers corporate customers a broad range of fee and commission-based products and services, primarily including wealth management services, entrusted loans, settlement services and other fee-and commission-based products and services.

(A) *Wealth management services*

The Bank offers corporate customers a broad range of wealth management products based on their risk and return preferences. The Bank invests funds from these wealth management products primarily in bonds, interbank deposits, money market instruments and other fixed income products portfolio.

In 2021 and 2020, wealth management products sold to corporate customers totaled RMB276.0 million and RMB212.9 million, respectively.

(B) *Entrusted loans*

The Bank provides loans on behalf of corporate customers to borrowers designated by them based on the use of funds, principal amount and interest rates for the loans determined by such corporate customers. The Bank monitors the use of entrusted loans by borrowers and assists corporate customers in recovering these loans.

The Bank charges agency fees based on the principal amount of entrusted loans. The Bank's corporate customers bear the risk of default associated with these loans. In 2021 and 2020, service fees charged to corporate customers for entrusted loans totaled RMB16.0 million and RMB17.3 million, respectively.

(C) *Settlement services*

The Bank offers corporate customers domestic and international settlement services.

Domestic Settlement Services. The Bank provides domestic settlement services in the form of Bank acceptance bills, collections and telegraphic transfers. In 2020 and 2021, the Bank's total domestic settlement transaction volumes were approximately RMB840.28 billion and RMB925.19 billion, respectively.

International Settlement Services. The Bank obtained approval to provide international settlement services in January 2014. The Bank's international settlement services primarily include remittance, collection, letters of credit and letters of guarantee.

In 2020 and 2021, the Bank's international settlement transaction volumes were US\$103 million and US\$244 million, respectively.

Management Discussion and Analysis

(D) Other fee and commission-based products and services

The Bank offers other fee and commission-based products and services to corporate customers, such as guarantee services, foreign exchange services and bond underwriting and distribution.

(h) Retail banking

The Bank offers retail customers a wide range of financial products and services, including loans, deposits, bank card services and fee and commission-based products and services. The Bank has a large retail customer base.

As of December 31, 2021, we had 136,784 retail borrowers with total loans of RMB48,006.1 million and over 8.1039 million retail deposit customers with total deposits of RMB164,243.4 million. In 2021 and 2020, operating income from the Bank's retail banking business accounted for 37.4% and 31.0% of our total operating income, respectively.

The Bank categorizes retail banking customers into regular customers (with average financial asset balances of under RMB50,000), wealth management customers (with average financial asset balances of RMB50,000 or above but less than RMB200,000), wealthy customers (with average financial asset balances of RMB200,000 or above but less than RMB3.0 million) and private banking customers (with average financial asset balances of RMB3.0 million or above).

As of December 31, 2021, the Bank had over 255,800 wealthy customers and over 1,985 private banking customers. The Bank continues to grow our wealthy customer and private banking customer base by expanding its product and service portfolio. The table below sets forth the financial performance of its retail banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,		Percentage change (%)
	2021	2020	
Net external interest expenses ⁽¹⁾	(2,264.4)	(2,798.7)	(19.1)
Net inter-segment interest income ⁽²⁾	4,581.9	4,763.5	(3.8)
Net interest income	2,317.5	1,964.8	18.0
Net fee and commission income	31.0	50.4	(38.5)
Operating income	2,348.5	2,015.2	16.5
Operating expenses	(856.3)	(719.9)	18.9
Impairment losses on assets	(661.2)	(389.2)	69.9
Operating profit	831.0	906.1	(8.3)
Profit before tax	831.0	906.1	(8.3)

Notes:

- (1) Represents net income and expenses from third parties.
- (2) Represents inter-segment expenses and consideration of transfer.

(i) Retail loans

The Bank offers retail customers personal business loans, personal consumption loans and personal residential and commercial mortgage loans. As of December 31, 2021 and 2020, total retail loans were RMB48,006.1 million and RMB41,359.8 million, accounting for 24.2% and 22.7% of the Bank's total loans and advances to customers, respectively.

(ii) Retail deposits

The Bank accepts demand and time deposits denominated in Renminbi and major foreign currencies from retail customers. As of December 31, 2021 and 2020, retail deposits totaled RMB164,243.4 million and RMB149,041.1 million, accounting for 64.2% and 59.7% of the Bank's total customer deposits, respectively.

(iii) Bank card services

(A) Debit cards

The Bank issues debit cards denominated in Renminbi to retail customers holding deposit accounts with it. Customers may use debit cards for a variety of purposes, such as cash deposits and withdrawals, transfers, payments, settlements, consumption, bill payments, financing and wealth management. The Bank provides cardholders with differentiated services by classifying debit cards into basic cards, gold cards, platinum cards and diamond cards based on a Bank cardholder's deposit balances.

To expand its customer base and service scope, the Bank issues the following debit cards in cooperation with government agencies and public organizations:

- **Social Security Card (社會保障卡):** The Bank works with the Department of Human Resources and Social Security of Gansu Province (甘肅省人力資源和社會保障廳) to issue social security cards, which can be used for making social security contributions and social security information inquiries.
- **Housing Provident Fund Co-branded Cards (公積金聯名卡):** The Bank works with the local housing provident fund management center to issue housing provident fund co-branded cards, which can be used for withdrawal and transfer of housing provident funds, loan distribution and account inquiries.
- **Longyuan Transportation Cards (隴原交通卡):** The Bank works with the Gansu Provincial Expressway Administration to issue IC financial cards, which can be used for paying expressway tolls electronically.
- **Veteran Card (退役軍人保障卡):** The IC financial cards issued by the Bank in partnership with Gansu Provincial Veterans Affairs Office, which targets veterans and soldiers' dependents in the province, providing exclusive financial management, savings products, exclusive guarantees, and exclusive VIP services for cardholders.
- **Longjin Card (隴警卡):** The IC financial cards issued by the Bank in partnership with Gansu Provincial Public Security Department, which targets public security officers and their dependents in the province, providing exclusive financial management, savings products, and exclusive VIP services for cardholders.
- **Gardener's Card (園丁卡):** The IC financial cards issued by the Bank in partnership with Lanzhou Municipal Education Bureau, which targets teaching staff, providing exclusive financial management, savings products, and exclusive VIP services for cardholders.

In addition, to enhance its brand recognition, the Bank cooperates with local governments to issue theme cards based on regional characteristics of Gansu Province, such as the Golden Tower Golden Poplar Card (金塔金胡楊卡), Xionguan Card (雄關卡), the Journey of Xuanzang Card (玄奘之路卡) and Long Nan Landscape Card (隴南山水卡). The Bank also cooperates with various institutions in issuing co-branded cards, including the Gansu Police Vocational College Co-branded Card (甘肅警察職業學校聯名卡), Tianshui Reli Co-branded Card (天水熱力聯名卡) and Qingyang Labor Benefit Card (慶陽工惠卡).

As of December 31, 2021, the Bank had issued approximately 8.89 million debit cards. As of December 31, 2021 and 2020, holders of these debit cards conducted transactions of approximately RMB76,933.6 million and RMB57,813.3 million, respectively.



Management Discussion and Analysis

(B) Credit cards

On the basis of a thorough investigation of the market, the Bank integrated and upgraded the credit card system using leading financial technology and big data and officially issued credit cards with a certain credit limit to the public on November 11, 2019. Cardholders can spend up to the credit limit first and then make payment to the Bank, and are entitled to financial services such as consumer credit, cash deposit and withdrawal and settlement by transfer of account. Credit cards issued by the Bank are classified into general cards, gold cards, platinum cards and diamond cards according to different credit ratings.

As of December 31, 2021, the Bank had issued 551,844 credit cards, including 528,454 credit cards and 23,390 business cards. The revolving credit card line was RMB10,414 million, of which RMB9,904 million and RMB510 million were granted to credit cards and business cards, respectively. Balance of overdraft recorded was RMB2,442.6543 million, of which RMB2,408.2576 million and RMB34.3967 million were made by holders of credit cards and business cards, respectively. Overdraft accounts reached 218,532, including 215,632 credit card accounts and 2,900 business card accounts. The total credit card income amounted to RMB155.7707 million, of which RMB108.4829 million was recorded by intermediary business, and RMB47.2878 million was included in interest income.

(C) POS settlement services

As a payment settlement service provider, the Bank provides selected merchants with transaction fund settlement services. As of December 31, 2021, the Bank had 80,000 selected merchant customers for POS settlement services and the total settlement amount was approximately RMB32,282 million and RMB25,948 million as at 31 December 2021 and 2020, respectively.

(iv) Fee and commission-based products and services

The Bank offers retail customers a wide range of fee and commission-based products and services, primarily including wealth management services, agency services and payroll and payment agency services.

(A) Wealth management services

The Bank offers retail customers wealth management products under its Huifu (匯福) series based on their risk and return preferences. The Bank invests funds from these wealth management products primarily in bonds, interbank deposits, money market instruments and other fixed income products. In 2021 and 2020, wealth management products sold to retail customers totaled RMB58,127.12 million and RMB 44,400.07 million, respectively. As of December 31, 2021, the Bank had over 187,651 retail wealth management clients and the return rate of its retail wealth management products was between 3.72% and 4.45% in 2021.

(B) Agency services

The Bank sells insurance and precious metal products to retail customers as an agent.

Insurance Products: As of December 31, 2021, the Bank had entered into agency agreements with 3 nationwide insurance companies to promote and distribute their insurance products.

Precious Metal Products: the Bank received approval to sell precious metals on an agency basis in China in August 2015. In 2021 and 2020, the Bank sold an aggregate of RMB81.72 million and RMB71.19 million of precious metal products, respectively.

In October 2017, Dunhuang Research Academy granted the Bank an exclusive license to jointly develop and sell precious metal products featuring Mogao Grottoes. In addition, the Bank has completed the development of a fund agent system and fund qualification training for its employees.

(C) Payroll and payment agency services

Payroll Services: the Bank provides payroll services to governmental agencies, public organizations and enterprises customers. As of December 31, 2021, the Bank had over 3,930,522 payroll customers. In 2021 and 2020, the Bank paid, in the role of paying agent, average monthly salaries of approximately RMB3,824.33 million and RMB2,516.78 million, respectively.

Payment Agency Services: the Bank offers customers payment agency services related to daily living expenses (such as utilities costs) through its broad distribution network.

(D) Other fee and commission-based products and services

The Bank offers other fee and commission-based products and services to retail customers, such as fund transfer, remittance and acceptance services.

(i) Financial market operations

The Bank's financial market operations, primarily including money market transactions, investment business and investment in interbank wealth management products, are one of its most important revenue sources. In 2021 and 2020, operating income from financial market operations accounted for 23.2% and 34.5% of its total operating income, respectively. The table below sets forth the financial performance of the Bank's financial market operations for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,		Percentage change (%)
	2021	2020	
Net external interest income ⁽¹⁾	2,229.7	3,661.2	(39.1)
Net inter-segment interest expenses ⁽²⁾	(2,037.5)	(2,175.0)	(6.3)
Net interest income	192.2	1,486.2	(87.1)
Net fee and commission income	116.3	41.5	180.2
Net trading gains	953.1	716.3	33.1
Net income/(loss) arising from investment securities	192.1	(1.4)	–
Operating income	1,453.7	2,242.6	(35.2)
Operating expenses	(530.1)	(801.1)	(33.8)
Impairment losses on assets	(1,968.2)	(630.2)	212.3
Operating (loss)/profit	(1,044.6)	811.3	(228.8)
(Loss)/profit before tax	(1,044.6)	811.3	(228.8)

Notes:

- (1) Represents net income and expenses from third parties.
- (2) Represents inter-segment expenses and consideration of transfer.

Management Discussion and Analysis

(i) Money market transactions

The Bank adjusts its liquidity using various monetary market instruments and earns interest income from money market transactions. Money market transactions primarily include (i) interbank deposits; (ii) placements with other financial institutions; and (iii) repurchase and reverse repurchase transactions.

(A) Interbank deposits

The Bank deposits funds with and withdraws funds from banks and other financial institutions to manage our assets and liabilities. The Bank accepts deposits from banks and other financial institutions and deposit money in banks and other financial institutions, and also engages in other interbank transactions with certain of these banks and financial institutions.

As of December 31, 2021 and 2020, deposits from banks and other financial institutions totaled RMB17,844.1 million and RMB11,625.7 million, respectively, and deposits of the Bank at banks and other financial institutions totaled RMB4,889.3 million and RMB3,716.1 million, respectively.

(B) Interbank placements

The balance of our placements with banks and other financial institutions as of December 31, 2021 totaled RMB3,890.0 million; the balance of our placements with banks and other financial institutions as of December 31, 2020 totaled RMB0.0 million. As of the same dates, placements from banks and other financial institutions totaled RMB0.0 million and RMB0.0 million, respectively.

(C) Repurchase and reverse repurchase transactions

The securities underlying the Bank's repurchase and reverse repurchase transactions are mainly RMB-denominated PRC government bonds and policy financial bonds. As of December 31, 2021 and 2020, financial assets held under resale agreements totaled RMB13,092.1 million and RMB19,150.1 million, and financial assets sold under repurchase agreements totaled RMB6,051.5 million and RMB8,730.1 million, respectively.

(ii) Investment securities and other financial assets

Investment securities and other financial assets primarily include debt securities and asset management plans, trust plans, wealth management products and fund products issued by other financial institutions.

(A) Security investment by holding purpose

The table below sets forth investment securities and other financial assets by investment intention as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021		As of December 31, 2020	
	Amount	% of total (%)	Amount	% of total (%)
Financial assets at fair value through profit or loss	29,942.9	27.1	25,837.5	24.4
Financial assets at fair value through other comprehensive income	9,346.8	8.5	10,891.5	10.3
Financial assets at amortized costs	70,974.8	64.1	68,932.1	65.0
Other equity instrument investments	328.9	0.3	321.6	0.3
Total amount of investment securities and other financial assets	110,593.4	100.0	105,982.7	100.0

Total amount of investment securities and other financial assets increased by 4.4% from RMB105,982.7 million as of December 31, 2020 to RMB110,593.4 million as of December 31, 2021.

(B) Maturity profile of the Bank's investment portfolio

The table below sets forth investment securities and other financial assets by remaining maturity as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021		As of December 31, 2020	
	Amount	% of total (%)	Amount	% of total (%)
Repayable on demand	16,380.8	14.8	20,065.4	18.9
Due in three months or less	7,325.1	6.6	8,187.1	7.7
Due between three months and one year	12,716.3	11.5	23,288.7	22.0
Due between one year and five years	30,754.0	27.8	38,121.3	36.0
Due over five years	31,633.8	28.6	13,529.7	12.8
Indefinite ⁽¹⁾	11,783.4	10.7	2,790.5	2.6
Total	110,593.4	100.0	105,982.7	100.0

Note:

(1) Refers to impaired investments, and investments and equity investments overdue for more than one month.

(C) Holding of government bonds

As of December 31, 2021, the balance of face value of government bonds held by the Bank amounted to RMB27,287.3 million. The table below sets forth the top 10 government bonds with the highest face value held by the Bank as of December 31, 2021.

Name of the bond	Face value (in millions of RMB)	Interest rate per annum (%)	Maturity date
19 Interest-bearing treasury bond 03 (19付息國債03)	2,070.00	2.69	March 7, 2022
21 Gansu 13 (21甘肅13)	1,780.00	3.10	September 3, 2031
20 Gansu bond 16 (20甘肅債16)	1,420.00	3.57	May 29, 2040
18 Gansu bond 01 (18甘肅債01)	1,040.00	3.39	April 24, 2023
19 Interest-bearing treasury bond 11 (19付息國債11)	1,020.00	2.75	August 8, 2022
21 Gansu bond 15 (21甘肅債15)	900.00	3.54	September 16, 2041
20 Gansu bond 14 (20甘肅債14)	850.00	3.57	May 29, 2040
19 Interest-bearing treasury bond 04 (19付息國債04)	750.00	3.19	April 11, 2024
18 Gansu 02 (18甘肅02)	700.00	3.79	June 15, 2023
16 Gansu Targeted 02 (16甘肅定向02)	677.60	3.26	April 21, 2023

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(D) Holding of financial bonds

As of December 31, 2021, the balance of face value of the financial bonds (mainly the financial bonds issued by policy banks, commercial banks and other financial institutions) held by the Bank amounted to RMB24,020.12 million. The table below sets forth the top 10 financial bonds with the highest face value held by the Bank as of December 31, 2021.

Name of the bond	Face value (in millions of RMB)	Interest rate per annum (%)	Maturity date
18 ADBC bond 01 (18農發01)	1,410.00	4.98	January 12, 2025
21 EIBC bond 05 (21進出05)	1,230.00	3.22	May14, 2026
18 ADBC bond 08 (18農發08)	1,080.00	4.37	May 25, 2023
19 EIBC bond 05 (19進出05)	1,000.00	3.28	February 11, 2024
16 ADBC bond 05 (16農發05)	900.00	3.33	January 6, 2026
16 EIBC bond 03 (16進出03)	890.00	3.33	February 22, 2026
21 ADBC bond 08 (21農發08)	780.00	2.99	August 11, 2026
15 CDB bond 16 (15國開16)	750.00	3.94	July 10, 2022
16 ADBC bond 08 (16農發08)	630.00	3.37	February 26, 2026
16 ADBC bond 18 (16農發18)	630.00	3.58	April 22, 2026

(j) Distribution network

(i) Physical outlets

As of December 31, 2021, the Bank had 1 head office operational department, 12 branches, 183 sub-branches, 5 micro-to-small sub-branches and 2 community sub-branches. The Bank branch network covered all of Gansu's cities and prefectures and approximately 95% of its counties and districts. The details of branches are shown in the following table.

Name of organisation	Business Address (PRC)	Postcode	Number of organisation
Head office operational department	525-1 Donggang West Road, Chengguan District, Lanzhou City	730000	9
Baiyin Branch	No. 35 Lanzhou Road, Baiyin District, Baiyin City	730900	17
Pingliang Branch	Bank of Gansu Building, Xingbei Road Central, Kongtong District, Pingliang City	744000	21
Qingyang Branch	Bank of Gansu Building, Honghua West Road, Xifeng District, Qingyang City	735000	15
Dingxi branch	No. 13 Zhonghua Road, Anding District, Dingxi City	743000	12
Tianshui branch	Floor 1-2, Tianlin Longcheng Mingzhu Building, Jihebei Road, Qinzhou District, Tianshui City	741000	14
Longnan Branch	No.1 Building, Jing'an Mingdu, South End of Jianshe Road, Chengguan Town, Wudu District, Longnan City	746000	13
Jiuquan Branch	No. 2 Suzhou Road, Suzhou District, Jiuquan City	735000	16
Jiayuguan Branch	No. 1289 Yingbin East Road, Jiayuguan City	735100	5
Zhangye Branch	No. 37 West Street, Ganzhou District, Zhangye City	734000	9
Wuwei Branch	No. 7 Xihuan Road, Liangzhou District, Wuwei City	733000	10



Name of organisation	Business Address (PRC)	Postcode	Number of organisation
Linxia Branch	No. 49 Hongyuan Road, Linxia City	731100	11
Gannan Branch	No. 125 Dangzhou Street, Hezuo City, Gannan Prefecture	747000	4
Jinchang Sub-branch	No. 4 Tianjin Road, Jinchang City Lanzhou Chengguan	737100	5
Lanzhou Chengguan Sub-branch	Family Accommodation, Quality Supervision Bureau, Nanchang Road, Chengguan District, Lanzhou City	730000	11
Lanzhou Jincheng Sub-branch	No. 613 Huochezhan West Road, Chengguan District, Lanzhou City	730000	21
Lanzhou Anning Sub-branch	No.1952-1956 Jianning West Road, Anning District, Lanzhou City	730070	4
Lanzhou Xigu Sub-branch	No. 2 East Fourth Block, Fuli West Road, Xigu District, Lanzhou City Lanzhou New District	730060	2
Lanzhou New District Sub-branch	Security Housing B50, Weiyi Road, Lanzhou New District, Lanzhou City	730000	4
Total			203

(ii) Electronic banking business

(A) Internet banking


Through the Internet, the Bank offers customers account management, information inquiry, remittance and transfer, payment, investment and wealth management and other financial services. As of December 31, 2021, the Bank had over 3,813,000 Internet banking customers, consisting of 56,200 corporate customers and over 3,756,800 retail customers. As of December 31, 2021, the Bank's corporate customers conducted over 3.44 million online transactions with a total transaction amount of approximately RMB610,838 million, while retail customers conducted approximately 12.78 million online transactions with a total transaction amount of approximately RMB192,281 million.

(B) Direct banking platform

The Bank launched its direct banking platform in August 2016. Through the platform, our customers can achieve electronic account management, smart saving, investment and financing, and purchases of financial products and services. As of December 31, 2021, the Bank's direct banking platform had over 1,097,100 registered users with total transaction amounts of RMB16,378 million. The sales of direct banking platform products exceeded RMB5,606 million.

(C) Mobile phone banking

The Bank provides customers with various financial services, such as account inquiries and management, transfers, payments and loan management. As of December 31, 2021, the Bank had approximately 3,139,600 mobile phone banking customers that had conducted approximately 11.69 million transactions through mobile banking, with total transaction amounts of approximately RMB159,113 million.



Management Discussion and Analysis

(D) Telephone banking

The Bank provides customers with loan and deposit account inquiries, personal debit card account transfers, bill inquiries, lost declarations and business inquiry services through an interactive self-service voice system and live customer service. As of December 31, 2021, the Bank had 534,727 registered telephone banking customers, which were all individual customers.

(E) Self-service banking

The Bank provides convenient banking services to customers at lower operating costs through self-service facilities. The Bank's self-service banking services include balance inquiries, cash withdrawals and deposits, transfers and public utilities payments. As of December 31, 2021, the Bank had 203 outlets, 114 off-bank self-service zones, 686 self-service facilities and 356 intelligent counters.

(F) WeChat banking

WeChat has become an important channel that provides value-added services to retail customers. Through WeChat banking, customers can access the Bank's products and services; accounts management, transaction inquiries, payment and convenience services; and the Bank's outlet locations inquiry service. As of December 31, 2021, the Bank had over 693,500 WeChat banking customers.

(G) E-commerce platform

In June 2017, the Bank formally launched its e-commerce platform "Longyin Commerce", which provides merchants with comprehensive services. These services include purchasing, sales and inventory management, and online B2B and B2C transactions. As of December 31, 2021, the platform had 1,026 merchants and 1,177,800 users, with total transaction amounts of approximately RMB24.62 million.

(k) Information on the subsidiary

Jingning Chengji Rural Bank

In September 2008, Pingliang City Commercial Bank established Jingning Chengji Rural Bank with 4 other legal entities and 7 individuals. As of December 31, 2021, the Bank held an approximately 62.73% equity interest in Jingning Chengji Rural Bank. Jingning Chengji Rural Bank, a joint stock company with limited liability incorporated in the PRC, carries out its business in the PRC, primarily engaging in offering financial products and services, including loans, deposits and fee and commission-based products and services to local corporate and retail customers.

As of December 31, 2021, Jingning Chengji Rural Bank had 32 corporate loan customers, 896 corporate deposit customers, 6,073 retail loan customers and 97,944 retail deposit customers. As of December 31, 2021, Jingning Chengji Rural Bank had 12 outlets and 106 employees.

As of December 31, 2021, Jingning Chengji Rural Bank had total assets of RMB1,652.3 million, total deposits of RMB1,429.6 million and total loans of RMB1,016.2 million. In 2020 and 2021, operating income attributable to Jingning Chengji Rural Bank totaled RMB43.9 million and RMB48.9 million, accounting for 0.68% and 0.78% of the Bank's total operating income, respectively.

The Bank assists Jingning Chengji Rural Bank by providing strategic guidance and employee training. The Bank also dispatches professional staff to improve employees' business skills, and share experience to innovate products and services to diversify its business.

(I) Operation and safety of IT systems

The Bank regularly optimizes and upgrades its IT system to support the operation and management of its businesses. For 2020 and 2021, the Bank's investments in its IT system totaled approximately RMB209.5 million and RMB211.3 million, respectively.

In 2021, the Bank of Gansu adhered to the principle of seeking progress while keeping performance stable, actively engaged in and embraced financial technology, formulated the Digital Transformation Plan of the Bank of Gansu in 2021 to promote the digital transformation, and focused on Smart Retail and Smart Risk Control to promote the construction of 18 key projects. The 18 key tasks are divided into three parts: digital intelligent retail, digital intelligent risk control and digital decision support, all of which have been completed according to the plan at the beginning of the year, with phased results achieved.

In 2021, the new generation of mobile banking 5.0 project built by Bank of Gansu with the rapid development platform was officially put into production and the "Agriculture, Countryside and Farmers" version and the "Aging" version were launched, which improved the customer experience in an all-round way; the construction of e-commerce platform county-level characteristic venue were completed, 65 venues featuring tastes of Gansu with county-level characteristics were set up, with a total of 1,800 county-level specialty products on shelves on an accumulative basis; the first 5G smart bank in the province has been put into use, relying on 5G technology, integrating modern technologies and smart scenarios such as intelligent voice, artificial intelligence, digital multimedia and big data into financial business, and providing customers with a brand-new service that is more intelligent, interesting, personalized and of better quality; a number of online loan products such as "Small and Micro e-Loan" and "Merchant Loan" were launched to fill the gap in online credit loan products for the benefit of small and medium-sized enterprises; we optimized the risk control model of "quick housing loans" and "Tax e-Loan", and launched "Housing Express Loan" and "Gan Le Loan" (甘樂貸); enriched the range of personal products by launching equity savings, Huifu Deposit (匯福存), time-and current-deposit interchange, Le Xiang Ying (樂享盈), agency third-party depository and credit card free instalment; built a digital risk control decision-making platform for retail businesses, providing a full process of risk control management for various personal credit businesses, including anti-fraud, identity verification, credit assessment, credit granting and pricing.

In December 2021, Bank of Gansu flattened its network lines to simplify its network structure, reduce the maintenance burden of the technology staff at branch and sub-branch levels, and reduce network equipment and line costs at branch and sub-branch levels, thereby achieving the goal of improving quality, increasing efficiency and reducing costs in a real sense.

The Bank has also implemented safeguards to maintain the confidentiality, integrity and availability of information. These safeguards include firewalls, anti-virus measures, data encryption, user authentication and authorization, desk site security, intrusion prevention and detection, filing and evaluation of the classified protection of important information systems, key information infrastructure protection and information system security assessment. During the Reporting Period, the Bank did not suffer any material IT system failures.

RISK MANAGEMENT

(a) Risk management of the Bank

The Bank is primarily exposed to credit risk, market risk, operational risk and liquidity risk in its business. It is also exposed to other risks such as reputational risk, information technology risk, money-laundering risk and legal and compliance risk. The Bank summarises and evaluates the comprehensive risk management on a semi-annually basis to prepare a Comprehensive Risk Management Report, and reports the same to the Board. The Bank considers that the existing risk management and internal control systems are operating effectively.



Management Discussion and Analysis

Since its inception, the Bank has implemented comprehensive risk management strategies to enhance its risk management systems.

(i) Credit risk management

Credit risk is the risk of loss due to (i) failure by a debtor or counterparty to meet its contractual obligations or (ii) a decrease in credit ratings or repayment ability. The Bank's credit risks arise mainly from loans, investments, guarantees, commitments and other on- or off-balance-sheet credit risks exposures.

The Bank determines the direction and amount of credit extended each year based on national and regional economic development plans, market conditions and macroeconomic control measures. It also considers our asset and liability structure and trends in deposit and loan growth. It formulates annual credit policy guidelines to provide detailed guidance for extending credit to different industries, customer types and geographic regions.

In accordance with relevant guidelines, extension of credit in areas more susceptible to changes in macroeconomic conditions and regulatory policies (such as local government financing platforms, the real estate sector, and industries involving high-pollution, high-power consumption and over-capacity) must comply with all regulatory requirements. It also encourages the extension of credit to emerging technology sectors, such as Internet, big data and artificial intelligence, in accordance with national policy directives. In addition, it issues notices of adjustments to credit policy guidelines in a timely manner in response to changes in government policies, the economic environment and risk preferences of the Bank.

The Bank categorizes the industries in which a loan applicant operates into the following four categories and adopts a different credit policy for each industry category.



Industries	Credit Policies
<p>Seed and seedling cultivation, pharmaceutical manufacturing, advanced manufacturing, hospitals, railways, expressways, airports, higher education, hydroelectric power generation, power supply, thermal power production and supply, gas production and supply, tap water production and supply, telecommunications, internet-related fields, etc. (“aggressive growth” industries)</p>	<ul style="list-style-type: none"> • Increase support for customers in the aggressive growth industries and prioritise the allocation of credit resources to customers in the industries with technological advantages, more mature markets and greater development potential.
<p>Wind power generation, solar power generation, civil engineering and construction, modern logistics, management of tourist attractions, management of scenic spots, management of forest parks, natural water harvesting and distribution, coal mining and washing, oil and gas mining, precious metals mining, rare earth metals mining (“selective growth” industries)</p>	<ul style="list-style-type: none"> • Selectively support key regions and high-quality enterprises in the industry based on the regional distribution of the industry and the strengths and weaknesses of customers in terms of region, market, products, technology, scale, efficiency, competitiveness and relative monopoly position.
<p>Traditional energy, traditional equipment, commonly used non-ferrous metal mining and smelting, traditional chemicals and some upstream and downstream industries, processing and manufacturing of general consumer products, traditional model wholesalers, hotel industry under extended impact of the pandemic, housing construction, etc. (“presence sustaining” industries)</p>	<ul style="list-style-type: none"> • Carefully identify the enterprises in the industry, prudently support them with the premise of effectively controlling the credit risk, and keep the total amount unchanged; At the same time, in combination with the industry standard of “restricted category” in the industry catalog, we will maintain a reasonable credit level for customers in the target industry under the conditions of meeting the national and regional production capacity standards and having regional advantages.
<p>Coking, flat glass, iron alloy smelting, calcium carbide, electrolytic aluminum and overcapacity, inefficient and ineffective production areas and “zombie enterprises” (“exit” industries)</p>	<ul style="list-style-type: none"> • Strictly withdraw credit from the industries meeting the “eliminated” criteria, and strictly prohibit new credit to “restricted” and “eliminated” industries.

The credit policy shall be reviewed annually in principle. If significant industry changes occur during the year that require significant adjustments, adjustments will be made as appropriate.

Management Discussion and Analysis

(ii) Market risk management

Market risk is the risk of loss on and off-balance sheet arising from fluctuations in market prices. The Bank is exposed to market risks primarily through its banking book and trading book.

(A) Interest rate risk management

Interest rate risk is the exposure of the Bank's financial condition to adverse movements in interest rates. Its primary source of interest rate risk is the repricing of on- and off-balance sheet assets and liabilities due to mismatches in maturities.

Maturity or repricing date mismatches may cause changes in net interest income due to fluctuations in prevailing interest rates. The Bank is exposed to interest rate risk through its day-to-day lending and deposit-taking activities and its financial market operations.

The Bank places great emphasis on analyzing the general economic situation and policies, particularly the changes in currency policies. The Bank conducts analysis and studies on interest rate trends in financial markets, based on the results and forecast of which it formulates and adjusts interest rates, in order to better control interest rate risks and reduce losses arising from interest rate fluctuations.

The Bank manages the interest rate risk exposure of its RMB-denominated assets and liabilities on its balance sheet primarily by adjusting interest rates and optimizing the maturity profile of its assets and liabilities. The Bank seeks to reduce maturity mismatches by adjusting repricing frequency and establishing a pricing structure for corporate deposits.

The Bank uses various measures to evaluate interest rate risks arising from its banking book, including but not limited to techniques and measures such as duration analysis, sensitivity analysis, scenario analysis and stress tests, to measure its interest rate risk. For example, it regularly conducts sensitivity analysis and duration analysis on its bond business under different circumstances, to measure the potential effects on its profitability. Under unfavorable external conditions, it will also conduct special stress tests analyses on the interest rate benchmark on loans and deposits. Based on such analyses, it may adjust its terms on repricing to control interest rate risk.

The table below sets forth the results of the Bank's gap analysis based on the earlier of (i) the expected next repricing dates; and (ii) the final maturity dates for its assets and liabilities as of December 31, 2021.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	20,660.6	422.8	20,237.8	-	-	-
Deposits with banks and placements with other financial institutions	8,779.3	-	8,779.3	-	-	-
Financial assets held under resale agreement	13,092.1	-	13,092.1	-	-	-
Interest receivable	5,926.9	5,926.9	-	-	-	-
Loans and advances to customers	193,241.1	3,451.4	55,410.5	61,208.1	50,471.0	22,700.1
Investments	110,593.4	9,462.9	25,231.4	12,716.3	30,754.0	32,428.8
Others ⁽¹⁾	6,211.2	6,211.2	-	-	-	-
Total assets	358,504.6	25,475.2	122,751.1	73,924.4	81,225.0	55,128.9

Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Liabilities						
Borrowings from the central bank	7,055.1	-	2,433.3	4,621.8	-	-
Deposits from banks and other financial institutions	17,844.0	50.2	11,503.8	6,290.0	-	-
Financial assets sold under repurchase agreements	6,051.5	-	6,051.5	-	-	-
Deposits from customers	255,987.9	-	124,609.2	38,468.6	92,910.1	-
Interest payable	7,457.3	7,457.3	-	-	-	-
Debt securities issued	28,883.3	-	13,145.9	14,523.9	1,213.5	-
Others ⁽²⁾	3,169.1	2,971.4	-	85.4	111.1	1.2
Total liabilities	326,448.2	10,478.9	157,743.7	63,989.7	94,234.7	1.2
Asset-liability gap	32,056.4	14,996.3	(34,992.6)	9,934.7	(13,009.7)	55,127.7

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	26,666.7	600.9	26,065.8	-	-	-
Deposits with banks	3,716.1	-	3,648.0	68.1	-	-
Financial assets held under resale agreement	19,150.1	-	19,150.1	-	-	-
Interest receivable	4,152.0	4,152.0	-	-	-	-
Loans and advances to customers	176,386.8	4,824.1	50,309.4	66,543.8	43,633.7	11,075.8
Investments	105,982.7	2,790.5	18,326.0	23,288.7	48,047.7	13,529.8
Others ⁽¹⁾	6,309.4	6,309.4	-	-	-	-
Total assets	342,363.8	18,676.9	117,499.3	89,900.6	91,681.4	24,605.6

Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Liabilities						
Borrowings from the central bank	6,620.2	-	2,517.3	4,102.9	-	-
Deposits from banks and other financial institutions	11,625.7	55.8	1,974.9	9,595.0	-	-
Financial assets sold under repurchase agreements	8,730.1	-	8,730.1	-	-	-
Deposits from customers	249,677.7	-	121,398.5	33,593.8	94,685.4	-
Interest payable	7,629.7	7,629.7	-	-	-	-
Debt securities issued	23,551.5	-	13,949.3	8,102.7	1,499.5	-
Others ⁽²⁾	3,064.1	2,781.3	-	113.2	166.5	3.1
Total liabilities	310,899.0	10,466.8	148,570.1	55,507.6	96,351.4	3.1
Asset-liability gap	31,464.8	8,210.1	(31,070.8)	34,393.0	(4,670.0)	24,602.5

Notes:

- (1) Primarily include property and equipment, goodwill and deferred tax assets.
(2) Primarily include accrued staff costs and taxes payable.

The Bank uses sensitivity analysis to measure the impact of changes in interest rates on our net profit or loss and equity. The table below sets forth the results of the Bank's interest rates sensitivity analysis based on its assets and liabilities as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31,			
	2021 Change in net profit	Changes in equity	2020 Change in net profit	Changes in equity
Increase by 100 basis points	(80.2)	(2,170.6)	143.9	(617.9)
Decrease by 100 basis points	80.2	2,170.6	(143.9)	617.9

The sensitivity analysis above is based on a static interest rate risk profile of the assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized net profit or loss and equity would have been affected by the repricing of assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of each track record period apply to the Bank's non-derivative financial instruments;

- At the end of each track record period, an interest rate movement of 100 basis points is based on the assumption of interest rate movements over the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

(B) Exchange rate risk management

The Bank is exposed to exchange rate risks primarily due to mismatches in the currency denominations of on- and off-balance sheet assets and liabilities and in the trading positions of foreign exchange transactions. It manages exchange rate risks by matching the sources and uses of funds on a case-by-case basis.

The Bank seeks to keep the adverse impact of exchange rate fluctuations within an acceptable range by managing risk exposure limits and the currency structure of its assets and liabilities. In addition, it endeavors to reduce the number of transactions involving high exchange rate risks, monitor major indicators, and inspect the positions of major foreign currencies on a daily basis.

(iii) Operational risk management

Operational risk refers to the risk of loss caused by incomplete internal control procedures, failures of employees and IT systems or external events. Operational risk events include internal and external fraud, safety accidents in the workplace, damage to tangible assets, risk or implementation, settlement and procedure management failure relating to customers, products and operations, as well as errors or malfunctions in IT systems.

The Board of Directors is ultimately responsible for monitoring the effectiveness of the Bank's operational risk management. It determines the Bank's operational risk appetite based on its overall business strategies, and reviews and oversees the implementation of operational risk management strategies and policies.

The senior management of the Bank is responsible for coordinating operational risk management through its risk management and internal control committee.

The risk management department of the Bank formulates operational risk management procedures for identifying, evaluating, monitoring and controlling operational risks under the supervision of the Board and senior management. The audit department supervises and evaluates the management of operational risks and is responsible for independently examining and evaluating the appropriateness, effectiveness and efficiency of operational risk management policies, systems and procedures.

The Bank has established a GRC system for managing internal control and operational risks. Through the system, it utilizes operational risk management tools to identify, measure and monitor operational risks.



Management Discussion and Analysis

(iv) Liquidity risk

(A) *Liquidity risk management*

Liquidity risk refers to the risk of failing to acquire sufficient funds at a reasonable cost and in a timely manner to pay the debts when due, fulfill other payment obligations and meet other funding requirements for normal business operations. Factors affecting the liquidity of the Bank include the term structure of its assets and liabilities and changes to financial industry policies, such as changes in the requirements relating to its statutory deposit reserve ratio. The Bank is exposed to liquidity risks primarily in its lending, trading and investment activities, as well as in the management of its cash flow positions.

The organizational framework of our liquidity risk management of the Bank focuses on formulating, implementing and supervising the separation of duties in relation to liquidity risk management policies and procedures. As the ultimate decision-making body for the liquidity risk management, the Board of Directors assumes ultimate responsibility for the liquidity risk management of the Bank.

Senior management is responsible for liquidity management, and the assets and liabilities management committee is responsible for implementing liquidity management policies and procedures. The supervisory committee is responsible for supervising and evaluating the implementation of liquidity risk management by the Board of Directors and senior management. The financial planning department is responsible for the daily liquidity risk management of the Bank.

The objective of the liquidity risk management of the Bank is, by establishing timely, reasonable and effective liquidity risk management mechanisms, to identify, measure, monitor and control liquidity risks, meet the liquidity needs of its assets, liabilities and off-balance sheet businesses on a timely basis, and control liquidity risks at an acceptable level to maintain sustained and healthy operations.

According to the Measures for the Management of Liquidity Risks of Commercial Banks (effective as from July 1, 2018) issued by the CBIRC, the Bank continually improves liquidity risk management, strictly implement regulatory rules, closely monitors liquidity indicators, enhances maturity management of its cash flows, formulates emergency plans, and enhances liquidity risk management and stress tests.

The Bank manages liquidity risks with instruments such as position reporting and monitoring, cash flow analysis, liquidity stress tests, liquidity risk limits and liquidity risk indicators.

(B) *Liquidity risk analysis*

The Bank funds its loan and investment portfolios principally through customer deposits. Deposits from customers have been, and the Bank believes will continue to be, a stable source of funding. Customer deposits with remaining maturities of less than one year represented 63.7% and 62.1% of the total deposits from customers as of December 31, 2021 and 2020, respectively.

The table below sets forth the remaining maturity of the Bank's assets and liabilities as of December 31, 2021 and 2020.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021						Total
	Indefinite	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years	
Assets							
Cash and deposits with the central bank	15,832.3	4,828.3	-	-	-	-	20,660.6
Deposits with banks and placements with other financial institutions	-	8,590.6	188.7	-	-	-	8,779.3
Financial assets held under resale agreements	-	-	13,092.1	-	-	-	13,092.1
Financial assets at fair value through profit or loss	9,134.0	1,123.7	2,676.7	2,430.0	1,726.3	12,852.2	29,942.9
Interest receivable	-	95.8	2,290.4	1,764.0	821.8	954.9	5,926.9
Loans and advances to customers	3,344.7	1,039.8	28,128.6	62,121.0	53,664.1	44,942.9	193,241.1
Financial assets at fair value through other comprehensive income	-	-	200.4	897.3	6,115.3	2,462.6	9,675.6
Financial assets at amortised costs	2,649.5	15,257.0	4,448.0	9,389.0	22,912.4	16,319.0	70,974.9
Others ⁽¹⁾	5,655.0	140.7	-	-	415.5	-	6,211.2
Total assets	36,615.5	31,075.9	51,024.9	76,601.3	85,655.4	77,531.6	358,504.6
Liabilities							
Borrowings from the central bank	-	-	2,433.3	4,621.8	-	-	7,055.1
Deposits from banks and other financial institutions	-	1,650.0	9,904.1	6,290.0	-	-	17,844.1
Financial assets sold under repurchase agreements	-	-	6,051.5	-	-	-	6,051.5
Deposits from customers	-	95,528.6	29,080.6	38,468.6	92,910.1	-	255,987.9
Interest payable	-	3,538.8	1,513.7	842.0	1,562.8	-	7,457.3
Debt securities issued	-	-	13,145.9	14,523.9	1,213.5	-	28,883.3
Others ⁽²⁾	-	2,362.6	608.8	85.4	111.1	1.2	3,169.1
Total liabilities	-	103,080.0	62,737.9	64,831.7	95,797.4	1.2	326,448.2
New working capital	36,615.5	(72,004.1)	(11,713.0)	11,769.6	(10,142.0)	77,530.4	32,056.4

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(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020						Total
	Indefinite	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years	
Assets							
Cash and deposits with the central bank	20,986.1	5,680.6	-	-	-	-	26,666.7
Deposits with banks	-	3,648.0	-	68.1	-	-	3,716.1
Financial assets held under resale agreements	-	-	19,150.1	-	-	-	19,150.1
Financial assets at fair value through profit or loss	-	2,468.9	2,111.2	1,160.8	19,262.7	833.9	25,837.5
Interest receivable	-	632.7	1,661.2	1,581.8	250.6	25.7	4,152.0
Loans and advances to customers	3,783.6	1,040.5	24,474.2	69,452.7	47,725.0	29,910.8	176,386.8
Financial assets at fair value through other comprehensive income	-	-	360.1	2,274.4	6,624.2	1,954.4	11,213.1
Financial assets at amortised costs	2,687.4	7,451.5	5,715.8	19,853.5	22,160.9	11,063.0	68,932.1
Others ⁽¹⁾	5,668.4	-	-	-	641.0	-	6,309.4
Total assets	33,125.5	20,922.2	53,472.6	94,391.3	96,664.4	43,787.8	342,363.8
Liabilities							
Borrowings from the central bank	-	-	2,517.3	4,102.9	-	-	6,620.2
Deposits from banks and other financial institutions	-	950.7	1,080.0	9,595.0	-	-	11,625.7
Financial assets sold under repurchase agreements	-	-	8,730.1	-	-	-	8,730.1
Deposits from customers	-	93,738.9	27,659.6	33,593.8	94,685.4	-	249,677.7
Interest payable	-	3,013.6	1,749.5	1,251.2	1,615.4	-	7,629.7
Debt securities issued	-	-	13,949.3	8,102.7	1,499.5	-	23,551.5
Others ⁽²⁾	23.7	2,095.3	662.3	113.2	166.5	3.1	3,064.1
Total liabilities	23.7	99,798.5	56,348.1	56,758.8	97,966.8	3.1	310,899.0
New working capital	33,101.8	(78,876.3)	(2,875.5)	37,632.5	(1,302.4)	43,784.7	31,464.8

Notes:

- (1) Primarily include property and equipment, interest in an associate, right-of-use assets and deferred tax assets.
- (2) Primarily include accrued staff costs, lease liabilities and taxes payable.



The Bank's liquidity coverage ratio

	December 31, 2021	December 31, 2020
Liquidity coverage ratio (%)	215.95	268.73

The Bank's net stable funding ratio

(Expressed in millions of RMB, unless otherwise stated)	December 31, 2021	September 30, 2021
Closing amount of available stable funds	242,269.2	236,221.0
Closing amount of required stable funds	194,544.1	186,881.5
Net stable funding ratio (%)	124.53	126.40

(v) Reputational risk management

Reputational risk refers to the risk of negative comments damaging the brand value, affecting normal operation and even market stability from relevant interested parties, the public and the media resulting from our operations, the conduct of its employees or external events such as complaints, penalties and cases, management and other activities or external events. The general office of the Bank's head office is primarily responsible for reputational risk management, and the Board, the Board of Supervisors and the senior management bears the ultimate responsibility, supervision and management for reputational risk management.

(vi) Legal compliance risk management

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, financial losses and reputational harm resulting from the failure to comply with laws and regulations. The Bank has a three-tier legal and compliance risk management structure at its head office, branches and sub-branches.

The legal and compliance department at its head office is in charge of managing our overall legal and compliance risks. In addition, the Bank has established legal and compliance departments at the tier-one branches and sub-branches in charge of the matters in respect of legal compliance and risk management.

The Bank's risk management and internal control committee supervises and leads its legal and compliance work. The Bank systematically manages our internal control compliance and legal affairs by building a management system for internal control compliance and operational risks. The Bank manages legal and compliance risks primarily through the following measures:

- formulating our rules, systems and annual plans, and leading and urging the formulation and amendment thereof;
- enhancing the compliance review mechanism to identify and evaluate compliance risks associated with our business activities;
- developing, coordinating, reviewing and incorporating the Bank's operation authorization plans and revised plans and putting them into implementation;
- uniformly managing standard contracts and other legal documents;



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- managing and tracking our legal proceedings;
- formulating an annual compliance management plan, stipulating the focus for annual compliance work;
- managing related parties and connected transactions to control connected transactions in advance;
- optimizing the management mechanism for rectifications upon inspection, and enhancing the supervision and management of our rectifications upon inspection;
- closely monitoring regulatory changes and reporting compliance information and risks to our senior management and the relevant business lines; and
- enhancing internal training on legal and compliance, and issuing compliance alerts and reminders to employees through compliance proposals and internal publications.

(vii) IT risk management

IT risk refers to operational, reputational, legal and other risks arising from information technology application due to natural factors, human factors, technical constraints, management defects and other factors. The IT risk management of the Bank aims to identify, measure, monitor and control IT risks through the development of effective systems.

The IT management committee supervises and guides IT activities of the Bank. The risk management department formulates IT risk management procedures under the supervision of the Board and senior management. The audit department audits IT risks. The IT department and relevant business departments are responsible for the implementation of specific risk management measures, plans and proposals.

(viii) Anti-money laundering management

The Bank has formulated comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and the regulations of the PBOC.

The Board of Directors oversees bank-wide implementation of anti-money laundering policies, supervises senior management with respect to the formulation and implementation of anti-money laundering rules and procedures, reviews reports from senior management on any major anti-money laundering matters and the overall money-laundering risk profile, and adjusts anti-money laundering policies of the Bank on a timely basis.

The Bank has established anti-money laundering leadership groups at its head office, branches and sub-branches.

The anti-money laundering leadership group at its head office leads and coordinates the bank-wide anti-money laundering efforts. It is primarily responsible for:

- formulating anti-money laundering plans;
- reviewing rules and internal controls regarding anti-money laundering;
- ensuring the effective implementation of internal controls for anti-money laundering;
- analyzing significant issues relating to anti-money laundering;

- formulating solutions and responsive measures; and
- reporting to the Board of Directors.

This leadership group is led by the president of the Bank and the office is set up at the legal and compliance department. The members of the leadership group consist of the anti-money laundering leadership management department, the business management department, the responsible persons from the middle and back-end cooperation departments and other parties.

The Bank conducts due diligence on the customers in accordance with anti-money laundering laws and regulations. The Bank reports large-scale and suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center on a daily basis through its anti-money laundering management system. The Bank also reports major reasonably suspected money laundering activities to the local branch of the PBOC and cooperates with their investigations, and reports to local public security units when necessary.

The Bank provides bank-wide anti-money laundering training on a regular basis based on employees' position and seniority. The Bank also requires all new employees to participate in mandatory anti-money laundering training before commencing employment.

(ix) Internal audits

The Bank believes internal audits are essential to its stable operations and achievement of business objectives. It conducts internal audits to monitor the compliance with laws and regulations and the implementation of its internal policies and procedures, with the objective of controlling risks at an acceptable level.

The Bank also aims to conduct effective risk management as well as optimizes internal control compliance and its corporate governance structure, in an effort to improve its operations. It adheres to the principles of independence, importance, prudence, objectiveness and relevance for internal audits.

The Bank has adopted an independent and vertical internal audit management system, consisting of the audit committee of the Board of Directors and the audit department of the head office.

ANALYSIS ON CAPITAL ADEQUACY RATIO

The Bank is required to comply with the CBIRC's capital adequacy ratio requirements. It has calculated and disclosed capital adequacy ratios in accordance with the Capital Administrative Measures.



Management Discussion and Analysis

The table below sets forth certain information relating to its capital adequacy ratio as of December 31, 2021 and 2020.

(Expressed in millions of RMB, unless otherwise stated)	December 31, 2021	December 31, 2020
Core capital		
Paid-up capital	15,069.8	15,069.8
Qualifying portion of capital reserve	5,956.4	5,955.5
Defined benefit plan reserve	(3.9)	(2.8)
Investment revaluation reserve	157.1	137.2
Surplus reserve	1,727.9	1,616.0
General risk reserve	4,955.9	4,539.0
Retained earnings	4,155.7	4,113.9
Qualifying portion of non-controlling interest	23.4	20.5
Core tier-one capital deductions ⁽¹⁾	(254.3)	(249.0)
Net core tier-one capital	31,788.0	31,200.1
Other tier-one capital ⁽²⁾	3.1	2.7
Net tier-one capital	31,791.1	31,202.8
Tier-two capital		
Surplus reserve for loan impairment	1,299.4	1,294.3
Eligible portion of non-controlling interest	6.2	5.5
Net capital base	33,096.7	32,502.6
Total risk-weighted assets	266,085.1	242,733.5
Core tier-one capital adequacy ratio (%)	11.95	12.85
Tier-one capital adequacy ratio (%)	11.95	12.85
Capital adequacy ratio (%)	12.44	13.39

Notes:

- (1) Primarily include computer software and intangible assets.
- (2) Primarily includes tier-one capital instruments such as preference shares and their premiums.

Report of the Board of Directors

The Board is pleased to present the Report of the Board of Directors together with the audited financial statements of the Group for the year ended December 31, 2021. All relevant sections of this annual report referred to in this Report of the Board of Directors form part of this Report of the Board of Directors. Unless otherwise specified, the financial data disclosed in this report are prepared in accordance with the IFRSs.

1. BUSINESS REVIEW

The Bank is the only provincial urban commercial bank in Gansu Province of China, and has established a comprehensive business network across Gansu Province. The Group is engaged in a range of banking services and related financial services. The information on business review of the Group for the year ended December 31, 2021 is set out in the section headed “Management Discussion and Analysis — Business Review” of this annual report.

2. LISTING ON THE HONG KONG STOCK EXCHANGE AND ISSUANCE OF SHARES

The H Shares of the Bank were listed on the Hong Kong Stock Exchange on January 18, 2018. The offer price was determined at HK\$2.69 per H Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%). The global offering of the Bank comprised 2,543,800,000 H Shares (including over-allotment Shares) in total. The net proceeds from global offering received by the Bank, after deducting the underwriting fees, commissions, and other estimated expenses borne by us in relation to the global offering, are approximately HK\$6,616.2 million.

Pursuant to the use of proceeds disclosed in the Prospectus, the Bank had used the net proceeds that the Bank received from the global offering to strengthen its capital base and to support the on-going growth of business.

On December 29, 2020, the Bank completed the issuance of 3.75 billion domestic shares and 1.25 billion H shares to eligible subscribers. Upon the completion of the issuance, the registered capital of the Bank increased to RMB15,069,791,330, the total number of shares of the Bank increased to 15,069,791,330, comprising 11,275,991,330 domestic shares and 3,793,800,000 H shares. The net proceeds raised from the issuance, after deducting relevant issuance costs, amounted to RMB6.294 billion (equivalent to HK\$7.442 billion), which has been entirely used for replenishment of core tier-one capital.

3. RELATIONSHIP BETWEEN THE BANK AND ITS EMPLOYEES

The Bank has a young and highly educated team of employees. The Bank’s employees participate in employee benefit plans, such as pension insurance, corporate annuity funds, housing provident funds, work related injury insurance, medical insurance, unemployment insurance and maternity insurance. The Bank conducts performance evaluations of employees on an annual basis to provide feedback based on the evaluations. Remuneration for full-time employees typically consists of a base salary and performance-based compensation. The Bank determines performance-based compensation based on the employee’s work performance and its financial results.

The Bank focuses on employee career development and provides training programs for employees in different business lines. It has built a team of internal training providers under its human resources department.

The Bank has established a labor union in accordance with PRC laws and regulations. It believes that it has maintained a good working relationship with its employees. During the Reporting Period and as of the Latest Practicable Date, the Bank had not experienced any labor strikes or other labor disturbances that materially affected its operations or public image.



Report of the Board of Directors

4. RELATIONSHIP BETWEEN THE BANK AND ITS CUSTOMERS

(1) Retail Customers

In respect of retail banking, the Bank offers its retail customers a wide range of financial products and services, including loans, deposits, debit card services and fee and commission-based products and services. The Bank categorizes retail customers into regular customers (with average financial asset balances of under RMB50,000), wealth management customers (with average financial asset balances of RMB50,000 or above but less than RMB200,000), wealthy customers (with average financial asset balances of RMB200,000 or above but less than RMB3.0 million) and private banking customers (with average financial asset balances of RMB3.0 million or above). As of December 31, 2021, the Bank had 255,800 wealthy customers and 1,985 private banking customers. This sizable retail customer base provides a stable source of deposits and opportunities to cross-sell and develop our retail business.

(2) Corporate Customers

The Bank offers corporate customers a broad range of financial products and services, including loans, discounted bills, deposits and fee and commission-based products and services. The Bank's corporate customers primarily include government agencies, public organizations, SOEs, private enterprises and foreign-invested enterprises. The Bank is committed to serving local customers with a focus on small and micro enterprises. In addition, the Bank commits to seeking to develop long-term relationships with customers by closely monitoring their financial needs and offering tailored financial solutions.

5. PROFITS AND DIVIDEND

(3) Dividend Policy

The Board of Directors is responsible for submitting proposals for dividend payments to the Shareholders' general meeting for approval. The determination of whether to pay a dividend and in which amount is based on the results of operations, cash flow, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions and other factors that the Board of Directors deems relevant.

Under the PRC Company Law and our Articles of Association, all of the shareholders holding the same class of shares have equal rights to dividends and other distributions proportionate to their shareholding. Under PRC law, the Bank may only pay dividends out of profit after tax. Profit after tax for a given year represents net profit as determined under PRC GAAP or IFRSs or the accounting standards of the overseas jurisdiction where the shares are listed, whichever is lower, less:

- any of its accumulated losses in prior years;
- appropriations the Bank is required to make to the statutory surplus reserve, which is currently 10% of our net profit as determined under PRC GAAP, until such statutory surplus reserve in aggregate reaches an amount equal to 50% of our registered capital;
- a general reserve the Bank is required to set aside; and
- appropriations to a discretionary surplus reserve as approved by the shareholders at a general meeting.

According to the relevant MOF regulations, before a financial institution makes any profit distribution, the balance of the Bank's statutory general reserve shall in principle not be lower than 1.5% of the balance of risk assets at the end of the period. As of December 31, 2021, the Bank set aside RMB416.9 million as general reserves, in line with relevant regulations.

Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. The Bank generally does not distribute dividends in a year in which the Bank does not have any distributable profit. The payment of any dividend by the Bank must also be approved at a Shareholders' general meeting.

The Bank is not allowed to distribute profits to the Shareholders until the Bank has made up our losses and made appropriations to the Bank's statutory surplus reserve and general reserves. The Shareholders are required to return any profit distributed in violation of the relevant rules and regulations.

The CBIRC has discretionary authority to prohibit any bank that fails to meet the relevant capital adequacy ratio requirements, or has violated any other PRC banking regulations, from paying dividends or making other forms of distributions. As of December 31, 2021, the Bank had a capital adequacy ratio of 12.44%, a tier-one capital adequacy ratio of 11.95% and a core tier-one capital adequacy ratio of 11.95%, all of which comply with the relevant CBIRC requirements.

(4) Final dividend for 2020

At the meeting of the Board of Directors of the Bank convened on March 29, 2021, the Board of Directors, after taking into consideration the need for adequate capital to support the future business development of the Bank, recommended no distribution of any 2020 final dividend or any capitalisation of capital reserve.

The proposals were considered and approved at the 2020 annual general meeting convened on May 24, 2021.

(5) Profit and profit distribution plan for 2021

The Group's revenue for the year ended December 31, 2021 and the Group's financial position as of the same date are set out in the consolidated financial statements of this annual report.

To lay a solid foundation of the Bank's development, and taking into account the need for future growth in a long run as well as other factors, at the Board meeting of the Bank held on March 30, 2022, the Board recommended no distribution of any 2021 final dividend.

6. CHANGES IN THE RESERVES

Details of the Group's changes in the reserves and the distributable profit reserve for the year ended December 31, 2021 are set out in "Consolidated Statement of Changes in Equity" of this annual report. The distributable profit reserves as of December 31, 2021 were RMB4,155,724,445.92.



Report of the Board of Directors

7. SUMMARY OF FINANCIAL INFORMATION

The summary of the operating results for the year ended December 31, 2021 and assets and liabilities as of December 31, 2021 of the Group is set out in the section headed “Financial Highlights” of this annual report.

8. DONATIONS

For the year ended December 31, 2021 the Group made charity and other donation of RMB2,437,979.00 in aggregate.

9. PROPERTY AND EQUIPMENT

Details of the changes in property and equipment of the Group for the year ended December 31, 2021 are set out in note 28 to the consolidated financial statements of this annual report.

10. RETIREMENT BENEFITS

The Group offers two non-contributory defined benefit retirement benefit plans, including:

(i) Supplemental retirement benefits

The Group pays supplemental retirement benefits for employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for employees at the end of the reporting year. As at December 31, 2021, the present value of the obligations under the supplemental retirement benefits was RMB19.7 million. The Group’s obligations in respect of the supplemental retirement benefits were assessed using projected unit credit actuarial cost method by an external independent actuary, Wills Towers Watson (a member of Society of Actuaries in America), with January 19, 2022 as the assessment date. The adopted actuarial assumption of the actuarial assessment result is set out in the Table 1 below:

Point of time	December 31, 2021
Discount rate- benefits after resignation	3.00%
Discount rate- benefits after layoff	2.50%
Annual resignation rate	2.00%
Death rate	China Life Tables (2010 to 2013) Pension business for male/female
Annual growth rate of large supplemented amount for medical insurance contributions after official retirement of existing retired personnel, existing internal retired personnel and entitled incumbent staff members	6.00%
Annual growth rate of basic medical insurance contributions after official retirement of existing retired personnel, existing internal retired personnel and entitled incumbent staff members	6.00%

The contribution rate for on-going operation of the abovementioned plan was 3%. The plan has sufficient assets to cover liabilities due to instant dissolution or on-going operation.

(ii) Other long-term staff welfare payable:

The Group pays compensation for termination benefits of employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for employees at the end of the reporting year. As at December 31, 2021, the present value of other long-term staff welfare payable was RMB3.5 million. The Group's obligations in respect of other long-term staff welfare payable were assessed using projected unit credit actuarial cost method by an external independent actuary, Wills Towers Watson (a member of Society of Actuaries in America), with January 19, 2022 as the assessment date. The main assumption is stated as the above Table 1.

The contribution rate for on-going operation of the abovementioned plan was 2.5%. The plan has sufficient assets to cover liabilities due to instant dissolution or on-going operation. Further details regarding the retirement benefits provided by the Group to employees are set out in note 37 to the consolidated financial statements of this annual report.

11. SUBSTANTIAL SHAREHOLDERS

Details of the substantial Shareholders as of December 31, 2021 are set out in the section headed "Changes in Share Capital and Particulars of Shareholders — II. Particulars of Shareholders — (II) Interests and Short Positions of Substantial Shareholders and Other Persons" of this annual report.

12. PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE BANK

During the Reporting Period, the Bank and any of its subsidiaries had not purchased, sold or redeemed any of the Bank's listed securities during the Reporting Period.

13. PRE-EMPTIVE RIGHTS

There are no provisions in the Articles of Association and the relevant PRC laws for granting pre-emptive rights to the Shareholders.

14. MAJOR CUSTOMERS

As of December 31, 2021, the Group's five largest depositors and five largest borrowers accounted for less than 30% of the respective total deposits from customers and total loans and advances to customers.

None of the Directors, their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Bank's issued share capital) has any interests in the Group's five largest borrowers or depositors.

15. SHARE CAPITAL

Please refer to the section headed "Changes in Share Capital and Particulars of Shareholders" of this annual report for details of the share capital of the Bank.



Report of the Board of Directors

16. DIRECTORS AND SUPERVISORS OF THE BANK

During the Reporting Period, the Board of Directors includes:

Executive Director:	Mr. Liu Qing
Non-executive Directors:	Ms. Wu Changhong, Mr. Shi Guanglei, Mr. Zhao Xingjun, Mr. Zhang Youda Mr. Guo Jirong, Ms. Yang Chunmei, Mr. Ma Zhiqiang
Independent non-executive Directors:	Ms. Luo Mei, Mr. Wong Sincere, Mr. Dong Ximiao, Mr. Wang Tingting, Mr. Liu Guanghua

Details of the Directors, Supervisors and senior management members of the Bank are set out in the section headed “Directors, Supervisors, Senior Management, Employees and Organizations” of this annual report.

According to the Articles of Association of the Bank, the Board of Directors shall consist of fourteen Directors. The Board of Directors had thirteen Directors as of the date of this annual report. The Bank is in the process of selecting the fourteen Director in accordance with the Articles of Association, and will make the appointment as soon as practicable. As advised by Grandall Law Firm (Shanghai), the Bank’s PRC legal adviser, although the actual number of the Directors is lower than that set forth in the Articles of Association, the Board of Directors is still able to function properly. The composition of the Board of Directors will not result in any violation of applicable PRC laws and regulations. The Bank will make announcement(s) in relation to the appointment of the fourteenth Director in due course in accordance with the Hong Kong Listing Rules.

17. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK AND ITS ASSOCIATED CORPORATIONS

As at December 31, 2021, the interests of the Directors, Supervisors and chief executive of the Bank in the Shares, underlying Shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code or in accordance with Divisions 7 and 8 of Part XV under the SFO are as follows:

Name	Position in the Bank	Class of Shares	Nature of Interest	Number of Shares	Percentage of Domestic Shares of the Bank (%)	Percentage of the Total Share Capital of the Bank (%)
Mr. Liu Qing	Chairman, Executive Director	Domestic Shares	Beneficial owner	301,714(L) ⁽¹⁾	0.003	0.002
Mr. Ma Zhiqiang	Employee Representative Director	Domestic Shares	Beneficial owner	300,000(L) ⁽¹⁾	0.003	0.002
Mr. Wang Xiaopei	Employee Representative Supervisor	Domestic Shares	Beneficial owner	200,000(L) ⁽¹⁾	0.002	0.001
Mr. Liu Peixun	Employee Representative Supervisor	Domestic Shares	Beneficial owner	200,000(L) ⁽¹⁾	0.002	0.001

Note:

(1) L represents long position.

Save as disclosed above, none of the Directors, Supervisors and chief executive of the Bank held any interests or short positions in the Shares, underlying Shares or debentures of the Bank or its associated corporations as at December 31, 2021.

18. ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period was the Bank or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors and Supervisors (including their spouses and children under the age of eighteen) of the Bank to acquire benefits by means of the acquisition of Shares in, or debentures of, the Bank or any other body corporate.

19. INTERESTS OF DIRECTORS AND SUPERVISORS IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS AND SERVICE CONTRACTS

Saved as disclosed in this annual report, none of the Directors or Supervisors (or their connected entities) had any material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance of the Bank or its subsidiaries subsisting during or at the end of the Reporting Period. None of the Directors and Supervisors has entered into a service contract with the Bank that cannot be terminated by the Bank or its subsidiaries within one year without payment of compensation (other than statutory compensation).

20. MANAGEMENT CONTRACT

Save for the service contracts entered into with the Directors, Supervisors and senior management members of the Bank, the Bank has not entered into any other contract with any individual, company or body corporate in relation to the management or administration of the whole or any substantial part of any business of the Bank.

21. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESSES

None of the Directors and Supervisors has any interest in a business that competes, or is likely to compete, either directly or indirectly, with the business of the Bank under Rule 8.10(2) of the Hong Kong Listing Rules.

22. CORPORATE GOVERNANCE

The Bank is committed to maintaining a high level of corporate governance. Details of the Group's corporate governance are set out in the section headed "Corporate Governance Report" of this annual report. During the Reporting Period, the Bank has complied with the compulsory code provisions contained in the Corporate Governance Code.



23. CONNECTED TRANSACTIONS

The continuing connected transactions of the Bank during the Reporting Period are set forth below:

Exempt Continuing Connected Transactions

(I) Commercial banking services and products provided in the ordinary and usual course of business

The Bank is a commercial bank incorporated in the PRC under the supervision of the CBIRC and the PBOC. It provides commercial banking services and products in the ordinary and usual course of business to the public in China, including the Bank's connected persons (such as the Directors, the Supervisors and/or their respective associates). Details of the connected transactions between the Bank and its connected persons are set out below. These transactions are entered into in the ordinary and usual course of business of the Bank on normal commercial terms.

(1) *Extending loans and other credit facilities to connected persons*

The Bank provides loans and other credit facilities to certain connected persons of the Bank in the ordinary and usual course of business on normal commercial terms and with reference to prevailing market rates (including providing loans indirectly to connected persons of the Bank through trust schemes or asset management schemes established by third parties).

The above loans and other credit facilities provided by the Bank to the connected persons are entered into in the ordinary and usual course of business on normal commercial terms and with reference to prevailing market interest rates. Accordingly, pursuant to Rule 14A.87(1) of the Hong Kong Listing Rules, these transactions constitute fully exempt continuing connected transactions (i.e. financial assistance provided by the Bank to connected persons in the ordinary and usual course of business on normal commercial terms), and are therefore fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

(2) *Taking deposits from connected persons*

The Bank takes deposits from certain connected persons in the ordinary and usual course of business with normal deposit interest rates and on normal commercial terms.

The deposits are placed by the Bank's connected persons with the Bank on normal commercial terms, with reference to prevailing market rates. Accordingly, pursuant to Rule 14A.90 of the Hong Kong Listing Rules, these transactions constitute fully exempt continuing connected transactions (i.e. financial assistance received by the Bank from connected persons which are made by connected persons on normal commercial terms, and are not secured by the Bank's assets) and are therefore fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

(3) *Other banking services and products*

The Bank provides various commercial banking services and products (such as bank acceptance bills and debit card services) to certain connected persons in the ordinary and usual course of business on normal commercial terms and conditions at normal fee standards.

These continuing connected transactions are the provision of various commercial banking services and products to the Bank's connected persons in the ordinary and usual course of business on normal commercial terms similar to or no more favorable than those offered to independent third parties and are expected to constitute de minimis transactions under Chapter 14A of the Hong Kong Listing Rules. Accordingly, pursuant to Rule 14A.76(1) of the Hong Kong Listing Rules, these transactions constitute fully exempt continuing connected transactions and are therefore fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

(II) *Property leasing agreements with connected persons*

The Bank entered into a property leasing agreement (the "Zhongtian Leasing Agreement") with JISCO Zhongtian Property Co., Ltd. (酒鋼集團中天置業有限公司) (an associate of Gansu State-owned Assets Investment, a substantial Shareholder of the Bank, "Zhongtian Property"). Pursuant to the Zhongtian Leasing Agreement, Zhongtian Property leased a property located in Jiayuguan, Gansu Province to the Bank as the Bank's business office, with a leasing term from January 1, 2021 to December 31, 2021 and the Bank has paid an annual rental of RMB562,200. The transaction is conducted on normal commercial terms.

The Bank entered into a property leasing agreement (the "HAT Leasing Agreement") with Gansu HAT Asset Management Co., Ltd. (甘肅公航旅資產管理有限公司) (an associate of Gansu Highway Aviation Tourism, a substantial Shareholder of the Bank, "HAT Asset Management"). Pursuant to the HAT Leasing Agreement, HAT Asset Management leased a shop located in Xifeng District, Qingyang City, Gansu Province to the Bank as the Bank's business office, with a leasing term from August 1, 2019 to July 31, 2022 and at an annual rental of RMB627,000. During the Reporting Period, the Bank has paid the actual rental of RMB627,000. The transaction is conducted on normal commercial terms.

Gansu State-owned Assets Investment, a substantial Shareholder of the Bank, holds 31.58% equity interest in Jiuquan Iron & Steel, while Zhongtian Property is a subsidiary of Jiuquan Iron & Steel. Zhongtian Property is therefore a connected person of the Bank. Gansu Highway Aviation Tourism, a substantial Shareholder of the Bank, holds 18.3% equity interest in the Bank, while HAT Asset Management is a subsidiary of Gansu Highway Aviation Tourism. HAT Asset Management is therefore a connected person of the Bank. As the highest applicable percentage ratios of the transactions under the Zhongtian Leasing Agreement and the HAT Leasing Agreement calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules are both, on an annual basis, less than 5% and the annual rents are less than HK\$3 million, the continuing connected transactions contemplated under the Zhongtian Leasing Agreement and the HAT Leasing Agreement constitute de minimis transaction, and therefore is exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.76(1) of the Hong Kong Listing Rules.



Report of the Board of Directors

(III) Property management agreement with a connected person

The Bank entered into a property management agreement with Lanzhou Changhong Property Management Co., Ltd. (蘭州長虹物業管理有限公司) (an associate of Gansu State-owned Assets Investment, a substantial Shareholder of the Bank, “Changhong Property Management”). Pursuant to this agreement, Changhong Property Management agreed to provide property management services to the Bank for the Bank of Gansu Tower situated at Chengguan District of Lanzhou, Gansu Province, with a term from January 1, 2021 to December 31, 2021 and at a total annual fee of RMB4.06 million. The transaction is conducted on normal commercial terms.

Gansu State-owned Assets Investment, a substantial Shareholder of the Bank, holds 31.58% equity interest in Jiuquan Iron & Steel, which holds 100% equity interest in JISCO Lanzhou Judong Real Estate Development Co., Ltd. JISCO Lanzhou Judong Real Estate Development Co., Ltd. holds 100% equity interest in Changhong Property Management. Therefore, Changhong Property Management is a connected person of the Bank. As the highest applicable percentage ratios of the above transaction calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules are expected to be, on an annual basis, less than 0.1%, the continuing connected transaction contemplated under the above property management services agreement constitutes de minimis transaction, and therefore is exempt from all the reporting, annual review, announcement and independent Shareholders’ approval requirements pursuant to Rule 14A.76(1) of the Hong Kong Listing Rules.

Non-exempt Connected Transactions

(IV) Subscription for debt financing instruments issued by Gansu Railway Investment

On February 9, 2021, Gansu Railway Investment and Construction Group Co., Ltd. (甘肅省鐵路投資建設集團有限公司) (“Gansu Railway Investment”), an associate (as defined in the Listing Rules) of Gansu State-owned Assets Investment which is a substantial Shareholder of the Bank, conducted a public issuance of debt financing instruments in RMB (the “Debt Financing Instruments”) to domestic institutional investors in the PRC, with a total amount of RMB2,000 million and at an interest rate of 4.99 %. On February 9, 2021, the Bank successfully subscribed for the Debt Financing Instruments in a total nominal value of RMB300 million (the “Subscription”). The total consideration was approximately RMB300 million.

The Debt Financing Instruments have a term of three years, the value date of which was February 9, 2021 and the payment date is February 9, 2024. The total issuance amount is RMB2,000 million at a fixed interest rate of 4.99% per annum. The payment price is based on the nominal value. The Debt Financing Instruments bear a simple interest rate on an annual basis, with no compound interest accrued as due. Interest shall be paid once a year and the principal shall be repaid on the date of maturity in a lump sum. The last installment of interest shall be paid together with the principal.

As a part of the financial management of the Bank, it will increase its comprehensive income through external investment in debt financing instruments or otherwise from time to time. The Bank is of the view that the interest rate of Debt Financing Instruments is equivalent to the average interest rate of similar products in the market and believes that subscription for and holding of the Debt Financing Instruments will bring in stable income for the Bank. The Bank is expected to receive an interest of RMB14.97 million per annum during the effective term of the Debt Financing Instruments and RMB44.91 million in total during the three years. During the Reporting Period, the Bank has not received any interest.

Gansu State-owned Assets Investment is a substantial Shareholder of the Bank and is thus a connected person of the Bank, and Gansu Railway Investment is an associate of Gansu State-owned Assets Investment and is thus a connected person of the Bank. The subscription and holding of the Debt Financing Instruments constitutes financial assistance of the Bank to Gansu Railway Investment, and therefore constitutes a connected transaction of the Bank under Chapter 14A of the Listing Rules. Meanwhile, the Subscription also constitutes a discloseable transaction of the Bank under Chapter 14 of the Listing Rules.

On October 15, 2019, the Bank, through a securities broker, purchased medium-term notes with an aggregate face value of RMB300 million issued by Gansu State-owned Assets Investment by way of on-exchange trading (please refer to the Bank's announcement dated October 15, 2019 for details) and on November 25, 2020, the Bank subscribed for bonds with an aggregate face value of RMB170 million issued by Gansu Assets Management Co., Ltd. (甘肅資產管理有限公司) ("Gansu Assets Management"), a subsidiary of Gansu State-owned Assets Investment (please refer to the Bank's announcement dated November 25, 2020 for details), and the Bank still holds the above medium-term notes and bonds at the time of this Subscription. Pursuant to Rule 14A.81 of the Listing Rules, the Subscription should be aggregated with the two aforesaid connected transactions. As one or more of the applicable percentage ratios (except for the profit ratio) in respect of the Subscription (on an aggregated basis) exceed(s) 0.1% but all percentage ratios are less than 5%, the Subscription constitutes a connected transaction of the Bank under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but is exempt from circular (including independent financial advice) and independent shareholders' approval requirements. As the profit ratio for the Subscription (on an aggregated basis) exceeds 5% but less than 25%, therefore, the Transaction constitutes a discloseable transaction of the Bank and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, but exempt from the shareholders' approval requirement.

As at December 31, 2021, the Bank had disposed all of the medium-term notes issued by Gansu State-owned Assets Investment in a value of RMB300 million in the national interbank bond market. The Bank still holds the bonds issued by Gansu Asset Management in a value of RMB170 million and current Debt Financing Instruments issued by Gansu Railway Investment in a value of RMB300 million.

(V) Transfer of Debt Assets

In order to relieve the existing pressure on the non-performing assets undertaken by the Bank, the Bank transferred its debt assets through open bidding, with the principal amount and interest amounting to approximately RMB507.81 million. The transfer of such debt assets was conducted by public bidding. The Bank issued an invitation to six asset management companies qualified for the batch purchase of financial non-performing assets to participate in the transfer of the debt assets. Finally, Gansu Asset Management was the winner of the bidding.

On October 20, 2021, the Bank entered into an asset transfer contract with Gansu Asset Management, pursuant to which the Bank agreed to transfer its legally entitled debt assets as set out in the relevant asset transfer contract to Gansu Asset Management at a consideration of approximately RMB101.40 million. The debt assets under the asset transfer contract are non-performing assets of the Bank, which involve relatively large amounts and multiple stakeholders and creditors. The entering into of the Asset Transfer Contract and the proceeds from the transfer of the debt assets will be used to relieve the existing pressure on the non-performing assets borne by the Bank and to activate the Bank's credit stock, which is also an effective solution to revitalise the credit resources and make full use of market-based means to dispose of the non-performing assets, thereby further strengthening the foundation of the Bank's quality development. Upon the comprehensive consideration, the Bank considers that the entering into of the asset transfer contract is beneficial to the Bank and its shareholders. Based on the difference between the consideration for the non-performing assets and the carrying value of the principal amount of the Bank's non-performing assets as at the date of the asset transfer contract (approximately RMB416.66 million), the Bank recorded a loss on disposal of assets of approximately RMB317 million.



Report of the Board of Directors

Gansu State-owned Assets Investment is a substantial Shareholder of the Bank (as defined under the Listing Rules), and Gansu Assets Management is a subsidiary of Gansu State-owned Assets Investment and is thus a connected person of the Bank. As such, the transfer of debt assets constitutes a connected transaction of the Bank under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the transfer of debt assets exceed(s) 0.1% but all percentage ratios are less than 5%, the transfer of debt assets is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but is exempt from circular (including independent financial advice) and independent shareholders' approval requirements.

Related Party Transactions Referred to in the Consolidated Financial Statements and Connected Transactions under the Hong Kong Listing Rules

Save as disclosed above, there is no related party transaction or continuing related party transaction referred to in note 47 to the consolidated financial statements that falls into the category of connected transactions or continuing connected transactions that need to be disclosed under the Hong Kong Listing Rules. The Bank has complied with the requirements under Chapter 14A of the Hong Kong Listing Rules with respect to the connected transactions and continuing connected transactions of the Bank.

24. REMUNERATION POLICIES FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

The Bank endeavors to improve its performance evaluation system for Directors, Supervisors and senior management members. The remuneration system for the Directors, Supervisors and senior management members of the Bank adheres to the principle of unifying responsibilities, authorities and interests, combing incentives and restraints and focusing on both short-term and long-term incentives. The Bank insists on conducting remuneration system reform complementary with relevant reforms and promoting the marketization, monetization and standardization of the income allocation of the Bank's senior management.

The remuneration provided by the Bank for its executive Directors, employee Supervisors and senior management who are also the Bank's employees concurrently include salaries, discretionary bonus, social security plans, housing provident fund plans and other benefits. The remuneration provided by the Bank for its non-executive Directors, independent non-executive Directors and other Supervisors are determined by their responsibilities. The Bank strictly adheres to relevant regulatory provisions when making remuneration payments. The Bank assesses senior management members and offers remuneration to them based on the results of the assessment.

Please refer to note 12 to the consolidated financial statements in this annual report for the details of the remuneration of the Directors, Supervisors and senior management members.

25. PUBLIC FLOAT

Based on the Bank's publicly available information and to the best of the Directors' knowledge, as of the Latest Practicable Date, the number of H Shares in public hands represents approximately 25.17% of the total issued share capital of the Bank, which satisfies the minimum public float requirement under Rule 8.08(1) of the Hong Kong Listing Rules.

26. TAX RELIEF

(I) Withholding and Payment of Enterprise Income Tax for Non-resident Enterprise Shareholders

Pursuant to the Enterprise Income Tax Law of the People's Republic of China《中華人民共和國企業所得稅法》 and its implementation rules and the relevant regulations, the Bank has the obligation to withhold and pay enterprise income tax at a tax rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the H Share register in the distribution of dividend. As any shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be treated as being held by non-resident enterprise shareholders, the dividends received shall be subject to the withholding of enterprise income tax.

Upon receipt of such dividends, a non-resident enterprise shareholder may apply to the competent tax authorities for relevant treatment under the tax treaties (arrangements) in person or through a proxy or a withholding agent, and provide evidence in support of its status as an actual beneficial owner as defined in the tax treaties (arrangements). Upon verification by the competent tax authorities, the difference between the tax levied and the amount of tax payable as calculated at the tax rate under the tax treaties (arrangements) will be refunded.

(II) Withholding and Payment of Individual Income Tax for Individual Overseas Resident Shareholders

According to the Individual Income Tax Law of the People's Republic of China《中華人民共和國個人所得稅法》 and its implementation rules and the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (Announcement of the State Administration of Taxation 2015 No. 60)《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》(國家稅務總局公告2015年第60號)) (the "Tax Convention Announcement"), the Bank has the obligation to withhold and pay individual income tax on behalf of the individual shareholders whose names appear on the H Share register ("Individual H Shareholder(s)") in the distribution of final dividend for 2021. However, Individual H Shareholders are entitled to the relevant favorable tax treatments pursuant to the provisions in the tax treaties between the countries (regions) in which they are domiciled and the PRC, and the tax arrangements between the PRC and Hong Kong (or Macau). As such, the Bank will withhold and pay individual income tax on behalf of the Individual H Shareholders in accordance with the following arrangements:

- for Individual H Shareholders receiving dividends who are Hong Kong or Macau residents or citizens from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Bank will withhold and pay individual income tax at the rate of 10% in the distribution of final dividend;
- for Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Bank will withhold and pay individual income tax at the rate of 10% in the distribution of final dividend. If relevant Individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Bank will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Convention Announcement. Qualified shareholders shall submit in time a letter of entrustment and all application materials as required under the Tax Convention Announcement to the Bank's H share registrar, Computershare Hong Kong Investor Services Limited. The Bank will then submit the above documents to competent tax authorities and, after their examination and approval, the Bank will assist in refunding the excess amount of tax withheld and paid;



Report of the Board of Directors

- for Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Bank will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty in the distribution of final dividend;
- for Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of 20% or without tax treaties with the PRC or under other circumstances, the Bank will withhold and pay the individual income tax at the rate of 20% in the distribution of final dividend.

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Bank.

27. AUDITORS

Shinewing Certified Public Accountants LLP was engaged by the Bank as the auditor for the financial statements of the Bank prepared under the PRC GAAP for 2021. SHINEWING (HK) CPA Limited was engaged by the Bank as the auditor for financial statements of the Bank prepared under the IFRSs for 2021. Please also refer to the section headed “Corporate Governance Report — II. Corporate Governance — (IX) External Auditors and Remuneration of Auditors” of this annual report for the information on the auditors’ remuneration.

During its application for the listing of H Shares on the Hong Kong Stock Exchange, the Bank engaged Shinewing Certified Public Accountants LLP as its domestic auditor and SHINEWING (HK) CPA Limited its overseas auditor.

28. PERMITTED INDEMNITY PROVISION

The Bank has arranged appropriate insurance covering possible legal liabilities of the Directors and the senior management arising from corporate activities to third parties.

29. MAJOR RISKS AND UNCERTAINTIES

Major risks and uncertainties faced by the Group include credit risk, market risk, operational risk and liquidity risk. By promoting comprehensive risk management, continuously refining the systems, enriching operating means and improving technologies, the Group has effectively enhanced its risk management capability. Please refer to the sections headed “Management Discussion and Analysis — Risk Management” and “Risk Management, Internal Control and Internal Audit” in this annual report.

30. FUTURE DEVELOPMENT OF BUSINESS

Please refer to the sections headed “Management Discussion and Analysis — Environment and Prospect” and “Management Discussion and Analysis — Development Strategy” of this annual report for further details.

31. KEY FINANCIAL PERFORMANCE INDICATORS

As of December 31, 2021, according to the financial data prepared under the IFRSs, the total assets of the Group amounted to RMB358,504.6 million, representing a year-on-year increase of 4.7%; total loans and advances to customers amounted to RMB198,595.3 million, representing a year-on-year increase of 9.2%; the non-performing loan ratio was 2.04%; total deposits from customers amounted to RMB255,987.9 million, representing a year-on-year increase of 2.5%; the operating income of the Group amounted to RMB6,277.6 million, representing a year-on-year decrease of 3.3%; and the net profit of the Group amounted to RMB573.3 million, representing a year-on-year increase of 1.9%. As of December 31, 2021, the Group's capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio was 12.44%, 11.95% and 11.95%, respectively.

32. ENVIRONMENTAL PROTECTION POLICY AND IMPLEMENTATION

The Group places great emphasis on its own environmental and social performance by integrating the banking operation and management with social responsibilities, actively supporting environmental friendly industries and environmental protection. In May 2017, we issued the first “green” financial bonds in Gansu, which totaled RMB1,000 million in the national interbank bond market. The proceeds of these bonds will be used to promote the development of the green and environmental friendly industry projects. In addition, we established our Green Finance Department in June 2017, which focuses on “green finance”.

In line with national policies to save energy costs, the Bank has implemented a series of measures, including: (i) regulating office room temperature; (ii) strengthening management of usage of the Bank's business vehicles and encouraging the use of public transport for long-distance business trips; and (iii) encouraging the turning off of lights and electronic appliances after work.

33. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2021, the Bank has complied with the “comply or explain” provisions set forth in the Environmental, Social and Governance Reporting Guide. For details, please refer to the 2021 Environmental, Social and Governance Report of the Bank to be published in accordance with the Hong Kong Listing Rules.

For details of the governance of the Bank, please refer to the section headed “Corporate Governance Report” of this annual report. The Bank continuously refined its internal control and management system to make the internal control system more comprehensive, practicable and efficient. The rules and systems of the Bank were further improved to ensure that the departments of the Bank could duly discharge their respective duties and responsibilities.



34. COMPLIANCE WITH LAWS AND REGULATIONS

The Board pays close attention to the policies and regulations in relation to compliance with laws and regulatory requirements. As of December 31, 2021, to the best knowledge of the Board, the Group has complied in all material respects with all applicable laws and regulations which could materially affect the Group.

(1) Legal and compliance risk management of the Bank

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, financial losses and reputational harm resulting from the failure to comply with laws and regulations. The Bank has a three-tier legal and compliance risk management structure at its head office, branches and sub-branches.

The legal and compliance department at its head office is in charge of managing our overall legal and compliance risks. In addition, the Bank has established legal and compliance departments at the tier-one branches and sub-branches in charge of the matters in respect of legal compliance and risk management.

Our risk management and internal control committee supervises and leads our legal and compliance work. The Bank systematically manages our internal control compliance and legal affairs by building a management system for internal control compliance and operational risks. The Bank manages legal and compliance risks primarily through the following measures:

- formulating our rules, systems and annual plans, and leading and urging the formulation and amendment thereof;
- enhancing the compliance review mechanism to identify and evaluate compliance risks associated with our business activities;
- developing, coordinating, reviewing and incorporating the Bank's operation authorization plans and revised plans and putting them into implementation;
- uniformly managing standard contracts and other legal documents;
- managing and tracking our legal proceedings;
- formulating an annual compliance management plan, stipulating the focus for annual compliance work;
- managing related parties and related party transactions to control related party transactions in advance;
- optimizing the management mechanism for rectifications upon inspection, and enhancing the supervision and management of our rectifications upon inspection;
- closely monitoring regulatory changes and reporting compliance information and risks to our senior management and the relevant business lines; and
- enhancing internal training on legal and compliance, and issuing compliance alerts and reminders to employees through compliance proposals and internal publications.

(2) Anti-money laundering management

The Bank has formulated comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and other applicable regulations of the PBOC.

The Board of Directors oversees our bank-wide implementation of anti-money laundering policies, supervises senior management with respect to the formulation and implementation of anti-money laundering rules and procedures, reviews reports from senior management on any major anti-money laundering matters and our overall money-laundering risk profile, and adjusts our anti-money laundering policies of the Bank on a timely basis.

The Bank has established anti-money laundering leadership groups at its head office, branches and sub-branches. The anti-money laundering leadership group at its head office leads and coordinates our bank-wide anti-money laundering efforts. It is primarily responsible for:

- formulating anti-money laundering plans;
- reviewing rules and internal controls regarding anti-money laundering;
- ensuring the effective implementation of internal controls for anti-money laundering;
- analyzing significant issues relating to anti-money laundering;
- formulating solutions and responsive measures; and
- reporting to our Board of Directors.

This leadership group is led by the president of the Bank and the office is set up at the legal and compliance department. The members of the leadership group consist of the anti-money laundering leadership management department, the business management department, the responsible persons from the middle and back-end cooperation departments and other parties.

The Bank conducts due diligence on the customers in accordance with anti-money laundering laws and regulations. The Bank reports large-scale and suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center on a daily basis through our anti-money laundering management system. The Bank also reports major reasonably suspected money laundering activities to the local branch of the PBOC and cooperates with their investigations, and reports to local public security units when necessary.

The Bank provides bank-wide anti-money laundering training on a regular basis based on employees' position and seniority. The Bank also requires all new employees to participate in mandatory anti-money laundering training before commencing employment.

35. BUSINESS QUALIFICATIONS

During the Reporting Period and as of the date of this annual report, the Bank and its sole subsidiary Jingning Chengji Rural Bank have obtained necessary business qualifications required for their business operations.



Report of the Board of Directors

36. LEGAL PROCEEDINGS

The Bank and its sole subsidiary Jingning Chengji Rural Bank are involved in legal disputes in the ordinary course of business, which primarily include actions against borrowers for the recovery of loans. As of the Latest Practicable Date, neither the Bank nor its subsidiary was involved in any material pending lawsuits as a defendant.

During the Reporting Period and up to the Latest Practicable Date, none of the Bank's Directors, Supervisors, or senior management was involved in any material litigation or arbitration, nor had any of them been subject to any administrative penalty.

37. ISSUANCE OF BONDS

For the year ended December 31, 2021, the Bank has issued debt securities during the Reporting Period to supplement its capital, the details of which are set out as follows:

Interbank certificates

For the year ended December 31, 2021, the Bank issued several tranches of zero-coupon interbank certificates in an aggregate principal amount of RMB28,190.0 million. The interbank certificates have terms of one month to one year and bear effective interest rates between 2.40% and 3.60% per annum.

Financial bonds

At the meeting of the Board of Directors convened on March 27, 2019, the Board of Directors advised the Bank to issue capital bonds with no fixed maturity date to the public in an aggregate amount of no more than RMB5 billion (inclusive). The proposal was considered and approved at the 2018 annual general meeting convened on June 3, 2019 and the authorizing resolution shall be valid for 36 months from the date of approval at the 2018 annual general meeting (i.e. June 3, 2019).

At the meeting of the Board convened on March 30, 2020, the Board advised the Bank to issue tier 2 capital bonds to the public in an aggregate amount of no more than RMB5 billion. The proposal was considered and approved at the 2019 annual general meeting convened on June 3, 2020 and the authorizing resolution shall be valid for 18 months from the date of approval at the 2019 annual general meeting (i.e. June 3, 2020).

In view of the latest changes in the bond market environment and the need of the regulatory approval process, the extension of the validity term of the Resolution on the Public Offering of Tier 2 Capital Bonds approved at the 2020 annual general meeting was considered and approved by the Board on March 29, 2021, as a result of which, the resolution is valid for 18 months from the date of approval at the 2020 annual general meeting (i.e. May 24, 2021), with the remaining contents of the resolution unchanged.

As of the Latest Practicable Date, the Bank has not issued any bonds under the aforesaid authorization. The Bank will, according to relevant applicable laws and regulations and the Hong Kong Listing Rules, disclose the progress of issuing financial bonds to the Shareholders of the Bank and potential investors in a prompt manner.

38. EQUITY-LINKED AGREEMENT

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

39. REVIEW OF ANNUAL RESULTS

Shinewing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited have audited the consolidated financial statements of the Group prepared in accordance with the PRC GAAP and IFRSs, respectively, and issued standard unqualified auditors' reports. The Board of Directors and the Audit Committee of the Bank have reviewed the results and financial report of the Bank for the year ended December 31, 2021 and recommended the Board of Directors to approve these documents.

40. BUSINESS ACTIVITIES INVOLVING SANCTIONED COUNTRIES

The United States has imposed sanctions against Sudan, Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the so-called Donetsk People's Republic and the so-called Luhansk People's Republic (the "Sanctioned Countries") as well as individual persons and entities on lists of designated parties. To varying extents, the European Union, Australia, and the U.N. also maintain certain sanctions.

The Bank does not engage, and have not in the past five years engaged, in a transaction or dealing, directly or indirectly, involving a Sanctioned Country other than Iran. The Bank's Iran-related transactions and dealings have been limited to the provision of RMB and Euro ("EUR") settlement services to PRC merchants that the Bank believes sell daily necessities and commercial electronic devices to Iranian companies (the "Iran-related Business"). The Bank has called a complete halt to our Iran-related Business since October 23, 2018 and frozen the money in all Irani banks' settlement accounts with the Bank and would cut off all communications with them until such sanctions are lifted.

When the Bank applied to the Hong Kong Stock Exchange for the listing of the H Shares issued by the Bank on the Hong Kong Stock Exchange, the Bank made the following undertakings to the Hong Kong Stock Exchange:

- The Bank will not knowingly use the proceeds from the global offering or any other funds raised through the Hong Kong Stock Exchange to finance or facilitate, directly or indirectly, sanction projects or businesses in the Sanctioned Countries;
- The Bank will disclose on the Hong Kong Stock Exchange's website and on the Bank's own website if our transactions or dealings in Sanctioned Countries put the Bank or the Bank's Shareholders or potential investors at risk of being sanctioned; and
- The Bank will disclose in our annual reports/interim reports our efforts on monitoring sanctions risk exposure, the status of any future business in the Sanctioned Countries, and our business intentions relating to the Sanctioned Countries.

The Bank has adopted the following internal control measures to identify, monitor, and manage our exposure to sanctions risk and to comply with our undertakings to the Hong Kong Stock Exchange:

- The Bank conducts sanctions-related screening in connection with our international transactions, including screening against the SDN List and the Sectoral Sanctions Identifications List and the E.U. Consolidated List of Financial Sanctions Targets;
- The Bank provides training on sanctions laws to all business personnel of the Bank;



Report of the Board of Directors

- The Bank will seek appropriate advice from external legal advisers upon identifying any material sanctions risk in our operations; and
- The Bank will closely monitor the use of the proceeds from the global offering and other funds raised through the Hong Kong Stock Exchange to help ensure the proceeds and other funds will not be used for or applied to any sanctioned business. The Bank has deposited these proceeds and funds in a separate bank account.

The Bank expects that it will not engage in the future in a transaction or dealing, directly or indirectly, involving a Sanctioned Country other than Iran. As disclosed above, the Bank's Iran-related Business has come to a complete halt since October 23, 2018 and would not be resumed until the new round of sanctions against Iran by the U.S. government are lifted. The Bank expects that the Bank's Iran-related transactions and dealings will also be limited to the provision of RMB and EUR settlement services to PRC merchants that the Bank believes has business dealings with Iranian companies even if such sanctions are removed. The Bank will not take the initiative to enlarge the scale of the Bank's Iran-related transactions unless required by national macro policies or strategies, to ensure these transactions account for one percent or less of our total operating income.

The Bank considers various factors when determining whether to engage in transactions involving Sanctioned Countries, including:

- The scale of the transactions as a percentage of our total operating income;
- Involvement of any persons or entities on lists of designated parties maintained by the sanctions enforcement agencies;
- Involvement of any industries or sectors that are subject to sanctions; and
- Legal and reputational risks.

41. COMPANY SECRETARIES

During the Reporting Period, there were changes in the Bank's company secretaries. The current company secretary of the Bank is Mr. Wong Wai Chiu (黃偉超), whose appointment was effective on January 26, 2021. Prior to that, the company secretary of the Bank is Ms. Fok Po Yi (霍寶兒), whose resignation was effective on January 26, 2021.



42. MISCELLANEOUS

1. As of the Latest Practicable Date, the Bank was not aware that any Shareholders had waived or agreed to waive any dividend arrangement.
2. As of the Latest Practicable Date, none of the Directors waived or agreed to waive the related remuneration arrangements.
3. During the Reporting Period and up to the Latest Practicable Date, there were no collateral and pledges of significant assets of the Bank.
4. The Bank did not implement any equity incentive plan during the Reporting Period and up to the Latest Practicable Date.
5. The Bank did not implement any employee stock ownership scheme during the Reporting Period and up to the Latest Practicable Date.
6. Save for those disclosed in this annual report, there were no other material investments held by the Group, nor were there other material investments or additions of capital asset plan approved by the Board of the Directors during the Reporting Period and up to the Latest Practicable Date.
7. There were no material acquisitions or disposals of subsidiaries during the Reporting Period and up to the Latest Practicable Date.

By Order of the Board
Liu Qing
Chairman

Work Report of the Board of Supervisors

In 2021, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Board of Supervisors of the Bank thoroughly studied and implemented the spirit of the 19th National Congress of the Communist Party of China. In accordance with the Company Law, the Corporate Governance Guidelines for Banking and Insurance Institutions, the Work Guidelines for the Board of Supervisors of Commercial Banks and the Articles of Association of the Bank, and with the goal of safeguarding the interests of shareholders and employees, the Board of Supervisors earnestly implemented the general requirements of the Party Committee of the Head Office on “guideline in 21 words” by always adhering to the problem-oriented principle, focusing on the two main themes of risk elimination and development to continuously improve the working methods, carefully carry out various supervision activities, and continuously improve the effectiveness of supervision, which exerted positive energy for further improving the Bank’s corporate governance, promoting structural adjustment as well as strengthening risk management and control to promote high-quality development

I. MAIN WORK PROGRESS

During the Reporting Period, the Board of Supervisors and the Supervision and Nomination Committee convened 21 meetings in total, at which a total of 63 supervisory matters and briefings were considered, including inspection and supervision plans and reports, performance evaluation of directors and supervisors, and financial budget and final accounts. The Supervisors attended 2 general meetings, 3 Board meetings, 11 business meetings, 4 president office meetings and 2 rectification joint meetings, and supervised the legality and compliance of the contents of the proposals and the procedures of the meetings.

In respect of the supervision of internal control, risk management, financial activities and performance of duties, the Board of Supervisors mainly carried out the following supervision work:

(I) Strengthen process attention and improve the breadth of supervision

During the Reporting Period, the Board of Supervisors continued to strengthen the supervision before and during the event, and timely reminded the Board of Directors and the senior management to deploy and rectify the problems found in the supervision process. By participating in and attending various meetings, the Supervisors comprehensively understood the operation and management situation, provided supervision opinions, suggestions or reminders to the Board of Directors and the management in a timely manner when problems were found. It also strengthened the supervision of the decision-making process of major issues and the daily performance of duties by the Board of Directors, senior management and members, and improved the standardized behaviors between the Board of Supervisors and the Board of Directors/the senior management. The Board of Supervisors successively formed special daily supervision reports on the issues involved in the 2021 Interim Report (Draft), the Comprehensive Risk Report for the First Half of 2021, the Five-Year Development Strategy of Bank of Gansu (2021-2025), the Issuance Plan of Financial Bonds for 2021, the Supplementary Estimated Amount of Related Party Transactions for 2021, the construction of the Bank’s internal control and compliance system, and the accountability and rectification mechanism. By issuing business contact letters, supervision reminders and supervision opinions, it urged the above issues to be rectified, effectively promoting the Bank to further standardize and improve relevant management systems and mechanisms, timely stop up loopholes and reduce risks.

(II) Strengthen business inspection and improve the depth of supervision

During the Reporting Period, the Board of Supervisors conducted comprehensive business supervision and inspection on Pingliang, Baiyin, Qingyang, Wuwei, Dingxi Branches and Jinchang, Chengguan and Anning Sub-branches. By mainly focusing on pre-lending, in-lending and post-lending management of credit business, it conducted inspections to put forward seven aspects of problems and corresponding rectification suggestions, and proposed performance suggestions for the Board of Directors, senior management and their members. The issues identified by the Board of Supervisors include pre-loan investigation, implementation of credit conditions and post-loan management.

(III) Strengthen grassroots research and improve supervision accuracy

In 2021, the Supervisors regularly and irregularly carried out investigation and supervision at the grassroots level, and successively carried out investigation and research on the Jiuquan, Zhangye and Jiayuguan branches, as well as the human resources department, corporate business department, information technology department, legal and compliance department, audit department and other institutions of the head office, to understand the operation and management, key products, risk management, internal control and business promotion, and timely communicated to coordinate the problems found in the investigation and research, and put forward supervision opinions and suggestions. A total of 19 opinions and suggestions were put forward in the annual survey, and rectification measures were taken based on each and every opinion and suggestion.

(IV) Strengthen rectification and tracking and improve supervision efficiency

During the Reporting Period, the Board of Supervisors conducted follow-up supervision and supervision on the internal control evaluation, new loans granted in 2021 and the problems identified in the inspection by the CBIRC and the audit department, contacted and coordinated the audit department of the head office, the legal and compliance department, Zhangye branch, Jiuquan branch, Jiayuguan branch and other departments and institutions, verified the rectification measures and implementation status one by one, and issued supervision reports, and put forward six opinions and suggestions on rectification work and risk asset management and control, and clarified the focus of future rectification. By revealing the problems and urging rectification, the Board of Supervisors effectively promoted the Bank to strengthen the internal control and improve the system, and improve the management efficiency and quality.

(V) Strengthening performance evaluation and improving supervision ability

During the Reporting Period, the Board of Supervisors continued to carry out performance evaluation. In particular, in accordance with the relevant provisions and requirements of the Measures for the Performance Evaluation of Directors and Supervisors of Banking and Insurance Institutions (Trial), the Bank conducted a “review by looking back” on the performance evaluation of the Bank, and comprehensively evaluated the performance of the Board of Directors, the Board of Supervisors and the senior management in 2020. The Bank implemented the personal performance evaluation for Directors, Supervisors and senior management members in a combination of qualitative and quantitative indicators, self-evaluation, mutual evaluation, Board evaluation and Board of Supervisors evaluation, which established and standardized the personal performance files of Directors, Supervisors and senior management members and improved the ability and level of supervision.

(VI) Active preparation and completion of the re-election of the Board of Supervisors

In order to continuously improve the supervision ability and supervision level, the Bank selected personnel with accounting, securities and finance professions to supplement the third session of the Board of Supervisors of the Bank. With external supervisors, the Board of Supervisors strengthened the professionalism and practice of the Board of Supervisors, and provided guarantee for the better development of the Board of Supervisors.

In 2021, the Board of Supervisors continued to strengthen its own construction and improve its ability to perform duties. For insufficient attention to the supervision and rectification opinions of the Board of Supervisors for some departments and institutions, the Board of Supervisors issued the Notice on Further Strengthening the Provision of Supervision Information to the Board of Supervisors, which clarified the focus of supervision and emphasized the supervision requirements. In



Work Report of the Board of Supervisors

accordance with the Corporate Governance Guidelines for Banking and Insurance Institutions and the Measures for the Performance Evaluation of Directors and Supervisors of Banking and Insurance Institutions (Trial), the Bank improved the performance evaluation measures and the Articles of Association. The Board of Supervisors organized Supervisors to participate in the seminar of “Interpretation of the Measures for the Performance Evaluation of the Board of Supervisors of Commercial Banks by the CBIRC and Improvement of Supervisors’ Performance Capability”, and timely grasped the requirements of relevant laws and regulations and regulatory policies. The Board of Supervisors organized supervisors and relevant personnel to carry out learning and communication with Bank of Qingdao and Weihai Bank by strengthening communication with peers and learning from the practice and advanced experience of the board of supervisors of peers. Through such learning, the Board of Supervisors continuously improved its work and effectively improved the effectiveness of supervision.

II. INDEPENDENT OPINIONS ON RELEVANT MATTERS

(I) Operation in compliance with laws

During the Reporting Period, the operation activities of the Bank conform to the provisions of the Company Law, the Commercial Bank Law and the Articles of Association of the Bank, and the decision-making procedure was legal and effective; and no violation of the laws and regulations, the Articles of Association of the Bank or no damage to the interests of the Bank and shareholders have been found when the Directors and senior management of the Bank performed their duties.

(II) Truthfulness of financial reports

During the Reporting Period, the financial reports have been audited by Shinewing Certified Public Accountants with standard unqualified audit report issued. The financial reports fairly reflected the financial conditions and operating results of the Bank.

(III) Related party transactions

During the Reporting Period, the Bank further standardized the management of related party transactions, and the Board of Supervisors found no acts violating the principle of fairness or damaging the interests of the Bank and the Shareholders.

(IV) Internal control

During the Reporting Period, the Bank continued to strengthen and improve the internal control, formulated Plan for Internal Control and Compliance System and no major defects in the internal control system and implementation of the Bank were founded by the Board of Supervisors.

(V) Implementing resolutions of the Shareholders’ general meeting by the Board

During the Reporting Period, the Board of Supervisors had no disagreement upon any reports and proposals submitted by the Board to the Shareholders’ general meeting for consideration, and was of the view that the Board diligently implemented relevant resolutions passed at the Shareholders’ general meetings.

(VI) Fulfillment of Social Responsibilities

During the Reporting Period, the Bank earnestly performed its social responsibilities. The Board of Supervisors had no disagreement upon the 2021 Corporate Social Responsibility Report.

III. PROBLEMS AND DEFICIENCIES

In 2021, the Board of Supervisors has made certain achievements and played a positive role in promoting the business development of Bank of Gansu. However, there are still some shortcomings in many respects and still remains a certain gap with regulatory requirements and certain deficiencies exist with respect to the following aspects: firstly, the means and methods of supervision by the Board of Supervisors need to be further strengthened; secondly, the measures and methods for appraisal on performance of duties of Directors and senior management by the Board of Supervisors need to be further improved; thirdly, the policy level, financial knowledge and supervision capability of the members of the Board of Supervisors need to be further enhanced and reinforced.

IV. WORK GUIDELINE FOR 2022

In 2022, in accordance with the requirements of the Company Law, relevant laws and regulations and the Articles of Association of the Bank, the Board of Supervisors will closely focus on the work center of the Bank and take the full implementation of the five-year development plan as an opportunity to actively explore ways to perform its duties, earnestly perform its supervisory duties, earnestly safeguard the legitimate rights and interests of Shareholders and the Bank, promote the continuous improvement of the corporate governance mechanism, jointly promote the high-quality development of the Bank with the Board of Directors and senior management, and create a new landscape for work.

(I) Carry out strategic supervision and promote the effective implementation of strategic planning

According to the requirements of the Company Law, the Corporate Governance Guidelines for Banking and Insurance Institutions and the Articles of Association of the Bank, the Board of Supervisors regularly collect and analyze relevant information, supervise and inspect the implementation and completion of the development strategic plan and annual business plan, and urge the implementation of the Bank's development strategic plan. The Board of Supervisors will organize supervisors to carry out research on strategic issues, regularly evaluate the effect of strategy implementation, form special supervision and evaluation reports, and promptly remind the Board of Directors and senior management to rectify the problems, so as to effectively promote the implementation of strategic planning.



Work Report of the Board of Supervisors

(II) Carry out performance supervision to promote the effective performance of duties by the Board, senior management and their members

The Board of Supervisors will continue to improve the performance evaluation measures of the Board of Directors, the Board of Supervisors and the senior management and their members, clarify the evaluation content, standards and methods, supervise and evaluate the Board of Directors and its members in improving corporate governance, development strategy, business philosophy, capital management and other aspects, and evaluate the performance of the Board of Supervisors. The Board of Supervisors will supervise and evaluate the implementation of the resolutions of the general meetings, the Board of Directors and the Board of Supervisors and the performance of operation and management duties by the senior management and its members within its terms of office, and report the evaluation results to the general meetings or shareholders' meetings in a timely manner, so as to promote the effective performance of duties by the Board of Directors and the senior management and their members.

(III) Carrying out financial supervision to promote the effective implementation of cost management throughout the Bank

The Board of Supervisors will focus on supervising the important financial decisions and implementation of the Board of Directors and senior management, providing review opinions on the truthfulness, accuracy and completeness of the regular reports of the Bank, expressing opinions on the compliance and rationality of the annual financial budget, final accounts and profit distribution, supervising and rectifying the effective implementation of important financial decisions by the Board of Directors and senior management, thus promoting the effective implementation of cost management throughout the Bank.

(IV) Carrying out internal control supervision to promote the operation in compliance with laws and regulations throughout the Bank

The Board of Supervisors will supervise the internal control environment and internal control measures of the Bank, especially the management system, operation process, key risk links and relevant implementation information system for new businesses and new products, and promptly remind the Board of Directors and senior management to rectify the problems found in the internal control inspection and self-evaluation of the Bank, and track and supervise the rectification.

(V) Carry out risk supervision to promote the effective implementation of the comprehensive risk system

The Board of Supervisors will carry out supervision on the establishment and improvement of the Bank's comprehensive risk management governance structure and the risk management and control mechanism, risk appetite, transmission mechanism, policies and procedures of the Board of Directors and senior management, regularly communicate with the Board of Directors and senior management on the Bank's risk level, risk management and risk tolerance assessment. By focusing on the regulatory opinions of regulatory authorities, regular risk management reports of the Bank, major problems found in internal and external audits and the implementation of rectification, it will also timely remind the Board of Directors and senior management on the Bank's compliance with risk regulatory indicators and put forward rectification requirements.

(VI) Carry out daily supervision to promote high-quality and stable operation of the Bank

Focusing on the general tone of risk management and development of the Bank, the Board of Supervisors will continue to improve and innovate work methods and approaches. Through daily supervision such as meetings, inspections, surveys and interviews, and using various supervision tools such as inspections, inquiries and reminders, the Board of Supervisors will perform various supervision duties by playing a good role in supervision, and make efforts to improve the standardization of supervision work and supervision efficiency by strictly performing supervision duties in accordance with the prescribed procedures and fully guaranteeing the professionalism, seriousness and authority of supervision work, and promote the high-quality and stable operation of the Bank.

Changes in Share Capital and Particulars of Shareholders

I. CHANGES IN SHARE CAPITAL OF THE BANK

(I) Share Capital

As of December 31, 2021, the share capital of the Bank was as follows:

Description of Shares	Number of Shares	Approximate Percentage of Issued Share Capital (%)
Domestic Shares	11,275,991,330	74.83
H Shares	3,793,800,000	25.17
Total	15,069,791,330	100.00

(II) Changes in Share Capital

During the Reporting Period and up to the Latest Practicable Date, there has been no changes in the share capital of the Bank.

II. PARTICULARS OF SHAREHOLDERS

(I) Particulars of Shareholdings of the Top Ten Shareholders of the Domestic Shares of the Bank

As of December 31, 2021, the top ten Shareholders of the Domestic Shares of the Bank are set out as follows:

No.	Name of Shareholder	The Number of Shares of the Bank Held as at December 31, 2021 ⁽¹⁾	Shareholding Percentage as at December 31, 2021 (%)	The Number of Shares of the Bank Held as at the Latest Practicable Date ⁽¹⁾	Shareholding Percentage as at the Latest Practicable Date (%)	Number of Shares Pledged
1	Gansu Highway Aviation Tourism	2,657,154,433	17.63	2,657,154,433	17.63	0
2	Gansu State-owned Assets Investment	1,909,250,972	12.67	1,909,250,972	12.67	0
3	Jiuquan Iron & Steel	983,972,303	6.53	983,972,303	6.53	0
4	Jinchuan Group	983,972,303	6.53	983,972,303	6.53	0
5	Mengshang Bank Co., Ltd.	845,296,403	5.61	845,296,403	5.61	0
6	Gansu Electric Power Investment	633,972,303	4.21	633,972,303	4.21	0
7	Jingyuan Coal Industry Group Limited	239,326,800	1.59	239,326,800	1.59	0
8	Yong Xin Hua Holdings Group Co., Ltd.	239,326,800	1.59	239,326,800	1.59	239,326,800
9	Duzhe Publishing Group Limited	211,324,101	1.40	211,324,101	1.40	0
10	Ningxia Tianyuan Manganese Limited Company	201,083,333	1.33	201,083,333	1.33	0
	Jingye Group Co., Ltd.	201,083,333	1.33	201,083,333	1.33	0

Changes in Share Capital and Particulars of Shareholders

Notes:

- (1) The shareholding in this table refers to the number of Domestic Shares directly held in the Bank.
- (2) As at the end of the Reporting Period, so far as the Bank was aware, the Bank's 912,786,035 Shares, representing 6.06% of the Shares issued, were pledged.

(II) Interests and Short Positions of Substantial Shareholders and Other Persons

To the best knowledge of the Bank, as of December 31, 2021, the following persons (other than the Bank's Directors, Supervisors and chief executive) had or be deemed or taken to have interests and/or short positions in the Shares or underlying Shares as recorded in the register of interests required to be kept by the Bank pursuant to section 336 of Part XV of the SFO and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, were interested in 5% or more of the nominal value of any class of the Bank's share capital carrying rights to vote in all circumstances at the shareholders' general meetings of any other member of the Bank:

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares Directly or Indirectly Held ⁽²⁾	Approximate Percentage of the Bank's Total Issued Share Capital (%)	Approximate Percentage of the Bank's Relevant Class of Shares (%)
Gansu State-owned Assets Investment	Beneficial owner	Domestic Shares	1,909,250,972(L) ⁽¹⁾	12.67	16.93
	Interest in controlled corporation ⁽³⁾	Domestic Shares	1,617,944,606(L) ⁽¹⁾	10.74	14.35
Gansu Highway Aviation Tourism	Beneficial owner ⁽⁴⁾	Domestic Shares	2,657,154,433(L) ⁽¹⁾	17.63	23.56
	Interest in controlled corporation ⁽⁴⁾	Domestic Shares	100,541,667(L) ⁽¹⁾	0.67	0.89
Mengshang Bank Co., Ltd.	Beneficial owner	Domestic Shares	845,296,403(L) ⁽¹⁾	5.61	7.50
Jiuquan Iron & Steel	Beneficial owner	Domestic Shares	983,972,303(L) ⁽¹⁾	6.53	8.73
Jinchuan Group	Beneficial owner ⁽³⁾	Domestic Shares	983,972,303(L) ⁽¹⁾	6.53	8.73
Gansu Financial Holding Group	Beneficial owner	H Shares	1,250,000,000(L) ⁽¹⁾	8.29	32.95

Notes:

- (1) L represents long position.
- (2) Pursuant to Part XV of the SFO, shareholders of a company are required to file disclosure of interest's forms when certain criteria are fulfilled. When the shareholdings of the shareholders in the company change, it is not necessary for the shareholders to notify the company and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the substantial shareholders in the company may be different from the shareholdings filed with the Hong Kong Stock Exchange.
- (3) Gansu State-owned Assets Investment directly held 1,909,250,972 Domestic Shares of the Bank, representing approximately 12.67% of the total issued share capital of the Bank. Gansu SASAC and Jiuquan Iron & Steel hold 84% and 16% equity interest in Gansu State-owned Assets Investment, respectively, while Gansu State-owned Assets Investment in turn holds 31.58% equity interest in Jiuquan Iron & Steel. Gansu State-owned Assets Investment also holds 100% of the equity interest in Gansu Electric Power Investment and 47.97% of the equity interest in Jinchuan Group. Therefore, Gansu Electric Power Investment and Jinchuan Group are controlled corporations of Gansu State-owned Assets Investment. Pursuant to the SFO, Gansu State-owned Assets Investment is deemed to be interested in the Shares held by Gansu Electric Power Investment and Jinchuan Group.
- (4) Gansu Highway Aviation Tourism held 2,657,154,433 Domestic Shares of the Bank, representing approximately 17.63% of the total issued share capital of the Bank. Gansu Highway Aviation Tourism holds 100% equity interest in Gansu Financial Capital Management Co., Ltd. (甘肃金融资本管理有限公司), which in turn held 100,541,667 Domestic Shares of the Bank, representing approximately 0.67% of the total issued share capital of the Bank. Therefore, Gansu Financial Capital Management Co., Ltd. is a controlled corporation of Gansu Highway Aviation Tourism. Pursuant to the SFO, Gansu Highway Aviation Tourism is deemed to be interested in the Shares held by Gansu Financial Capital Management Co., Ltd.

Changes in Share Capital and Particulars of Shareholders



Save as disclosed above, as of the Latest Practicable Date, the Bank is not aware of any other person, other than the Directors, Supervisors and chief executive of the Bank, who had interests or short positions in the Shares and underlying Shares of the Bank, which were required to be recorded in the register of interests maintained by the Bank pursuant to section 336 of Part XV of the SFO, and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(III) Shareholders Holding 5% or More of the Share Capital

Please refer to “II. Particulars of Shareholders” above for information on Shareholders holding 5% or more of the share capital of the Bank.

(IV) Particulars of Controlling Shareholders and De Facto Controller

The Bank does not have a controlling Shareholder or de facto controller.

Directors, Supervisors, Senior Management, Employees and Organizations

I. INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

During the Reporting Period and up to the Latest Practicable Date, the information of the Directors, Supervisors and senior management members of the Bank is as follows:

Directors

Name	Age	Date of joining the Bank	Date of appointment as Director ⁽¹⁾	Position held as of the Latest Practicable Date	Responsibilities
Mr. Liu Qing (劉青)	56	May 2011	December 3, 2018	Chairman, executive Director	Presiding over the overall operations of the Bank, and primarily responsible for matters concerning Party building, implementation of major responsibilities for fostering a clean and honest Party, the ideological and political work, as well as work concerning the Board of Directors, strategic development and responsible for promoting the operation and management of the Bank; in charge of the Office of the Board of Directors, the Strategy and Development Department, and the Organization Department under the Party Committee (the Human Resources Department)
Ms. Wu Changhong (吳長虹)	59	November 2016	November 20, 2016	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which she is a member
Mr. SHI Guanglei (史光磊)	41	December 2021	December 24, 2021	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member
Mr. ZHAO Xingjun (趙星軍)	53	December 2021	December 24, 2021	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member
Mr. ZHANG Youda (張有達)	49	November 2016	November 20, 2016	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member

Directors, Supervisors, Senior Management, Employees and Organizations

Name	Age	Date of joining the Bank	Date of appointment as Director ⁽¹⁾	Position held as of the Latest Practicable Date	Responsibilities
Mr. GUO Jirong (郭繼榮)	51	November 2016	November 20, 2016	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member
Ms. YANG Chunmei (楊春梅)	44	December 2021	December 24, 2021	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which she is a member
Mr. MA Zhiqiang (馬志強)	52	September 2011	December 3, 2021	Non-executive Director (employee Director)	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member
Ms. LUO Mei (羅玫)	46	August 2017	August 12 2017	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice on finance and accounting to the Bank based on her extensive experience in finance and accounting, and performing her duties as a Director through the Board of Directors, audit committee, nomination and remuneration committee
Mr. WONG Sincere (黃誠思)	57	August 2017	August 12 2017	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice to the Bank in relation to compliance with Hong Kong laws and the Hong Kong Listing Rules based on his extensive experience in legal and compliance work, and performing his duties as a Director through the Board of Directors, audit committee and related party transaction and risk management committee

Directors, Supervisors, Senior Management, Employees and Organizations

Name	Age	Date of joining the Bank	Date of appointment as Director ⁽¹⁾	Position held as of the Latest Practicable Date	Responsibilities
Mr. DONG Ximiao (董希淼)	45	December 2018	December 3, 2018	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice to the Bank based on his extensive experience in finance, and performing his duties as a Director through the Board of Directors, audit committee, nomination and remuneration committee, related party transaction and risk management committee
Mr. WANG Tingting (王汀汀)	45	December 2021	December 24, 2021	Independent non-executive Director	Responsible for supervising and providing independent advice on operation and management of the Bank, particularly providing advice to the Bank based on his extensive experience in economic and financial studies, and performing his duties as a Director through the Board of Directors, nomination and remuneration committee and related party transaction and risk management committee
Mr. LIU Guanghua (劉光華)	52	December 2021	December 24, 2021	Independent non-executive Director	Responsible for supervising and providing independent advice on operation and management of the Bank, particularly providing advice to the Bank based on his extensive experience in legal works, and performing his duties as a Director through the Board of Directors, related party transaction and risk management committee and the Consumer Rights Protection Committee

Note:

- (1) The date of appointment as a Director stated here represents the date on which the relevant person was first elected as a Director at the general meetings or the employee representatives' meetings (for employee Director only) of the Bank.

Directors, Supervisors, Senior Management, Employees and Organizations

Supervisors

Name	Age	Date of joining the Bank	Date of appointment as Supervisor ⁽¹⁾	Position held as of the Latest Practicable Date	Responsibilities
Ms. TANG Lan (湯瀾)	59	November 2018	November 12, 2018	Chairman of the Board of Supervisors and employee representative Supervisor	Responsible for overall work of the Board of Supervisors, primarily responsible for supervising the work of the Board of Directors and management to ensure compliance with laws and regulations, and responsible for auditing, security, institutional construction and logistical support. In charge of the Office of the Board of Supervisors, Audit Department, Institutional Management Department (Security Department), Administrative Affairs Department
Mr. ZHANG Yanlong (張延龍)	37	December 2021	December 24, 2021	Shareholder Supervisor	Supervising the Board of Directors and the senior management
Mr. HAN Zhenjiang (韓振江)	54	December 2021	December 24, 2021	Shareholder Supervisor	Supervising the Board of Directors and the senior management
Mr. ZENG Lehu (曾樂虎)	51	June 2019	June 3, 2019	Shareholder Supervisor	Supervising the Board of Directors and the senior management
Mr. LUO Yi (羅藝)	42	June 2018	June 1, 2018	External Supervisor	Supervising the Board of Directors and the senior management
Mr. MA Runping (馬潤平)	59	December 2021	December 24, 2021	External Supervisor	Supervising the Board of Directors and the senior management
Mr. LI Zongyi (李宗義)	52	December 2021	December 24, 2021	External Supervisor	Supervising the Board of Directors and the senior management
Mr. WANG Xiaopei (王效沛)	50	July 2012	December 3, 2021	Employee Representative Supervisor	Supervising the Board of Directors and the senior management on behalf of the employees of the Bank
Mr. LIU Peixun (劉培訓)	54	March 2012	December 3, 2021	Employee Representative Supervisor	Supervising the Board of Directors and the senior management on behalf of the employees of the Bank

Note:

- (1) The date of appointment as a Supervisor stated here represents the date on which the relevant person was first elected as a Supervisor by the Shareholders' general meetings or the employee representatives' meetings (for employee representative Supervisors only) of the Bank.

Directors, Supervisors, Senior Management, Employees and Organizations

Senior Management

Name	Age	Date of joining the Bank	Date of appointment as senior management	Position held as of the Latest Practicable Date	Responsibilities
Mr. QIU Jinhu (仇金虎)	60	January 2015	May 21, 2015	Acting president ⁽¹⁾ , vice president	Primarily responsible for the overall operation and management of the Bank and the financial segment, individual business segment as well as the work of poverty alleviation and support throughout the Bank. In charge of the Planning and Financial Department, the individual business department, internet finance department, credit card centre and poverty alleviation and support office
Ms. HAO Jumei (郝菊梅)	53	February 2012	March 5, 2019	Vice president, secretary to the Board of Directors	Responsible for the daily work of the Board of Directors, work of risk management control segment, as well as the coordination and liaison with the companies held or invested by the Bank (such as rural banks). Giving priority to promote the resolution, settlement and disposal of the risk assets. In charge of Risk Management Department, Asset Preservation Department, Special Assets Management Center, Credit Approval Department, and assisting Mr. Liu Qing to take charge of the Office of the Board of Directors.
Mr. CHEN Jinhui (陳金輝)	53	July 2012	May 26, 2020	Vice president	Responsible for corporate banking and product innovation business, in charge of Corporate Business Department, Inclusive Finance Department and Investment Banking Department
Mr. DU Jing (杜晶)	46	December 2011	May 26, 2020	Vice president	Responsible for operating supporting, technical supporting, financial interbank, asset management, internal control compliance and digital transformation related work. In charge of Accounting and Operation Department and Information Technology Department, Financial Interbank Department, Asset Management Department and Legal and Compliance Department.
Mr. FENG Yuhui (馮煜輝)	58	September 2012	July 27, 2020	Chief business officer	Responsible for the operation and management of relevant business lines and being also the secretary to the Party committee and president of Lanzhou Jincheng Sub-branch

Note:

- (1) Mr. WANG Wenyong has ceased to act as the president of the Bank since December 27, 2021 due to work rearrangement. The Board meeting of the Bank held on January 21, 2022 considered and approved the authorization to and appointment of Mr. Qiu Jinhu, the vice president of the Bank, as an acting president of the Bank during the vacancy of the position of the president of the Bank, and the authorization period will be expired on the date when the Board elects the president.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

(I) Changes in Directors

Mr. WANG Wenyong has ceased to act as an executive director of the Bank and a member of the strategy and development committee, a member of the nomination and remuneration committee, a member of the related party transaction and risk management committee and a chairman of the consumer rights protection committee under the Board on December 27, 2021.

The Board of Directors received the letter of resignation from Ms. ZHANG Hongxia, a non-executive Director, on June 23, 2021. Due to the work rearrangement, Ms. Zhang requested to resign as a non-executive Director and a member of the strategy and development committee under the Board of Directors of the Bank, and Ms. Zhang ceased to hold positions in the Bank from the date when the Board of Directors received her letter of resignation.

Mr. LIU Wanxiang has ceased to act as a non-executive Director of the Bank and a member of the strategy and development committee of the Board due to the fulfillment of his term of office since December 24, 2021.

Ms. TANG Xiuli has ceased to act as an independent non-executive Director of the Bank, a member of the audit committee, a member of related party transactions and risk management committee, a member of consumer rights protection committee and the chairman of nomination and remuneration committee under the Board due to the fulfillment of her term of office since December 24, 2021.

The Bank passed a resolution at the 2021 first extraordinary general meeting held on December 24, 2021 to appoint Mr. SHI Guanglei, Mr. ZHAO Xingjun, Ms. YANG Chunmei and Mr. MA Zhiqiang as the non-executive Directors of the Bank.

The Bank passed a resolution at the 2021 first extraordinary general meeting held on December 24, 2021 to appoint Mr. WANG Tingting and Mr. LIU Guanghua as the independent non-executive Directors of the Bank.



Directors, Supervisors, Senior Management, Employees and Organizations

(II) Changes in Supervisors

Mr. YANG Zhenjun, an external Supervisor of the Bank, has tendered his resignation to the Board of Supervisors on October 16, 2019 to resign as an external Supervisor, chairman of the Nomination Committee of the Board of Supervisors and a member of audit committee due to work rearrangement with effective on May 24, 2021.

Mr. LIU Yongchong, a Shareholder Supervisor of the Bank, has tendered his resignation to the Board of Supervisors on May 27, 2020 to resign as a Shareholder Supervisor and a member of the supervisory committee of the Board of Supervisors due to work rearrangement with effective on May 24, 2021.

Mr. XU Yongfeng and Mr. LUO Zhenxia have ceased to act as employee representative Supervisors of the Board of Supervisors of the Bank due to the fulfillment of their term of office since December 24, 2021.

Mr. LI Yongjun, Mr. DONG Ying, Ms. SUN Yan and Mr. WANG Wenjian has ceased to act as Supervisors of the Board of Supervisors of the Bank due to the fulfillment of their term of office since December 24, 2021.

Ms. Tang Lan, Mr. WANG Xiaopei and Mr. LIU Peixun were elected as employee representative Supervisors of the 3rd session of Board of Supervisors of the Bank at the employee representatives' meeting convened by the Bank on December 3, 2021, and took office from the date of the 2021 first extraordinary general meeting on December 24, 2021, upon which, the 3rd session of Board of Supervisors was officially established.

The Bank passed a resolution at the 2021 first extraordinary general meeting held on December 24, 2021 to appoint Mr. ZHANG Yanlong and Mr. HAN Zhenjiang as Shareholder Supervisors of the Bank.

The Bank passed a resolution at the 2021 first extraordinary general meeting held on December 24, 2021 to appoint Mr. MA Runping and Mr. LI Zongyi as external Supervisors of the Bank.

(III) Changes in Senior Management Members

Mr. WANG Wenyong has ceased to act as the president of the Bank since December 27, 2021 due to work rearrangement. the Board meeting of the Bank held on January 21, 2022 considered and approved the authorization to and appointment of Mr. Qiu Jinhu, the vice president of the Bank, as an acting president of the Bank during the vacancy of the position of the president of the Bank, and the authorization period will be expired at the date when the Board elected the president.

III. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

(I) Biographies of Directors

Executive Director

Mr. Liu Qing (劉青), aged 56, has been an executive Director and the chairman of the Bank since December 3, 2018. Mr. Liu served as a cadre at Agricultural Bank of China Limited Pingliang Branch from December 1984 to December 1987, office secretary of the Administration Office of Pingliang from December 1987 to October 1992, senior staff member at the education department of the Gansu Branch of PBOC and senior staff member and deputy general manager of Gansu Securities Company from October 1992 to March 1997, member of the Party leadership group, vice president, member of the Party committee, secretary of the discipline inspection commission of the Baiyin Branch of PBOC, deputy director-general of the Baiyin Bureau of the State Administration of Foreign Exchange of the PRC, director of the discipline inspection group and director of the inspection office of CPC Baiyin Commission for Discipline Inspection Designated to Financial Institutions, deputy chief of Lanzhou Regulatory Office of PBOC, secretary to the Party committee and president of the Baiyin Branch of PBOC from March 1997 to December 2003. Mr. Liu served as the secretary to the Party committee and director-general of the CBRC Baiyin Office and a member of the Party committee and deputy director-general of the CBRC Gansu Office from December 2003 to May 2011. Mr. Liu was appointed as deputy secretary to the Party committee and vice president of Dunhuang Bank Co., Ltd. (the former name of the Bank used during the Bank's incorporation process) in May 2011, and has been an executive director of the Bank from October 2011 to November 2017. Mr. Liu also served as a deputy secretary to the Party committee and vice president of the Bank from October 2011 to October 2016, and served as a deputy secretary to the Party committee president of the Bank from October 2016 to November 2017. Mr. Liu worked at Gansu Province Rural Credit Union from November 2017 to September 2018, serving as secretary to the Party committee and director-general. Mr. Liu served as secretary to the Party committee of the Bank from September 2018 to December 2018. Mr. Liu has served as secretary to the Party committee and Chairman of the Bank since December 2018.

Mr. Liu obtained a master's degree in business administration from Lanzhou University in June 2014.

Non-executive Directors

Ms. Wu Changhong (吳長虹), aged 59, has been a non-executive Director since November 20, 2016. Ms. Wu is primarily responsible for participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which she is a member.

Ms. Wu has been a member of the Party committee and the deputy general manager of Gansu Highway Aviation Tourism since May 2011, and the chief financial officer of Gansu Highway Aviation Tourism from February 2016 to August 2019. She held a number of positions at Jinchuan Group from July 1984 to May 2011, including accountant of the cost division of the finance department, deputy head and head of the capital division of the finance and audit department, head of the assets management division of the finance and audit department, deputy director of the finance department and general manager of the audit department.

Ms. Wu obtained a bachelor's degree from the Party School of Gansu Province Committee of CPC, in December 1998, majoring in enterprise management. She was certified as a senior accountant by the Gansu Province Professional Title Reform Office (甘肅省職稱改革工作辦公室) in November 1998.



Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Shi Guanglei (史光磊), aged 41, has been a non-executive Director since December 24, 2021. Mr. Shi is primarily responsible for participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member.

Mr. Shi successively worked at the capital division of the finance department and the fund settlement center of Jiuquan Iron & Steel from July 2004 to August 2009. From August 2009 to March 2019, Mr. Shi successively served as the business manager and the deputy director of the financial management department, and the deputy director and the director of the capital finance department of Gansu Province State-owned Assets Investment Group Co., Ltd. (甘肅省國有資產投資集團有限公司). From March 2019 to January 2021, he served as the chief financial officer and director of the capital finance department of Gansu Province State-owned Assets Investment Group Co., Ltd. Since January 2021, he has been the chief financial officer of Gansu Province State-owned Assets Investment Group Co., Ltd.

Mr. Shi graduated and obtained a bachelor's degree in management from University of International Business and Economics in July 2004, majoring in business administration. He was certified as an intermediate economist by the Gansu Province Professional Title Reform Office in November 2005.

Mr. Zhao Xingjun (趙星軍), aged 53, has been a non-executive Director since December 24, 2021. Mr. Zhao is primarily responsible for participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member.

Mr. Zhao served as a staff member of Tuanjie Xincun Tax Office of Chengguan District Local Taxation Bureau in Lanzhou City from September 1995 to September 1996. He successively served as a senior staff member of the office of Gansu Local Taxation Bureau, assistant researcher and deputy director of the office of the Fund Collection Bureau, and director of the Provincial Collection Management Bureau from September 1996 to March 2011. He served as the secretary to the Party group and director of Linxia Prefecture Local Taxation Bureau from March 2011 to May 2016. He served as the secretary to the Party group and director of Pingliang Local Taxation Bureau from May 2016 to July 2018. He served as the deputy director of the taxation and economic analysis division of the Gansu Provincial Taxation Bureau of the State Administration of Taxation from July 2018 to April 2019. Mr. Zhao has been a member of the Party committee and the deputy general manager of Gansu Financial Holding Group Co., Ltd. (甘肅金融控股集團有限公司) since April 2019.

Mr. Zhao obtained a master's degree in economics from Lanzhou University in June 1995, majoring in political economy.

Mr. Zhang Youda (張有達), aged 49, has been a non-executive Director since November 20, 2016. Mr. Zhang is primarily responsible for participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member.

Mr. Zhang has been a member of the standing committee of the Party committee and the deputy general manager of Jinchuan Group since July 2018. He served as deputy head and head of the finance division of the testing center, head of the finance division of the smelting plant of Jinchuan Group, head of the cost division of the finance department, deputy director of the finance department and deputy general manager of the finance department (presiding over the work) of Jinchuan Group from April 2002 to December 2011. Mr. Zhang has been the general manager of the finance department of Jinchuan Group since December 2011. Mr. Zhang has been a non-executive director of Jinchuan Group International Resources Co. Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 2362) since August 2017 and has been appointed as the chairman of the board of directors and the non-executive director of Jinchuan Group International Resources Co. Ltd. since March 2019.

Mr. Zhang obtained a bachelor's degree from Lanzhou University of Technology in Gansu province, the PRC, in July 2004, majoring in accounting, and a master's degree from Lanzhou University in June 2010, majoring in business administration. Mr. Zhang was certified as a senior accountant by the Gansu Province Professional Title Reform Office (甘肅省職稱改革工作辦公室) in December 2009, a senior economist by China Nonferrous Metals Industry Association in November 2008, and a senior accountant by the Gansu Province Professional Title Reform Office in July 2017.

Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Guo Jirong (郭繼榮), aged 51, has been a non-executive Director since November 20, 2016. Mr. Guo is primarily responsible for participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member.

Mr. Guo has been the manager of the capital resources international department of Jiuquan Iron & Steel since January 2022 and director of Gansu Jiuquan Steel Group Hongxing Iron & Steel Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600307) since August 2017. He served as the deputy head of the capital division of the finance section and head of the accounting and information division of Baiyin Nonferrous Metals Company (now known as “Baiyin Nonferrous Group Co., Ltd.”) from July 1995 to November 2002, audit project manager of Wulian United Accounting Firm (now known as “Ruihua Certified Public Accountants”) from November 2002 to May 2004, assistant senior staff and deputy senior staff of the finance department, deputy director of the property management commission, deputy director of property management department, director of the directors and supervisors office and deputy director of the asset operation and management department of Jiuquan Iron & Steel from May 2004 to June 2016, and the head of the asset operation and management department and head of the capital resources management department of Jiuquan Iron & Steel from June 2016 to January 2022. Mr. Guo also served as the chief accountant, chief financial officer and chief of the finance section of Gansu Jiuquan Steel Group Hongxing Iron & Steel Co., Ltd. from December 2009 and March 2013.

Mr. Guo graduated from Shanxi Institute of Finance and Economics (now known as Shanxi University of Finance and Economics) in July 1995 with a bachelor’s degree in economics, majoring in accounting. Mr. Guo was certified as an accountant by the Ministry of Finance of the PRC (the “MOF”) in May 1998 and a public accountant by the Certified Public Accountant Examination Board of the MOF in March 2004.

Ms. Yang Chunmei (楊春梅), aged 44, has been a non-executive Director since December 24, 2021. Ms. Yang is primarily responsible for participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which she is a member.

Ms. Yang worked at the Xinjiang Branch of China Construction Bank from July 2001 to September 2020, and in particular, worked at the Railway Subbranch of the operation division from July 2001 to March 2002. She successively served as an assistant to the manager and the deputy manager of the office of the operation division from March 2002 to January 2012; the deputy general manager of the corporate business department of the operation division from January 2012 to June 2017; the deputy general manager of the general management department of the operation division from June 2017 to January 2018; and the level 5 account manager of the corporate business department and the head of general division of the branch from January 2018 to April 2020 (during which she worked in the preparatory group of Mengshang Bank Co., Ltd. from March 2020 to April 2020). Ms. Yang has been the deputy head (presiding over the work) of the board office of Mengshang Bank Co., Ltd. since April 2020.

Ms. Yang obtained a bachelor’s degree in management from Yunnan University in July 2001 and was certified with the intermediate financial professional title by the Ministry of Personnel of the People’s Republic of China in November 2005.



Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Ma Zhiqiang (馬志強), aged 52, has been a non-executive Director of the Bank since December 24, 2021. Mr. Ma is primarily responsible for participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member.

Mr. Ma successively served as an editor, reporter, associate senior editor, deputy director of the Administration and Management Department of Gansu Daily from July 1992 to March 2004. Mr. MA successively served as a deputy director and a researcher of the secretariat of the General Office of Gansu Provincial Government from March 2004 to June 2006, and the chief of the first finance division of the Financial Office of Gansu Provincial Government from June 2006 to September 2011. Mr. MA served as a deputy secretary of the Party Committee and secretary of the Discipline Inspection Committee of the Bank from September 2011 to June 2019, during which period he also served as a deputy secretary of the Party Committee of Qin'an County and deputy general manager of the Three Rural Policies and Business Innovation Department of the head office of Agricultural Bank of China. Mr. MA served as a deputy secretary of the Party Committee of the Bank from June 2019 to January 2021, during which period he also successively served as the chairman of the labor union, the secretary of the Discipline Inspection Committee, the secretary of the Department Party Committee, the head of the Organization Department of the Party Committee, the general manager of the Human Resources Department and the director of the Inspection Office of the Party Committee of the Bank. Mr. MA has been a deputy secretary of the Party Committee and the chairman of the labor union, the secretary of the Department Party Committee and the director of the Inspection Office of the Party Committee of the Bank since January 2021.

Mr. MA graduated from Shandong University in June 1992 with a bachelor's degree in law, majoring in political science, and from Lanzhou University with a master's degree in business administration in June 2013.

Independent Non-executive Directors

Ms. Luo Mei (羅玫), aged 46, has been an independent non-executive Director since August 12, 2017. Ms. Luo is primarily responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice on finance and accounting to the Bank based on her extensive experience in finance and accounting, and performs her duties as a Director through the Board of Directors, audit committee, and nomination and remuneration committee.

Ms. Luo joined Tsinghua University in June 2007 and is currently a professor and a PHD tutor of the Department of Accounting at the School of Economics and Management of Tsinghua University, and the director of the Research Center for Digital Financial Assets, School of Economics and Management, Tsinghua University. She worked at Mellon Capital Management, an assets management company in San Francisco, the United States, and was responsible for the strategy of quantitative investment in the stock market. She also taught at the Department of Accounting in University of Illinois at Urbana Champaign, the United States. Ms. Luo was an independent director of Beijing Gehua CATV Network Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600037) from March 2013 to March 2019, and an independent director of Canaan Inc. (a company listed on the NASDAQ, stock code: CAN) from December 2019 to July 2020. Ms. Luo was an independent director of Beijing Baofeng Technology Co., Ltd. (now known as Baofeng Group Co., Ltd., a company listed on the Shenzhen Stock Exchange, stock code: 300431) from June 2013 to December 2014.

Ms. Luo obtained a bachelor's degree from Tsinghua University in June 1998, majoring in accounting (international accounting), and a doctorate's degree in business management from the University of California, Berkeley, the United States in December 2004, majoring in accounting and finance. In 2011, Ms. Luo was included in the Marquis Who's Who in America 2011.

Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Wong Sincere (黃誠思), aged 57, has been an independent non-executive Director since August 12, 2017. Mr. Wong is primarily responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice to the Bank in relation to compliance with Hong Kong laws and the Hong Kong Listing Rules based on his extensive experience in legal and compliance works, and performs his duties as a Director through the Board of Directors, audit committee and related party transaction and risk management committee.

Mr. Wong has been a founding partner and the principal of Sincere Wong & Co. (currently renamed as Wong Heung Sum & Lawyers) since May 2016. He was an in-house counsel for Hutchison Whampoa Group from September 1996 to January 2005 and China Resources Enterprise, Limited (now known as China Resources Beer (Holdings) Company Limited, a company listed on the Hong Kong Stock Exchange, stock code: 291) from February 2005 to November 2006, chief legal officer of Shui On Construction and Materials Limited (a company listed on the Hong Kong Stock Exchange, stock code: 983) from November 2006 to June 2010, as well as the vice president of the legal department and company secretary of Sateri Holdings Limited (a company previously listed on the Hong Kong Stock Exchange, the name of which was later changed to Bracell Limited, with 1768 as its stock code until it was privatized and delisted in October 2016) from July 2010 to May 2011. He worked at the Listing Division of Hong Kong Stock Exchange from August 2011 to April 2016, and was a vice president at the time of his departure from the Hong Kong Stock Exchange, primarily responsible for reviewing the initial public offering applications and providing recommendations to the Listing Committee of the Hong Kong Stock Exchange. Mr. Wong was appointed as an independent non-executive director of Net-a-Go Technology Company Limited (formerly known as U Banquet Group Holding Limited, a company listed on the Hong Kong Stock Exchange, stock code: 1483) in September 2018. Mr. Wong was appointed as a non-executive director of MOS House Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1653) from January 2019 to March 2020. Mr. Wong was appointed as an independent non-executive director of Fulu Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2101) in August 2020. Mr. Wong was appointed as an independent non-executive director of Jinmao Property Services Co., Limited (formerly known as Hanmao Limited and Jinmao Property Development Co., Limited) (a company listed on the Hong Kong Stock Exchange, stock code: 00816) in March 2022.

Mr. Wong obtained a bachelor's degree in social science from the Chinese University of Hong Kong in December 1986. He passed the Common Professional Examination in Wolverhampton Polytechnic (now known as University of Wolverhampton) in July 1990, and the Solicitors' Final Examination of the Law Society of England and Wales with first class honors in October 1991. Mr. Wong was admitted as a solicitor in the Supreme Court of Hong Kong and a solicitor of the Supreme Court of England & Wales in October 1993 and February 1994, respectively.



Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Dong Ximiao (董希淼), aged 45, has been an independent non-executive Director since December 3, 2018. Mr. Dong is primarily responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice to the Bank based on his extensive experience in finance works, and performs his duties as a Director through the Board of Directors, audit committee, nomination and remuneration committee and related party transaction and risk management committee.

Mr. Dong is currently the head researcher of Zhongguancun Internet Finance Institute, a researcher of the Think Tank of Asian Financial Cooperation Association and a member of Digital Finance Working Committee of Internet Society of China. Mr. Dong also serves as a special economic analyst of Xinhua News Agency, a researcher of Financial Research Institute of Fudan University, a master's tutor (adjunct professor) of Zhongnan University of Economics and Law, Sichuan Agricultural University and Beijing International Accounting Institute, an expert in the 20+ forum of chinawealth.com.cn, and an assessment expert at national professional degree level. Mr. Dong joined China Construction Bank Corporation ("China Construction Bank") in July 2000 and successively served as the office secretary, deputy business manager and business manager of Zhejiang Branch of China Construction Bank. Since March 2009, he served as the vice president and a senior manager of the private banking department of the sub-branch directly under Zhejiang Branch of China Construction Bank. Mr. Dong served as the executive dean of the Research Institute of Hengfeng Bank Co., Ltd. from July 2015 to October 2018. In December 2017, he was elected as the deputy director of the Industry Development Research Committee of China Banking Association. Mr. Dong has been an independent director of Bozhou Yaodu Rural Commercial Bank Co., Ltd. since February 2020 and served as an independent director of Joudier Precision Industry (Kunshan) Co., Ltd. since November 18, 2021.

Mr. Dong graduated from Lanzhou University in June 2000 with a dual bachelor's degree in history and law, and graduated from Zhejiang University of Technology in January 2007 with a master's degree in business administration. In December 2010, he was certified as a senior economist by China Construction Bank.

Mr. Wang Tingting (王汀汀), aged 45, has been an independent non-executive Director since December 24, 2021. Mr. Wang is primarily responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice to the Bank based on his extensive experience in research work in the field of economic and financial services, and performs his duties as a Director through the Board of Directors, nomination and remuneration committee and related party transaction and risk management committee.

Mr. Wang has been teaching in the Department of Applied Finance of the School of Finance of Central University of Finance and Economics since June 2004. From March 2016 to August 2021, he served as the director of the Center for Teaching Research and Case Studies on Professional Master in Finance of the School of Finance of Central University of Finance and Economics. Since August 2021, he has been serving as the head of the Department of Applied Finance of the School of Finance of Central University of Finance and Economics and the deputy director of the Institute of Securities and Futures of Central University of Finance and Economic.

Mr. Wang graduated from Renmin University of China with a bachelor's degree in economics in 1999; and from Peking University in June 2004 with a doctorate in economics, majoring in investment economics. He was rated as an associate professor in October 2006 and a professor in November 2020 by Central University of Finance and Economics. From March 2008 to March 2009, he served as a visiting scholar at Michigan State University in the United States.

Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Liu Guanghua (劉光華), aged 52, has been an independent non-executive Director since December 24, 2021. Mr. Liu is primarily responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice to the Bank based on his extensive experience in legal and compliance works, and performs his duties as a Director through the Board of Directors, related party transaction and risk management committee and consumer rights protection committee.

Mr. Liu served as a teaching assistant and lecturer in the Department of Law of Lanzhou University from June 1995 to December 1999. Since December 1999, he has successively been serving as an associate professor, professor and tutor for graduate students in a master's course on economic law of the School of Law of Lanzhou University. Mr. Liu is currently the director of the Centre of Research on Italy and the director of the Institute of Economic Law of Lanzhou University. He also concurrently serves a legislative consultant for the Standing Committee of the Gansu Provincial People's Congress, a legal consultant expert for the Gansu Provincial People's Government (external legal consultant) and a member of the think tank of experts for governing the province by law of the Gansu Provincial Party Committee.


Mr. Liu graduated from Lanzhou University in June 1995 with a master's degree in law, majoring in economic law; and from Renmin University of China in December 2006 with a doctorate in law, majoring in economic law. From August 2004 to August 2005, he served as a government-sponsored visiting scholar at University of California Hastings College of Law, the United States (美國加州大學赫斯廷斯法律學院). From December 2016 to October 2017, he was a government-sponsored visiting professor at International University College of Turin (義大利國際大學都靈學院).

(II) Biographies of Supervisors

Ms. Tang Lan (湯瀾), aged 59, was elected as an employee representative Supervisor on November 12, 2018 and was appointed as the chairman of the Board of Supervisors on December 3, 2018. Ms. Tang is responsible for overall work of the Board of Supervisors and supervising the work of the Board of Directors and management to ensure compliance with laws and regulations, and responsible for auditing, security, institutional construction and work concerning the logistics support. She is also in charge of the Office of the Board of Supervisors, Audit Department, Institutional Management Department, Security Department and Administration Affairs Department.

Ms. Tang was a staff member and a senior staff member of the budget division of the Bureau of Finance of Gansu Province from July 1984 to March 1991, a senior staff member and a principal staff member of the office of the Bureau of Finance of Gansu Province from March 1991 to November 1993 and temporarily served as the deputy director-general of the Finance Bureau of Chengguan District, Lanzhou City from March 1992 to October 1992. Ms. Tang served as the deputy director (deputy department-level) of farming support, compensation and financing office of the Bureau of Finance of Gansu Province from November 1993 to October 1995, the deputy director and director of the social security division of the Bureau of Finance of Gansu Province from October 1995 to December 2006 and temporarily served as the deputy director of the social security division of the Guangdong Provincial Bureau of Finance from July 2000 to February 2001 and concurrently served as the director of Social Security Fund Management Centre of Gansu Province from August 2003 to December 2006, the chief of the educational, scientific and cultural division of the Bureau of Finance of Gansu Province from December 2006 to December 2010 and deputy director, member of the Party committee, director and the secretary of the Party committee of the Finance Office of Gansu Province from December 2010 to October 2018.

Ms. Tang obtained a bachelor's degree in economics from the department of finance of the Central University of Finance and Economics (formerly known as the Central Institute of Finance and Banking) in July 1984, majoring in finance.



Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Zhang Yanlong (張延龍), aged 37, has been a Shareholder Supervisor of the Bank since December 24, 2021. Mr. Zhang is primarily responsible for supervising the Board of Directors and the senior management.

Mr. Zhang worked at Zhangye Branch of Bank of China from July 2007 to January 2011. Mr. Zhang served as an assistant account manager in the diamond team of the SME Business Center of Gansu Branch of Bank of China from January 2011 to June 2016; and a first-level supervisor of capital operation in the strategic development department of Gansu Electric Power Investment from June 2016 to October 2020. Mr. Zhang has been the deputy director of the capital management department (dispatched directors and supervisors management center) of Gansu Electric Power Investment since October 2020.

Mr. Zhang obtained a bachelor's degree in economics from Wuhan University of Science and Technology in June 2007 and obtained a master's degree in business management from Lanzhou University in June 2015.

Mr. Han Zhenjiang (韓振江), aged 54, has been a Shareholder Supervisor of the Bank since December 24, 2021. Mr. Han is primarily responsible for supervising the Board of Directors and the senior management.

Mr. Han worked at Honghui No. 1 Mine of Jingyuan Mine Bureau from August 1991 to March 2002 and successively served as the accountant and deputy head of its finance division. Mr. Han successively served as the head of the finance division, secretary of the Party branch, deputy chief accountant and head of the planning and finance department of Honghui No. 1 Mine from March 2002 to March 2011; person in charge of the finance department of the accounting management center of the assets and finance department of Gansu Jingyuan Coal Industry and Electricity Power Co., Ltd. (甘肅靖遠煤電股份有限公司) ("Jingyuan Coal and Electricity") based in Honghui No. 1 Mine from March 2011 to November 2013; a member of the Party committee and the chief financial officer of Gansu Liuhua (Group) Co., Ltd. (甘肅劉化(集團)有限責任公司) from November 2013 to November 2017; and the deputy director of the assets and finance department of Jingyuan Coal and Electricity from November 2017 to July 2020. Mr. Han has been the chief financial officer and the head of the assets and finance department of Jingyuan Coal and Electricity since July 2020.

Mr. Han obtained a bachelor's degree in financial accounting from Lanzhou Business College in June 1999. Mr. Han was qualified as a PRC accountant in December 2003.

Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Zeng Lehu (曾樂虎), aged 51, has been a Shareholder Supervisor of the Bank since June 3, 2019. Mr. Zeng is primarily responsible for supervising the Board of Directors and the senior management.

Mr. Zeng served at the finance division of Gansu People's Publishing House and was engaged in accounting work for cashier, costing, taxation, auditing, general ledger and other posts in succession from July 1993 to June 2006. Mr. Zeng worked at the finance department of Readers Publishing Group Limited ("Readers Group") from June 2006 to December 2009, during which he organized and implemented a number of accounting computerization initiatives, and served as the accountant in charge in several professional presses under Readers Group as well as the local area network administrator of the finance department. Mr. Zeng served as the director of capital center of the finance department of Readers Group from April 2008 to April 2010; and the deputy head of audit department of Readers Group and Duzhe Publishing and Media Corp. (讀者出版傳媒股份有限公司) ("Duzhe Media"), the deputy director of the discipline inspection and supervision office of Readers Group from April 2010 to June 2014; and a supervisor, the head of audit department, and the director of the office of the supervisory committee of Duzhe Media, and concurrently as a supervisor of seven professional presses and the chairman of the supervisory committee of three controlled subsidiaries (Gansu Cultural Assets and Equity Exchange Limited (甘肅省文化產權交易中心股份有限公司), Duzhe Culture and Tourists Co., Ltd. (讀者文化旅遊股份有限公司) and Duzhe Cultural Promotion LLC (讀者文化傳播發展有限責任公司) under Duzhe Media from July 2014 to May 2018. Mr. Zeng has been a member of the professional committee under the Supervisory Commission of China Association for Public Companies since June 2017; and served concurrently as a director of Beijing Wangcai Media and Advertising Co., Ltd (北京旺財傳媒廣告有限公司) from August 2017 to December 2018; a director of Duzhe Digital Technology (Gansu) Co., Ltd (甘肅讀者數碼科技有限公司) from April to December in 2018; and the head of the finance department of Duzhe Media from May to December in 2018. Mr. Zeng has been a director, the branch secretary and the head of the finance department of Readers Group, and has concurrently been serving as the vice chairman of the board of directors of Gansu Cultural Assets and Equity Exchange Limited and a director of Duzhe Culture and Tourists Co., Ltd. since December 2018.

Mr. Zeng obtained a bachelor's degree in accounting from Lanzhou Branch of Central Radio and TV University (中央廣播電視大學) in July 2007 and was rated as a senior accountant by the Gansu Professional Title and Reform Work Office in December 2009.

Mr. Luo Yi (羅藝), aged 42, has been an external supervisor of the Bank since June 1, 2018. Mr. Luo is primarily responsible for supervising the Board of Directors and the senior management.

Mr. Luo has been working since June 2002 in Gansu University of Political Science and Law where he now serves as an associate professor and master's supervisor in the School of Law, a postdoctoral fellow at East China University of Political Science and Law, a visiting scholar of Renmin University of China in "Program of Middle and Western Backbone Teachers Visiting Scholar of the Ministry of Education", an exchange scholar of University of Helsinki in Finland and the head of the Rule of Law Research Center for the Construction of Western Ecological Civilization of Gansu University of Political Science and Law. He also concurrently serves as an expert in the Think Tank of Rule of Law in Gansu of the Gansu Law Society, a research fellow of Lanzhou Academy of Social Sciences, Lanzhou Social Science Association, an adjunct professor of Nanchang Institute of Technology, an expert in the Think Tank of Zhongbolian* (中博聯智庫); an expert in the Department of Ecology and Environment of Gansu Province, the Department of Culture and Tourism of Gansu Province, the Lanzhou Judicial Bureau and other departments for the legislative debate; a review expert for Master's and doctoral paper at the Academic Degrees Center of Ministry of Education, a member of the editorial committee and an external reviewer for various university journals in China, and an external reviewer for master's paper at Xiamen University and other universities. Social part-time job: the secretary-general of the Gansu Economic Law Research Association, a member of the Environmental Law Branch of the Chinese Society of Environmental Sciences, and a researcher of the Gansu Legal Research Center on Circular Economy, the Gansu Research Center for Promoting Social Governance According to Law and the Lanzhou Base of National Collaborative Innovation Center of Judicial Civilization. He concurrently served as a discipline editor of Western Law Review of Gansu Institute of Political Science and Law from January 2009 to December 2011.

Mr. Luo obtained a bachelor's degree in law from Gansu University of Political Science and Law in June 2002, majoring in economic law, a master's degree in law from Northwest Normal University in June 2009, majoring in legal theory, and a doctorate's degree in law from Wuhan University in December 2017, majoring in environmental and resources protection.



Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Ma Runping (馬潤平), aged 59, has been an external Supervisor of the Bank since December 24, 2021. Mr. Ma is primarily responsible for supervising the Board of Directors and the senior management.

Mr. Ma successively served as the assistant head and deputy head of the Department of Finance and the deputy Dean of the School of Finance of Lanzhou Business College (currently renamed as Lanzhou University of Finance and Economics) from July 1986 to December 2003. From December 2003 to May 2015, he successively served as the deputy director of the Academic Affairs Office, the director of the Institute of Higher Education and the dean of the School of Finance of Lanzhou Business College. From May 2015 to March 2021, he served as the dean of the School of Finance of Lanzhou University of Finance and Economics. Since March 2021, he has been a professor of Lanzhou University of Finance and Economics. Academic part-time job: the director of the Academic Committee of Lanzhou University of Finance and Economics (non-executive position); an executive director of the China Society of Financial Engineering; an executive director of the China Regional Finance Forum; the vice president of the Gansu Insurance Association; the deputy secretary general of the 8th Gansu Finance Association and director of the Silk Road Inclusive Finance Research Centre of the Gansu Finance Association.

Mr. Ma graduated from Lanzhou Business College with a bachelor's degree in economics in June 1986. In September 2012, he was certified as a professor (senior professional and technical position) by the Gansu Provincial Professional Title Reform Work Office.

Mr. Li Zongyi (李宗義), aged 52, has been an external Supervisor of the Bank since December 24, 2021. Mr. Li is primarily responsible for supervising the Board of Directors and the senior management.

Mr. Li served as the project manager of China Mechanical and Electrical Equipment Lanzhou Company (中國機電設備蘭州公司) from July 1992 to December 1997 and the deputy director of Ruihua Certified Public Accountants, Gansu Branch from December 1997 to December 2019. Since December 2019, he has been serving as a senior partner of WUYIGE Certified Public Accountants (Special General Partnership) and the head of Gansu Branch. He also serves as a postgraduate tutor at Lanzhou University, Lanzhou University of Science and Technology and Lanzhou University of Finance and Economics, a part-time professor of Northwest Normal University, an executive director of the Gansu Association of Certified Public Accountants and Asset Appraisers (甘肅省註冊會計師資產評估師協會) and an executive director of the Gansu New Social Class Association (甘肅省新聯會). Mr. Li has been an independent non-executive director of Ningxia Xinri Hengli Wire Rope Co., Ltd. (寧夏新日恒力鋼絲繩股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 600165) since August 2016, an independent non-executive director of Gansu Engineering Consulting Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000779) since November 2019 and an independent non-executive director of Gansu Long Shen Rong Fa Pharmaceutical Co., Ltd. (甘肅隴神戎發藥業股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 300534) since December 2020.

Mr. Li obtained an MBA degree from Lanzhou University in June 2005. Mr. Li obtained the qualification of certified public accountant from the Chinese Institute of Certified Public Accountants in September 30, 1999. He was certified as an asset appraiser by the China Appraisal Society in December 2006, and obtained the professional qualification as a lawyer in February 2007, the title of Australian Certified Public Accountant in July 2008, the qualification of Chartered Accountant (ACA) from the Institute of Chartered Accountants in England and Wales on March 26, 2013, and Senior Australian Certified Public Accountant in September 2015. Mr. Li also obtained the title of US Certified Management Accountant in January 2017, and was certified as a senior PRC certified public accountant by the Chinese Institute of Certified Public Accountants in December 2017, a tax agent by the China Certified Tax Agents Association in November 2019, and a full senior accountant by the Qualification Assessment Committee for Senior Accountant Positions in Gansu Province in December 2020.

Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Wang Xiaopei (王效沛), aged 50, has been an employee representative Supervisor the Bank since December 3, 2021. Mr. Wang is primarily responsible for supervising the Board of Directors and the senior management on behalf of the employees of the Bank.

Mr. Wang worked in the lead-zinc mine in Huaniushan, Liuyuan, Gansu Province from December 1992 to April 1994; successively served as a clerk of Jiuquan Branch, the appointed head of accounting department of Suzhou Sub-branch, the head of institutional business department of the branch and the president of Suzhou Sub-branch of CCB from April 1994 to June 2011; served as a member of Party Committee and a vice president of Jiuquan Branch of CCB from June 2011 to July 2012; served as the secretary of Party Committee and president of Jiuquan Branch of the Bank from July 2012 to September 2020. He has been the secretary of Party Committee and president of Wuwei Branch of the Bank since September 2020.

Mr. WANG obtained a bachelor's degree from the Open University of China in January 2012, majoring in economics.

Mr. Liu Peixun (劉培訓), aged 55, has been an employee representative Supervisor the Bank since December 3, 2021. Mr. Liu is primarily responsible for supervising the Board of Directors and the senior management on behalf of the employees of the Bank.

Mr. Liu successively served as a deputy chief of the accounting and settlement section, manager of the planning and finance department and manager of the financial accounting department of Jinchang Branch of Industrial and Commercial Bank of China Limited from October 1988 to August 2008. He successively served as an account manager of Lanzhou Branch, an assistant to the general manager of the second marketing department, and the person in charge of Qilihe Sub-branch of Shanghai Pudong Development Bank Co., Ltd. from August 2008 to March 2012. He successively served as a deputy general manager of the planning and finance department, the secretary of Party Committee and president of Lanzhou High-tech Sub-branch, the secretary of Party Committee and president of Lanzhou Chengguan Sub-branch of the Bank from March 2012 to August 2021. He has been the general manager of the corporate business department of the Bank from August 2021.

Mr. Liu obtained a bachelor's degree from the Open University of China in July 2003, majoring in finance.

(III) Biographies of Senior Management Members

Mr. Qiu Jinhu (仇金虎), aged 60, is currently the vice president of the Bank, and has been performing duties of the president of the Bank on an acting basis since January 2022. Mr. Qiu is primarily responsible for the operation and management work of the Bank. He is in charge of the financial segment, individual business segment, and work relating to poverty alleviation and support of the Bank. He is also in charge of the planning and finance department, individual business department, internet finance department, credit card centre and poverty alleviation and support office.

Mr. Qiu served as a credit clerk, an accountant and head of Qinyu Credit Union of Dangchang County, Gansu province from January 1980 to June 1994, head of the business and operation department of Dangchang County Rural Credit Union of Gansu Province from June 1994 to March 1996, deputy head of Dangchang County Rural Credit Union of Gansu Province from March 1996 to October 2000, deputy head of Kang County Rural Credit Union of Gansu Province from October 2000 to September 2004, and secretary to the Party committee and director-general of Xihe County Rural Credit Union of Gansu Province from September 2004 to April 2009. He successively served as the secretary to the Party committee and director-general of Chengguan District Rural Credit Union of Lanzhou City, Gansu Province, and the director of the Party committee office, general manager of the integrated management department and director assistant of Gansu Province Rural Credit Cooperative Union from April 2009 to January 2015.

Mr. Qiu obtained a bachelor's degree through online education from Lanzhou University, in January 2013, majoring in finance and a master's degree in business management from Lanzhou University in December 2013.



Directors, Supervisors, Senior Management, Employees and Organizations

Ms. Hao Jumei (郝菊梅), aged 53, is currently the vice president and the secretary of the Board of Directors of the Bank. Ms. Hao is responsible for the daily work of the Board of Directors, and work on risk management segment, as well as the coordination and liaison with the controlling company or associated company (rural banks, etc.) of the Bank. She gives priority to promote the resolution, settlement and disposal of the risk assets and is in charge of Risk Management Department, Asset Preservation Department, Special Assets Management Center, Credit Approval Department. She also assists Liu Qing to take charge of the Office of the Board of Directors

Ms. Hao was the accountant of the accounting department of the Jingyuan sub-branch of the People's Bank of China and the accountant of the Baiyin City branch from July 1989 to December 1996. She was the deputy director of Yinxing Urban Credit Union of Baiyin City from December 1996 to July 2002, manager of business department, assistant to the general manager, deputy general manager, director and member of the Party committee of Urban Credit Union of Baiyin City from July 2002 to June 2010, and member of the Party committee, director and vice president of Baiyin City Commercial Bank from June 2010 to February 2012. Ms. Hao was the member of the Party committee and vice president of the Baiyin branch of the Bank from February 2012 to June 2012, member of the discipline inspection committee, deputy general manager and general manager of the planning and finance department of the Bank from June 2012 to December 2016. She was a member of the Party committee, general manager of the planning and finance department and the secretary of the Board of Directors of the Bank from December 2016 to April 2019.

Ms. Hao obtained a bachelor's degree in accounting from Lanzhou University of Technology in July 2004.

Mr. Chen Jinhui (陳金輝), aged 53, is currently the vice president the Bank. Mr. Chen is responsible for the corporate banking segment and product innovation, in charge of the Corporate Banking Department, Inclusive Finance Department, and Investment Banking Business Department.

Mr. Chen successively served as the deputy director of business department of Tianshui Branch, the head of second audit division of Tianshui Audit Office, the head of planning and finance department of Tianshui Branch, and the manager of planning and finance department of Tianshui Branch, the president of Tianshui Branch Majiji Sub-branch, the assistant to president of Tianshui Branch, the member of Party committee, the secretary of the discipline inspection committee and the vice president of Tianshui Branch, of China Construction Bank from July 1990 to July 2008. He served as the head and general manager of the business department of Shanghai Pudong Development Bank Lanzhou Branch from July 2008 to April 2010, and worked in the market development department of Gansu Province Rural Credit Cooperative from April 2010 to June 2010. He served as the president of Tianshui Majiji Rural Cooperative Bank and the director-general of Wushan County Rural Credit Cooperative from June 2010 to July 2012. He served as the director of the Tianshui Office of the Bank, the president of Qinzhou Sub-branch of the Bank, and the secretary to the Party committee and the president of Tianshui Branch of the Bank from July 2012 to December 2019.

Mr. Chen obtained a bachelor's degree from Lanzhou University in July 2001, majoring in law.

Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Du Jing (杜晶), aged 46, is currently the vice president the Bank. Mr. Du is responsible for works related to the operations security, technical support, financial interbank, asset management, internal control compliance as well as digital transformation, in charge of the Accounting Operation Department, Information Technology Department, Financial Interbank Department, Asset Management Department and Legal Compliance Department.

Mr. Du served as a bank teller at the Bank of China Lanzhou Chengguan Sub-branch, a staff in business department of the Gansu Branch, and a staff in secretariat department of the President Office of Gansu Branch from July 2000 to April 2005. He served as the secretary, deputy head of promotion team (leading the work) and team leader of the Bank of China Gansu Branch Office from April 2005 to May 2008. He served as the vice president of the Bank of China Lanzhou Qilihe Sub-branch from May 2008 to December 2011, and the general manager of the Individual Business Department of the Bank and the director of the Credit Card Center from December 2011 to December 2019.

Mr. Du obtained a bachelor's degree in management from Lanzhou Commercial College (now known as "Lanzhou University of Finance and Economics") in July 2000, majoring in marketing.

Mr. Feng Yuhui (馮煜輝), aged 58, is currently the chief business officer of the Bank. Mr. Feng is responsible for the operation and management of the relevant business lines, and is also the secretary of the Party Committee and the president of Jincheng Sub-branch in Lanzhou.

From October 1986 to November 1987, Mr. Feng worked at Cheng County Construction Engineering Company in Gansu. From November 1987 to February 1999, he served successively as the deputy section chief of the Credit Construction and Economic Department of the Longnan District Central Sub-branch of China Construction Bank, the manager of the Construction Consulting Company (section-level), and the president of the Wen County Sub-branch. From February 1999 to September 2012, he served successively as the president of Cheng County Sub-branch, a member of the Party Committee, the vice president, the director of Labor Union, and the secretary of the Party Committee and president of Longnan Branch of China Construction Bank. From September 2012 to July 2020, he served successively as the director of the Longnan Office of the Bank of Gansu, the president of Jianshe Road Sub-branch, the secretary of the Party Committee and the president of Longnan Branch, and the secretary of the Party Committee and the president of Qilihe Sub-branch in Lanzhou.

Mr. Feng obtained his bachelor's degree in finance from Lanzhou Commercial College (now known as Lanzhou University of Finance and Economics) in December 2004; and obtained his master's degree in business administration from Lanzhou University in June 2011. In November 2009, he obtained the certificate of the qualification of intermediate economist issued by the Bureau of Human Resources and Social Security of Gansu Province.

IV. COMPANY SECRETARY

Mr. Wong Wai Chiu was appointed as the company secretary of the Bank on January 26, 2021. Mr. Wong is the associate director of SWCS Corporate Services Group (Hong Kong) Limited. Mr. Wong has over 30 years of professional services and senior management experience including acting as the chief financial officer, company secretary, information technology director and law enforcement officer in the areas of finance, accounting, regulations, internal control, corporate governance, company secretarial work, trust and forensics accounting in multi-national banking, insurance, securities and information technology corporations and listed companies in Hong Kong as well as government departments and the Hong Kong Stock Exchange. Mr. Wong is a fellow member of The Hong Kong Institute of Chartered Secretaries, a fellow member of the Chartered Governance Institute, a member of CPA Australia, a member of the Hong Kong Trustee Association and a certified trust practitioner. Mr. Wong possesses a B. Soc. Sc (Hon.) in Accounting from the University of Hong Kong and various master degrees and diploma in law, alternate dispute resolution, corporate governance and information technology from renowned universities of U.K., Australia and Hong Kong.

V. REMUNERATION POLICIES FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The remuneration provided by the Bank for its executive Directors, employee representative Supervisors and senior management who are also the Bank's employees concurrently include salaries, discretionary bonus, social security plans, housing provident fund plans and other benefits. The remuneration provided by the Bank for its non-executive Directors, independent non-executive Directors and other Supervisors are determined by their responsibilities.

The remuneration of the Directors of the Bank is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans should be reviewed by the nomination and remuneration committee under the Board of Directors and submitted to the Board of Directors for approval, and submitted to the Shareholders' general meeting for approval after being approved by the Board of Directors.

The remuneration of the Supervisors of the Bank is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans should be reviewed by the nomination committee under Board of Supervisors and submitted to the Board of Supervisors for approval, and submitted to the Shareholders' general meeting for approval after being approved by the Board of Supervisors.

The Bank's appraisal on the senior management is based on their performance in completing the decisions, strategic targets and plans of the Board of Directors and whether they are actively and effectively protecting the interests of the Bank and the Shareholders, and it is implemented by the Board of Directors.

The incentive and restraint mechanism of the Bank is mainly embodied in the remuneration mechanism for the senior management. The remuneration to the senior management is linked to the appraisal indicators of the Board of Directors, in order to combine the target incentive with responsibility restraint, ensure the alignment of the remuneration payment with the long-term interests of the Bank, and better encourage the senior management to contribute to the steady and sustainable development of the Bank.

According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated on a certain percentage of the remuneration cost and paid to the relevant labor and social welfare authorities. The Group cannot withdraw or utilize its fund contribution made to above defined contribution plans under any circumstances.

VI. COMPENSATION OF DIRECTORS AND SUPERVISORS AND FIVE INDIVIDUALS WITH THE HIGHEST EMOLUMENTS OF OUR BANK

For detailed compensation of Directors and Supervisors and five individuals with the highest emoluments in the Bank, please refer to notes 12 and 13 to consolidated financial statement included in this annual report.

Directors, Supervisors, Senior Management, Employees and Organizations

VII. POSITIONS HELD IN THE SHAREHOLDER COMPANY BY THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position held with the Bank	Name of the shareholder company	Position held in the shareholder company
Ms. Wu Changhong	Non-executive Director	Gansu Highway Aviation Tourism	Member of the Party committee and deputy general manager
Mr. Shi Guanglei	Non-executive Director	Gansu State-owned Assets Investment Bank to Gansu Financial Holding Group	Chief Financial Officer
Mr. Zhao Xingjun	Non-executive Director	Jiuquan Iron & Steel	Member of the standing committee of the Party committee, deputy general manager
Mr. Guo Jirong	Non-executive Director	Jinchuan Group	General manager of the capital resources international department
Mr. Zhang Youda	Non-executive Director	Mengshang Bank	Member of the standing committee of the Party committee, deputy general manager
Ms. Yang Chunmei	Non-executive Director	Gansu Province Electric Power Investment Group Co., Ltd.	Deputy head (presiding over the work) of the board office
Mr. Zhang Yanlong	Shareholder Supervisor	Gansu Jingyuan Coal Industry and Electricity Power Co., Ltd.	Deputy director of the Capital management department (dispatched directors and supervisors management center)
Mr. Han Zhenjiang	Shareholder Supervisor	DuZhe Publishing & Media Co., Ltd.	Director, head of the assets and finance department and chief financial officer
Mr. Zeng Lehu	Shareholder Supervisor		Director and head of financial department of the Readers Group

VIII. CHANGES IN BIOGRAPHICAL DETAIL OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

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

IX. EMPLOYEE, EMPLOYEE COMPENSATION POLICY AND EMPLOYEE TRAINING PROGRAM

(I) Staff Composition

As of December 31, 2021, the Group had 4,335 employees. The table below sets forth its number of full-time employees by function as of the same date:

	Number of employees	Percentage (%)
Corporate banking	915	21.12
Retail banking	1,031	23.77
Financial market operations	17	0.39
Finance and accounting	485	11.19
Risk management, internal audit and legal compliance	356	8.21
Information technology	116	2.68
Management	202	4.66
Bank teller	978	22.56
Others	235	5.42
Total	4,335	100.00

The Bank has a young and highly educated team of employees. As of December 31, 2021, the average age of the employees was 34, and over 90.73% of them had a bachelor's degree or higher. The following table sets forth the number of the employees by age as of December 31, 2021.

	Number of employees	Percentage (%)
Under 30 (inclusive) years old	1,600	36.91
31 to 40 years old	1,935	44.64
41 to 50 years old	577	13.31
Above 50 (exclusive) years old	223	5.14
Total	4,335	100.00

Directors, Supervisors, Senior Management, Employees and Organizations

The following table sets forth the number of the employees of the Bank by education degree as of December 31, 2021.

	Number of employees	Percentage (%)
Master's degree or higher	306	7.06
Bachelor's degree	3,627	83.67
Others	402	9.27
Total	4,335	100.00

(II) Employee Remuneration

The Bank's employees participate in employee benefit plans, such as pension insurance, corporate annuity funds, housing provident funds, work related injury insurance, medical insurance, unemployment insurance and maternity insurance. The Bank conducts performance evaluations of employees on an annual basis to provide feedback based on the evaluations. Remuneration for full-time employees typically consists of a base salary and performance-based compensation.

(III) Employee Training Program

The Bank focuses on employee career development and provides training programs for employees in different business lines. It has built a team of internal training providers under its human resources department.

(IV) Labor Union

The Bank has established a labor union in accordance with PRC laws and regulations. It believes that it has maintained a good working relationship with its employees. As of the Latest Practicable Date, the Bank had not experienced any labor strikes or other labor disturbances that materially affected its operations or public image.

X. THE SUBSIDIARY OF THE BANK

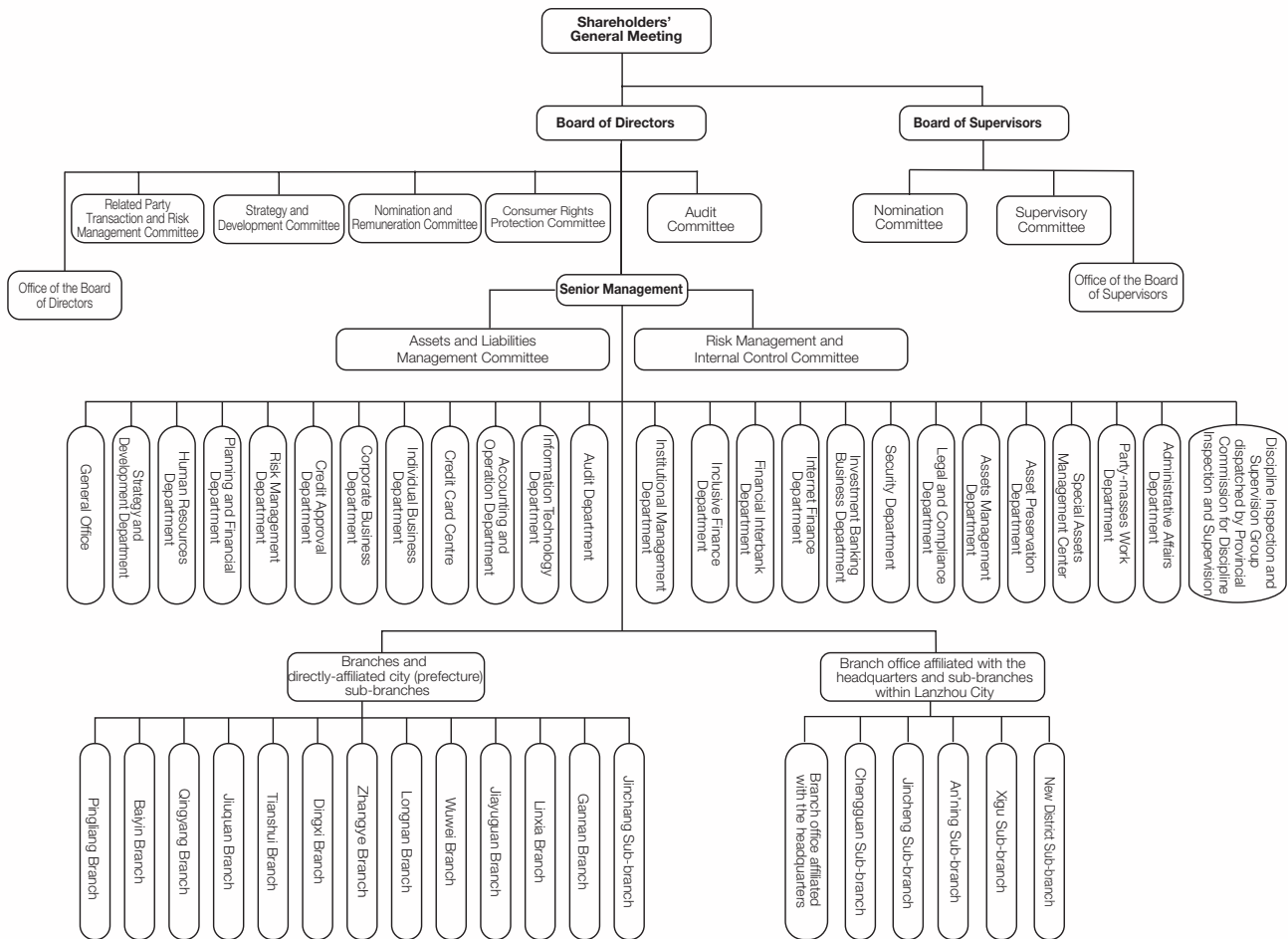
Jingning Chengji Rural Bank is the sole subsidiary of the Bank. The Bank holds 62.73% equity interest in Jingning Chengji Rural Bank, the financials of which have been consolidated into the Bank's financial statements. Jingning Chengji Rural Bank was established on September 18, 2008, which was originally a subsidiary of Pingliang City Commercial Bank. It offers local corporate and retail customers diversified financial products and services, including loans, deposits and fee and commission-based products and services.

Corporate Governance

I. CORPORATE GOVERNANCE STRUCTURE

The following chart sets forth the Bank's principal organizational and management structure:

Organizational Structure Chart of Bank of Gansu



II. CORPORATE GOVERNANCE

(I) Overview

The Bank believes that maintaining high standards of corporate governance mechanisms and high quality of corporate governance is one of the key factors to improve its core competitiveness and to build a modern urban commercial bank. Therefore, the Bank focuses on high quality of corporate governance, abides by the best domestic and international corporate governance practice, to ensure the rights and interests of Shareholders and improve the value of the Bank.

The Bank has established a modern corporate governance structure in line with the requirements of its Articles of Association, PRC laws and regulations and the Hong Kong Listing Rules. The Board of Directors is accountable to the Shareholders as a whole and is responsible for, among others, determining the Group's business development strategies, business plans and investment proposals, appointing or removing senior management, and deciding matters such as establishment of internal management departments. The Board of Directors has established committees to perform specified functions consisting of the strategy and development committee, audit committee, nomination and remuneration committee, related party transaction and risk management committee, and consumer rights protection committee. The Board of Supervisors is accountable to the Shareholders as a whole and has the responsibility and power to supervise the Directors and senior management and oversee the Group's financial activities, risk management and internal control.

The Bank has incorporated the Corporate Governance Code (the "Corporate Governance Code") as set out in Appendix 14 to the Hong Kong Listing Rules and the Guidelines on Corporate Governance of Banking and Insurance Institutions issued by the CBIRC (the "Guidelines") into the Bank's governance structure and policies. The Corporate Governance Code and Guidelines are well reflected in the Articles of Association and the Terms of Reference of the Shareholders' General Meeting, the Board of Directors and committees under the Board of Directors. The Bank's Shareholders' general meeting, the Board of Directors and the Board of Supervisors perform their respective duties, forming good corporate governance structure. The Bank closely monitors its operation to ensure it complies with the relevant requirements under applicable laws, regulations, codes, guidelines and the Bank's internal policies.

The Bank has established and improved the corporate government structure and established a series of corporate government systems according to Corporate Governance Code and Guidelines. The Directors believe during the Reporting Period, the Bank has complied with all compulsory code provisions contained in the Corporate Governance Code. The Bank has also strictly complied with the provisions regarding management of inside information required by applicable laws and regulations and the Hong Kong Listing Rules.

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

(II) The Board Nomination and Diversity Policy

The Bank understands and believes that the diversity of the members of the Board of Directors could improve the performance of the Bank. It is critical to have a diversified Board of Directors for the Bank to achieve sustainable development and its strategic objectives and maintain good corporate governance. In respect of appointing the Directors, the Bank will consider the diversity of the members in various aspects including but not limited to gender, age, cultural and educational background, region, professional experience, skills, knowledge, service term and any other factors that the Board may consider relevant and applicable from time to time for achieving a diverse Board of Directors. The Directors are appointed on the basis of their qualifications, skills and experience. The Directors are selected according to a series of diversification basis including but not limited to gender, age, cultural and educational background, region, professional skills, knowledge and service term.



Corporate Governance

The nomination and remuneration committee of the Board is responsible for preparing the selection procedure and standard of the Directors, president and other senior management of the Bank and having preliminary review on the qualification and conditions of Directors, president and other senior management. It reviews the structure, number of members, and composition (including the skills, knowledge and experience) of the Board of Directors and management according to the experiences, asset scale and shareholding structure of the Bank at least every year and makes recommendations to the Board of Directors relating to the proposed changes to the Board of Directors based on the Bank's strategies.

The Board Diversity Policy shall be complied with when the nomination and remuneration committee of the Board of Directors makes recommendations on the candidates. The nomination and remuneration committee is responsible for monitoring the implementation of the diversity policy and reviewing the policy regularly to ensure its effectiveness. The nomination and remuneration committee of the Board of Directors will discuss any amendments to the diversity policy and make recommendations to the Board of Directors for approval.

During the Reporting Period, the Board of Directors of the Bank completed the election of a new session of the Board of Directors. When identifying the candidate for the member of the Board of Directors, the Bank will first select potential candidates within and beyond the social network of the members of the Board of Directors by means of referrals by its existing Directors, recommendations by third parties as well as by the Shareholders of the Company. Then, the suitability of these potential candidates shall be reviewed by the Bank through interview, background investigation, brief introduction and statement before the candidate for the Director is finalized. The Bank fully considered the importance of diversity of the Board members, took into a comprehensive consideration of gender, age, cultural and educational background, region, professional skills, knowledge, tenure and other factors, and paid attention to the diversity, unique insights and valuable contributions that the candidate would bring to the Board of Directors by leveraging his/her experience and expertise. The diversity analysis for the new session of Board of Directors is as follows. Currently, the ages of the members of the Board range from 41 to 59, and there are three female out of thirteenth Directors in total. The professional experiences and skills of the Directors cover banking, financial and accounting, finance, economics, law, engineering and other areas. In light of the foregoing, the Board of Directors believes that, during the Reporting Period, its composition, membership background and procedures for selecting new Directors are in compliance with the requirements of the Diversification Policy for the Members of the Board of Directors.

Director	Gender	Age	Seniority	Banking	Accounting and finance major	Other majors	Directorship in other companies (number of companies)
Liu Qing	Male	56	38	✓			
Wu Changhong	Female	59	38		✓		
Shi Guanglei	Male	41	18		✓		
Zhao Xingjun	Male	53	27		✓		
Zhang Youda	Male	49	31		✓		1
Guo Jirong	Male	51	26		✓		1
Yang Chunmei	Female	44	21	✓			
Ma Zhiqiang	Male	52	30	✓			
Luo Mei	Female	46	18		✓		
Wong Sincere	Male	58	26			Law	3
Dong Ximiao	Male	45	21	✓			2
Wang Tingting	Male	45	18			Economics	
Liu Guanghua	Male	52	26			Law	

(III) General Meeting of the Bank

During the Reporting Period, the Bank convened a total of two Shareholders' general meetings, the details of which are set out as follows:

(1) 2020 Annual General Meeting

The annual general meeting of the Bank for 2020 was convened on May 24, 2021, at which the following resolutions were considered and approved by the Shareholders:

Ordinary resolutions

1. To consider and approve the proposal regarding the work report of the Board of Directors for 2020;
2. To consider and approve the proposal regarding the financial audit report for 2020;
3. To consider and approve the proposal regarding the final financial report for 2020;
4. To consider and approve the proposal regarding the profit distribution proposal for 2020;
5. To consider and approve the proposal regarding the annual financial budget for 2021;
6. To consider and approve the proposal regarding the annual report for 2020;
7. To consider and approve the proposal regarding the engagement of external auditing firms for 2021;
8. To consider and approve the proposal regarding the work report of Independent Non-executive Directors for 2020;
9. To consider and approve the proposal regarding the Board's evaluation results on the performance of duties by Directors and senior management for 2020;
10. To consider and approve the proposal regarding the remuneration distribution and settlement plan for Directors and Supervisors in 2020;
11. To consider and approve the proposal regarding the work report of the Board of Supervisors for 2020;
12. To consider and approve the proposal regarding the report on the implementation of related-party/connected transactions for 2020;
13. To consider and approve the proposal regarding the estimated cap of related-party/connected transactions for 2021;
14. To consider and approve the proposal regarding the change of domicile of the Bank;
15. To consider and approve the proposal regarding the election of Ms. Sun Yan as an external Supervisor of the Bank;
16. To consider and approve the proposal regarding the election of Mr. Wang Wenjian as a Shareholder Supervisor of the Bank;



Special resolutions

17. To consider and approve the proposal regarding the amendments to the Articles of Association;
18. To consider and approve the proposal regarding the extension of the validity period of the authorization related to the public issuance of secondary capital bonds;
19. To consider and approve the proposal regarding the general mandate to issue Shares.

(2) 2021 First Extraordinary General Meeting

The Bank held the 2021 first extraordinary general meeting on December 24, 2021, at which the following resolutions were considered and approved by the Shareholders :

Ordinary resolution

1. To consider and approve the resolutions regarding the election of the non-employee representative Directors of the third session of the Board of Directors of the Bank
 - 1.1 To consider and approve the resolution regarding the election of Mr. Liu Qing as an executive Director of the third session of the Board of Directors of the Bank
 - 1.2 To consider and approve the resolution regarding the election of Mr. Wang Wenyong as an executive Director of the third session of the Board of Directors of the Bank*
 - 1.3 To consider and approve the resolution regarding the election of Ms. Wu Changhong as a non-executive Director of the third session of the Board of Directors of the Bank
 - 1.4 To consider and approve the resolution regarding the election of Mr. Shi Guanglei as a non-executive Director of the third session of the Board of Directors of the Bank
 - 1.5 To consider and approve the resolution regarding the election of Mr. Zhao Xingjun as a non-executive Director of the third session of the Board of Directors of the Bank
 - 1.6 To consider and approve the resolution regarding the election of Mr. Zhang Youda as a non-executive Director of the third session of the Board of Directors of the Bank
 - 1.7 To consider and approve the resolution regarding the election of Mr. Guo Jirong as a non-executive Director of the third session of the Board of Directors of the Bank
 - 1.8 To consider and approve the resolution regarding the election of Ms. Yang Chunmei as a non-executive Director of the third session of the Board of Directors of the Bank
 - 1.9 To consider and approve the resolution regarding the election of Ms. Luo Mei as an independent non-executive Director of the third session of the Board of Directors of the Bank

- 1.10 To consider and approve the resolution regarding the election of Mr. Wong Sincere as an independent non-executive Director of the third session of the Board of Directors of the Bank
- 1.11 To consider and approve the resolution regarding the election of Mr. Dong Ximiao as an independent non-executive Director of the third session of the Board of Directors of the Bank
- 1.12 To consider and approve the resolution regarding the election of Mr. Wang Tingting as an independent non-executive Director of the third session of the Board of Directors of the Bank
- 1.13 To consider and approve the resolution regarding the election of Mr. Liu Guanghua as an independent non-executive Director of the third session of the Board of Directors of the Bank

Note:

* For details of the withdrawal of the resolution, please refer to the Bank's announcement dated December 20, 2021.

- 2. To consider and approve the resolutions regarding the election of the non-employee representative Supervisors of the third session of the Board of Supervisors of the Bank
 - 2.1 To consider and approve the resolution regarding the election of Mr. Zhang Yanlong as a shareholder Supervisor of the third session of the Board of Supervisors of the Bank
 - 2.2 To consider and approve the resolution regarding the election of Mr. Han Zhenjiang as a shareholder Supervisor of the third session of the Board of Supervisors of the Bank
 - 2.3 To consider and approve the resolution regarding the election of Mr. Zeng Lehu as a shareholder Supervisor of the third session of the Board of Supervisors of the Bank
 - 2.4 To consider and approve the resolution regarding the election of Mr. Luo Yi as an external Supervisor of the third session of the Board of Supervisors of the Bank
 - 2.5 To consider and approve the resolution regarding the election of Mr. Ma Runping as an external Supervisor of the third session of the Board of Supervisors of the Bank
 - 2.6 To consider and approve the resolution regarding the election of Mr. Li Zongyi as an external Supervisor of the third session of the Board of Supervisors of the Bank

Special resolution

- 3. To consider and approve the resolution regarding the amendments to the Articles of Association



Corporate Governance

(IV) Board of Directors

The Board of Directors is core to the Bank's corporate governance and is accountable to the Shareholders as a whole. The Board of Directors is an independent decision-making body, which is responsible for implementing the resolutions of the Shareholders' general meeting, formulating the Bank's major strategy, policy and development plan, approving the operation plan, investment plan and internal management setup of the Bank, formulating the annual financial budget, final accounts and profit distribution plan and appointing the senior management. The senior management has the rights to make decision in daily operation independently and the Board of Directors will not intervene specific daily affairs of operation and management. The Board of Directors is also responsible for the performance of the corporate governance functions pursuant to the Corporate Governance Code.

(1) Composition of the Board of Directors

As of the Latest Practicable Date, the Board of Directors consists of 13 members, including:

Executive Director: Mr. Liu Qing

Non-executive Directors: Ms. Wu Changhong, Mr. Shi Guanglei, Mr. Zhao Xingjun, Mr. Zhang Youda, Mr. Guo Jirong, Ms. Yang Chunmei, Mr. Ma Zhiqiang

Independent non-executive Directors: Ms. Luo Mei, Mr. Wong Sincere, Mr. Dong Ximiao, Mr. Wang Tingting, Mr. Liu Guanghua

The decision-making, authorization and voting procedures of the Board of Directors strictly follow the relevant rules and regulations of regulatory authorities and the Articles of Association. During the Reporting Period, the Board of Directors discharged its duties diligently, carefully reviewed matters that were significant to the Bank's future development, improved the Board operation mechanism, strengthened the corporate governance framework, implemented organizational changes, facilitated prudent decision making, ensured operational stability and protected the interests of the Bank and its Shareholders.

(2) Appointment, re-election and removal of Directors

According to the Articles of Association, Directors shall be elected or removed from office by Shareholders at a Shareholders' general meeting. The term of office of a Director shall be three years, and a Director may be re-elected and re-appointed upon expiry of his/her term of office. Subject to the relevant laws and administrative regulations, a Director whose term of office has not expired may be removed by Shareholders' ordinary resolution at a Shareholders' general meeting, without prejudice to any claim which may be instituted under any contract.

The term of service of non-executive Directors and independent non-executive Directors shall be the same as that of other Directors and they may be re-elected and re-appointed upon the expiration of their terms of office, provided that such term of office of independent non-executive Directors in the Bank shall not be more than six years on an accumulative basis.

The Directors' appointment, re-election and removal procedures of the Bank are set forth in the Articles of Association. The nomination and remuneration committee of the Board of Directors is responsible for discussing and reviewing the qualification and experience of each candidate for Director and recommending the suitable candidates to the Board of Directors. After the approval of nomination resolution related to candidates from the Board of Directors, the selected candidates will be recommended for further approval by the Shareholders at a general meeting. As a banking institution regulated by the CBIRC, the qualification of a candidate for the Bank's directorship shall also be approved by the CBIRC.

(3) Relationships among Directors, Supervisors and Senior Management Members

The Directors, Supervisors and senior management members of the Bank are not related to one another in respect of financial business, family or other material/relevant relationships.

(4) Changes of Directors

For changes of Directors, please refer to the section headed "Directors, Supervisors, Senior Management, Employees and Organizations — II. Changes in Directors, Supervisors and Senior Management Members" of this annual report.

(5) Operation of the Board of Directors

According to the Articles of Association, the Board of Directors shall convene at least four meetings per year and at least one meeting per quarter. The meetings of the Board of Directors include regular meetings and extraordinary meetings. The regular meetings of the Board of Directors are convened by the chairman and a notice in writing shall be delivered to all Directors and Supervisors 14 days prior to the date of convening the meeting. The notice of an extraordinary meeting of the Board of Directors shall be dispatched to the Directors five days prior to the date of convening the meeting. In emergency circumstances where an extraordinary meeting of the Board of Directors is required to be convened as soon as possible, the notice of the meeting may be issued through telephone or other verbal means, but the convener shall give an explanation at the meeting. The meetings (including video conference) of the Board of Directors generally conduct voting by way of a show of hands and voting by registered ballot.

Provided that sufficient protection is ensured for the expression of opinions by Directors, the Directors may pass resolutions at an extraordinary meeting of the Board of Directors by communication voting and the resolutions shall be signed by the participating Directors. The conditions and procedures of communication voting are provided in the Articles of Association and the Rules of Procedure for Meetings of the Board of Directors. The Board of Directors shall record the decisions on matters considered at the meetings in the minutes of meetings and the participating Directors and the recorder of minutes shall sign on such minutes. Directors attending the meeting are entitled to request an explanation on record to be made in respect of their verbal comments in the meetings.



The relevant senior management members are invited to attend meetings of the Board of Directors from time to time to provide explanations and answer queries from the Directors. In the meetings of the Board of Directors, the Directors may express their opinions freely, and important decisions should be made after detailed discussions. If any Director has a conflict of interest in a matter to be considered by the Board of Directors, the relevant Director shall abstain from the discussion of and voting on the relevant resolution, and such Director shall not be counted as quorum in voting for that particular resolution.

The Board of Directors has established an office as its operating arm, which is responsible for preparation of general meetings, meetings of the Board of Directors and meetings of Board committees, information disclosure and other daily matters.

(6) Functions and Powers of the Board of Directors

According to the Articles of Association, the Board of Directors exercises the following functions and powers:

- (i) to determine the Bank's business development strategies and oversee its implementation, determine the Bank's business plans and investment plans;
- (ii) to consider the Bank's annual report and manage the Bank's external information disclosure;
- (iii) to convene general meetings and report work to the general meeting;
- (iv) to implement the resolutions of the general meeting;
- (v) to prepare the Bank's annual financial budgets plan, final accounts plan, venture capital distribution plan, profit distribution plan and plan for making up the losses;
- (vi) to assess and evaluate the performance of the Directors and senior management' duties and report the evaluation results to the general meeting by the Board of Supervisors ultimately;
- (vii) to formulate plans for increase or reduction of the registered capital, issue of bonds or other securities and listing plan of the Bank;
- (viii) to consider and approve the Bank's plans for external investments, acquisitions and sales of assets, asset collateral, external guarantees, entrusted wealth management, related transactions and data governance in accordance with the authorization of the general meeting;
- (ix) to formulate a plan for material acquisitions or repurchases of Shares of the Bank or merger, division, dissolution and alternation of corporate form of the Bank and submit it to the general meeting for approval;
- (x) to determine the establishment, merger and removal of the internal management department and branch offices of the Bank;

- (xi) to consider and approve material related transactions within the scope of the authorization of the general meeting;
- (xii) to appoint or dismiss the president of the Bank and the secretary of the Board of Directors in accordance with the nomination of the chairman of the Board; to appoint or dismiss other senior management such as the vice president of the Bank and the person in charge of finance in accordance with the nomination of the president of the Bank;
- (xiii) to formulate the Bank's capital plans, and assume the ultimate responsibility for capital or solvency management;
- (xiv) to determine the Bank's risk tolerance, risk management and internal management policies, assume the ultimate responsibility for comprehensive risk management, to formulate the Bank's main management system;
- (xv) to regularly assess and improve the Bank's corporate governance;
- (xvi) to formulate the basic management system of the Bank;
- (xvii) to formulate the amendment proposals to the Articles of Association, the rules of procedure for general meetings and the rules of procedure for Board meetings, and consider and approve the working rules of the special committees of the Board of Directors;
- (xviii) to be responsible for the Bank's information disclosure and be ultimately responsible for the completeness and accuracy of the Bank's accounting and financial reporting system;
- (xix) to listen to the work report and examine the work of the president;
- (xx) to approve the Bank's annual internal audit plans and audit budgets;
- (xxi) to determine the chairman and members of the respective committees of the Board in accordance with the nomination of the nomination and remuneration committee;
- (xxii) to consider and approve the proposals put forward by the respective committees of the Board;
- (xxiii) to determine the Bank's long-term incentive schemes, remuneration plans and salary plans;
- (xxiv) to request the general meeting to engage, reappoint or replace the accounting firm which conducts audit for the Bank;
- (xxv) to have the right to stop the decision made by the president and other senior management of the Bank that may cause significant business risk or loss to the Bank;



Corporate Governance

- (xxvi) to carry out the performance appraisal for the president and other senior management of the Bank and determine their remuneration, rewards and penalties and payment methods and decide on the remuneration and payment methods of the independent Directors and external Supervisors;
- (xxvii) to formulate the Bank's policy on the protection of consumer rights and interests, regularly listen to and consider the senior management's report on the protection of consumer rights and interests, to safeguard the legitimate rights and interests of financial consumers and other stakeholders;
- (xxviii) to consider the approve the money laundering risk management report, develop money laundering risk management strategies and monitor the implementation of the strategies and assume the ultimate responsibility for money laundering risk management; other powers conferred by the laws, administrative regulations, department rules and regulations, the Articles of Association and Shareholders' general meeting or required by the supervisory authority to the Board of Directors for exercise.

Unless otherwise stipulated in the Articles of Association, items 5, 7, 8, 9, 12, 16, 25 shall be passed by more than two-thirds of all Directors, and the rest shall be passed by more than half of all Directors when making the resolutions above.

(7) Responsibilities of the Directors

During the Reporting Period, all Directors exercised their rights granted by the Bank and domestic and overseas regulatory authorities in a prudent, earnest, and diligent manner. The Directors have spent adequate time and effort to deal with the Bank's affairs, ensuring the compliance of the Bank's operation with laws, regulations and the requirements of national economic policies. The Directors have treated all Shareholders equally, informed themselves of the status of the Bank's business operation and management in a timely manner, and performed other diligence obligations required by the laws, administrative regulations, departmental rules and the Articles of Association.

The independent non-executive Directors make full use of their respective professional expertise to provide professional and independent advice on the corporate governance, operation and management of the Bank.

The Bank also pays attention to the ongoing training of Directors, to make sure they have proper understanding of the operation and business of the Bank and the duties and responsibilities authorized by the relevant laws and regulatory requirements and the Articles of Association. The Bank has purchased director liability insurance for all Directors.

(8) Responsibilities assumed by the Directors in the preparation of financial statements

The Directors have acknowledged their responsibilities in the preparation of financial statements of the Bank for the year ended December 31, 2021. The Directors are responsible for reviewing and confirming the financial statements for each accounting period to ensure that the financial statements truly and fairly reflect the financial conditions, operating results and cash flows of the Bank. In preparing the consolidated financial statements of the Bank for the year ended December 31, 2021, the Directors have adopted appropriate accounting policies which have been applied consistently, and prudent and reasonable judgments have been made.

(9) Attendance at Meetings of the Board of Directors and General Meetings

During the Reporting Period, the Bank has convened 11 meetings (including teleconference) of the Board of Directors. Attendance of Directors at the meetings of the Board of Directors, meetings of Board committees and general meetings of the Bank are set out in the table as follows:

Directors	Number of meetings attended in person/attended by proxy/should be attended						
	Board of Directors	Strategy and Development Committee	Audit committee	Nomination and Remuneration Committee	Related Party Transaction and Risk Management Committee	Consumer Rights Protection Committee	General Meeting (actual attendance)
Mr. Liu Qing	11/0/11	2/0/2	-	3/0/3	-	2/0/2	2/0/2
Ms. Wu Changhong	11/0/11	-	3/0/3	-	-	-	1/0/2
Mr. Shi Guanglei ⁽¹⁾	0/0/0	-	-	-	-	0/0/0	0/0/0
Ms. Zhao Xingjun ⁽²⁾	0/0/0	0/0/0	-	-	-	-	0/0/0
Mr. Zhang Youda	11/0/11	2/0/2	-	-	-	-	1/0/2
Mr. Guo Jirong	11/0/11	-	3/0/3	-	-	-	1/0/2
Ms. Yang Chunmei ⁽³⁾	0/0/0	-	-	-	-	0/0/0	0/0/0
Mr. Ma Zhiqiang ⁽⁴⁾	0/0/0	0/0/0	-	-	-	0/0/0	0/0/0
Ms. Luo Mei	10/1/11	-	3/0/3	3/0/3	-	-	0/0/2
Mr. Wong Sincere	10/1/11	-	3/0/3	-	7/0/7	-	0/0/2
Mr. Dong Ximiao	11/0/11	-	3/0/3	3/0/3	7/0/7	-	1/0/2
Mr. Wang Tingting ⁽⁵⁾	0/0/0	-	-	0/0/0	0/0/0	-	0/0/0
Mr. Liu Guanghua ⁽⁶⁾	0/0/0	-	-	-	0/0/0	0/0/0	0/0/0

Notes:

- (1) Mr. Shi Guanglei was appointed as a non-executive Director of the Bank at the 2021 extraordinary general meeting on December 24, 2021, and no meeting of the Consumer Rights Protection Committee where he assumes office was held between the date of Mr. Shi Guanglei's appointment and December 31, 2021.
- (2) Mr. Zhao Xingjun was appointed as a non-executive Director of the Bank at the 2021 extraordinary general meeting on December 24, 2021, and no meeting of the Strategy and Development Committee where he assumes office was held between the date of Mr. Zhao Xingjun's appointment and December 31, 2021.
- (3) Ms. Yang Chunmei was appointed as a non-executive Director of the Bank at the 2021 extraordinary general meeting on December 24, 2021, and no meeting of the Consumer Rights Protection Committee where she assumes office was held between the date of Ms. Yang Chunmei's appointment and December 31, 2021.



- (4) Mr. Ma Zhiqiang was appointed as a non-executive Director of the Bank at the 2021 extraordinary general meeting on December 24, 2021, and no meeting of the Strategy and Development Committee and the Consumer Rights Protection Committee where he assumes office was held between the date of Mr. Ma Zhiqiang's appointment and December 31, 2021.
- (5) Mr. Wang Tingting was appointed as an independent non-executive Director of the Bank at the 2021 extraordinary general meeting on December 24, 2021, and no meeting of the Nomination and Remuneration Committee and Related Party Transaction and the Risk Management Committee where he assumes office was held between the date of Mr. Wang Tingting's appointment and December 31, 2021.
- (6) Mr. Liu Guanghua was appointed as an independent non-executive Director of the Bank at the 2021 extraordinary general meeting on December 24, 2021, and no meeting of the Related Party Transaction and Risk Management Committee and the Consumer Rights Protection Committee where he assumes office was held between the date of Mr. Liu Guanghu's appointment and December 31, 2021.
- (7) Mr. Wang Wenyong was resigned as an executive Director of the Bank on December 27, 2021.
- (8) Ms. Zhang Hongxia was resigned as a non-executive Director of the Bank on June 23, 2021.
- (9) Mr. Liu Wanxiang was retired from non-executive Director of the Bank on December 24, 2021.
- (10) Ms. Tang Xiuli was retired from independent non-executive Director of the Bank on December 24, 2021.

(10) Independent Non-executive Directors

The Board of Directors has appointed five independent non-executive Directors and the qualification, number and proportion are in accordance with the regulations of the CBIRC, the CSRC and the Hong Kong Listing Rules. The five independent non-executive Directors are not involved in any conflict with the independence issue described in Rule 3.13 of the Hong Kong Listing Rules. The Bank has received from each of the independent non-executive Director the annual confirmations of independence in writing under Rule 3.13 of the Hong Kong Listing Rules. Therefore, the Bank confirms that all the independent non-executive Directors have complied with the Hong Kong Listing Rules in respect of their independence.

The Bank's independent non-executive Directors represent the majority of the Bank's audit committee, nomination and remuneration committee, related party transaction and risk management committee and they serve as the chairman of these committees. Ms. Luo Mei, an independent non-executive Director, has appropriate accounting and relevant financial management expertise as required by the Hong Kong Listing Rules by virtue of her educational background and working experience.

During the Reporting Period, the independent non-executive Directors kept in touch with the Bank's management through various means such as attending meetings as observers. They earnestly participated in meetings of the Board of Directors and the Board committees and actively provided their opinions and emphasized on the interests of minority Shareholders of the Bank. The independent non-executive Directors have fully discharged their responsibilities.

(11) Continuing professional development plan for Directors

All newly appointed Directors have been provided with comprehensive relevant materials at the first time when they were nominated to ensure they have proper understanding of the operation and business of the Bank and fully understand the duties and responsibilities of Directors under requirements of the Hong Kong Listing Rules and the applicable laws and regulations.

The Bank has encouraged all Directors to participate in continuing professional development to develop and refresh their knowledge and skills. During the Reporting Period, trainings participated in by all Directors are as follows:

Trainings participated in by the Directors are as follows:

Directors	Contents of the trainings
Liu Qing, Wu Changhong, Guo Jirong, Zhang Youda, Luo Mei, Wong Sincere, Dong Ximiao	Guidance for Boards and Directors by Hong Kong Stock Exchange
Liu Qing, Wu Changhong, Guo Jirong, Zhang Youda, Luo Mei, Wong Sincere, Dong Ximiao	Anti-money Laundering Compliance Management Training
Liu Qing, Wu Changhong, Shi Guanglei, Zhao Xingjun, Guo Jirong, Zhang Youda, Yang Chunmei, Luo Mei, Wong Sincere, Dong Ximiao, Wang Tingting, Liu Guanghua	Governance System of Gansu Bank

The Bank will provide briefings on the latest developments of the Hong Kong Listing Rules and other applicable regulatory requirements to the Directors from time to time, to ensure that the Directors are aware of the latest regulatory development.

(12) Corporate governance functions of the Board of Directors

The Board of Directors is responsible for the establishment of sound corporate governance practice and procedures for the Bank. During the Reporting Period and up to the date of this annual report, the Board of Directors has:

- (i) developed and reviewed the Bank's policies and practices on corporate governance;
- (ii) reviewed and monitored the training and continuing professional development of Directors and senior management;
- (iii) reviewed and monitored the Bank's policies and practices on compliance with legal and regulatory requirements;
- (iv) developed, reviewed and monitored the code of conduct for Directors; and
- (v) reviewed the Bank's compliance with the Corporate Governance Code and disclosure in the corporate governance report.



During the Reporting Period, the Board meeting considered and approved the following proposals:

the Resolution regarding the Change of Company Secretary, Authorized Representative Required by the Listing Rules, ESS First Authorized Person and Authorized Agent of the Bank of Gansu Co., Ltd.; the Resolution regarding the Changes in the Accounting Estimate of Depreciation and Amortization Period of the Fixed Assets, Intangible Assets and Long-term Deferred Expenses; the Resolution regarding the Related-party Transaction of Investment in the Bonds Issued by Gansu Railway Construction Investment Group Co., Ltd.; the Resolution regarding the Work Report of the Board of Directors for 2020; the Resolution regarding the Work Report of Senior Management for 2020; the Resolution regarding the Annual Results Report for 2020; the Resolution regarding the Financial Audit Report for 2020; the Resolution regarding the Final Financial Report for 2020; the Resolution regarding the Profit Distribution Proposal for 2020; the Resolution regarding the Annual Financial Budget for 2021; the Resolution regarding the Integrated Business Plan for 2021; the Resolution regarding the Annual Report for 2020 (draft); the Resolution regarding the Engagement of External Auditing Firms for 2021; the Resolution regarding the General Mandates to Issue Shares; the Resolution regarding the Report on Work of Independent Directors in 2020; the Resolution regarding the Results of the Assessment of the Performance of the Directors and Senior Management by the Board for 2020; the Resolution regarding the Remuneration Distribution and Settlement for Directors and Supervisors in 2020; the Resolution regarding the Remuneration Distribution and Settlement for Senior Management in 2020; the Resolution regarding the Change of Domicile of Bank of Gansu Co., Ltd.; the Resolution regarding the Change of Principal Place of Business in Hong Kong; the Resolution regarding the Amendments to the Articles of Association and the Grant of Authorization for Registration of Changes with Industry and Commerce Administration Authority; the Resolution regarding the Extension of the Validity Period of the Relevant Authorisation for the Public Issuance of Secondary Capital Bonds; the Resolution regarding the 2020 Environmental, Social and Governance (ESG) Report; the Resolution regarding the Request for the Convening of the 2020 Annual General Meeting; the Resolution regarding the Report on the Assessment of the Basic Position of the Substantial Shareholders for 2020; the Resolution regarding the Work Report of Consumer Rights Protection for 2020; the Resolution regarding the Work Report of Audit for 2020; the Resolution regarding the Audit Plan for 2021; the Resolution regarding the Internal Control Self-assessment Report for 2020; the Resolution regarding Three-year (2021-2023) Planning for Audit Plan; the Resolution regarding the Report on Particulars of Related-party Transactions for 2020; the Resolution regarding the Estimated Cap of Related-party/Connected Transactions for 2021; the Resolution regarding the Work Report on Anti-money Laundering for 2020; the Resolution regarding the Work Report on the Self-assessment of Money Laundering and Terrorist Financing Risks for 2020; the Resolution regarding the Amendments to the Administration Measures for Anti-money Laundering Work of Bank of Gansu; the Resolution regarding the Report on Supervision Opinions and Rectification for 2020; the Resolution regarding the Overall Risk Report for 2020; the Resolution regarding the Risk Appetite Statement for 2021; the Resolution regarding the Risk Management Strategy Proposal for 2021; the Resolution regarding the Credit Risk and Market Risk Limit Management Plan for 2021; the Resolution regarding the Report on Green Finance Business for 2020; the Resolution regarding the Adjustment of the Directors of Bank of Gansu; the Resolution regarding the Related-party Transaction of Investment in the Bonds Issued by Gansu Financial Holding Group Co., Ltd.; the Resolution regarding the Interim Results Report for 2021; the Resolution regarding the Interim Report for 2021 (Draft); the Resolution regarding the Five-year (2021-2025) Development Strategy of Bank of Gansu; the Resolution regarding the Amendments to the Basic Financial Management System of Bank of Gansu; the Resolution regarding the Financial Bonds Issuance Plan of Bank of Gansu Co., Ltd. for 2021; the Resolution regarding the Overall Risk Management Report for the First Half of 2021; the Resolution regarding the Report on Particulars of Related-party Transactions for the First Half of 2021; the Resolution regarding the Increase in Estimated Cap of Related-party Transactions for 2021; the Resolution regarding the Amendments to the Basic Accounting System of Bank of Gansu; the Resolution regarding the Work Report of Internal Audit for the First Half of 2021; the Resolution regarding the Work Report of Consumer Rights Protection Committee for the First Half of 2021; the Resolution regarding the Report of Bank of Gansu on the Implementation of the Digital Transformation; the Resolution regarding the Market-based Transfer of Non-performing Assets which May Constitute Related-party Transactions; the Resolution regarding the Application for Filing of the Pledge of Shares of Shengteng International (盛騰國際); the Resolution regarding the Election of a New Session of the Board of Directors of Bank of Gansu Co., Ltd.; the Resolution regarding the Amendments to the Articles of Association; the Resolution regarding the Amendments to the Working Rules for the Strategy and Development Committee under the Board of Directors of Bank of Gansu Co., Ltd.; the Resolution regarding the Amendments to the Measures of Assessment of the Performance of Directors by the Board of Bank of Gansu Co., Ltd.; the Resolution regarding the Amendments to the Measures of Assessment of the Performance of Senior Management by the Board of Bank of Gansu Co., Ltd.; the Resolution regarding the Request for the Convening of the First Extraordinary General Meeting of Bank of Gansu Co., Ltd. for 2021; the Resolution regarding the Application for the Increase in the Estimated Cap of the Related-party Transactions with Gansu Financial Holding; the Resolution regarding the Related-party Transaction of Investment in the Bonds Issued by Gansu Railway Construction Investment Group Co., Ltd..

(13) Board Committees

The Board of Directors delegates certain responsibilities to various committees. In accordance with relevant PRC laws, the Articles of Association and the Hong Kong Listing Rules, the Bank has formed five Board committees, namely the strategy and development committee, audit committee, nomination and remuneration committee, related party transaction and risk management committee and consumer rights protection committee.

(i) *Strategy and Development Committee*

During the Reporting Period, the strategy and development committee consists of Mr. Liu Qing (executive Director), Mr. Zhao Xingjun (non-executive Director), Mr. Zhang Youda (non-executive Director) and Mr. Ma Zhiqiang (non-executive Director). Mr. Liu Qing served as the chairman of the strategy and development committee.

The principal responsibilities of the strategy and development committee include but are not limited to:

- to formulate the operation objectives; and
- to formulate the environmental, social and governance (ESG) related objectives, medium- and long-term development strategy and management approach of the Bank, and supervise the implementation of the relevant objectives;
- to supervise and review the execution condition of annual business plans and investment plans.

During the Reporting Period, the strategy and development committee held 2 meetings in total, at which the Resolution regarding the Work Report of the Board of Directors for 2020, the Resolution regarding the Work Report of Senior Management for 2020, the Resolution regarding the Amendments to the Articles of Association and the Grant of Authorization for Registration of Changes with Industry and Commerce Administration Authority, the Resolution regarding the Extension of the Validity Period of the Relevant Authorisation for the Public Issuance of Secondary Capital Bonds, the Resolution regarding the 2020 Environmental, Social and Governance (ESG) Report, the Resolution regarding the Five-year (2021-2025) Development Strategy of Bank of Gansu, the Resolution regarding the Financial Bonds Issuance Plan of Bank of Gansu Co., Ltd. for 2021, the Resolution regarding the Report of Bank of Gansu on the Implementation of the Digital Transformation were considered and approved.

(ii) *Audit Committee*

During the Reporting Period, the audit committee consists of Ms. Wu Changhong (non-executive Director), Mr. Guo Jirong (non-executive Director), Ms. Luo Mei (independent non-executive Director), Mr. Wong Sincere (independent non-executive Director) and Mr. Dong Ximiao (independent non-executive Director). Ms. Luo Mei is the chairman of the audit committee.

The principal responsibilities of the audit committee include but are not limited to:

- to review the accounting policy, financial condition, financial reports, risk and compliance condition;
- to propose to employ or replace external audit agency;
- to supervise the internal audit system and its implementation of the Bank;
- to coordinate the communication between internal audit and external audit; and
- to guarantee the authenticity, accuracy and completeness of audited financial information of the Bank.



During the Reporting Period, the audit committee held 3 meetings in total, at which the Resolution regarding the Changes in the Accounting Estimate of Depreciation and Amortization Period of the Fixed Assets, Intangible Assets and Long-term Deferred Expenses, the Resolution regarding the Annual Results Report for 2020, the Resolution regarding the Financial Audit Report for 2020, the Resolution regarding the Final Financial Report for 2020, the Resolution regarding the Profit Distribution Proposal for 2020, the Resolution regarding the Annual Financial Budget for 2021, the Resolution regarding the Integrated Business Plan for 2021, the Resolution regarding the Engagement of External Auditing Firms for 2021, the Resolution regarding the Work Report of Audit for 2020, the Resolution regarding the Audit Plan for 2021, the Resolution regarding the Internal Control Self-assessment Report for 2020, the Resolution regarding Three-year (2021-2023) Planning for Audit Plan, the Resolution regarding the Report for Interim Results for 2021, the Resolution regarding the Interim Report for 2021 (draft), the Resolution regarding the Amendments to the Basic Financial Management System of Bank of Gansu, the Resolution regarding the Amendments to the Basic Accounting System of Bank of Gansu and the Resolution regarding the Work Report of Internal Audit for the First Half of 2021 were considered and approved.

(iii) Nomination and Remuneration Committee

During the Reporting Period, nomination and remuneration committee consists of Mr. Liu Qing (executive Director), Ms. Luo Mei (independent non-executive Director), Mr. Dong Ximiao (independent non-executive Director) and Mr. Wang Tingting (independent non-executive Director). Mr. Dong Ximiao served as the chairman of the nomination and remuneration committee.

The principal responsibilities of the nomination and remuneration committee include but are not limited to: Responsibilities regarding nomination:

- submitting proposals to the Board of Directors in relation to the formation of the Board of Directors based on the business condition, asset size and equity structure of the Bank;
- formulating the standards and the procedures for election of Directors, president and other senior executives of the Bank, and submitting the relevant proposals to the Board of Directors;
- conducting initial review of the qualifications and credentials of the Directors, president and other senior executives, and providing review comments;
- assessing the independence of independent non-executive Directors; and
- developing and, where appropriate, reviewing the diversification policy of the members of the Board of Directors and disclosing the relevant policies or their abstracts in the annual reports. For the summary of the board diversity policy and the implementation thereof, please refer to “— II. Corporate Governance — (II) The Board Nomination and Diversity Policy” of this section.

Responsibilities regarding remuneration and evaluation:

- making recommendations to the Board of Directors on the remuneration of Directors, Supervisors, president and other senior executives, and supervising the implementation of the proposals;
- making recommendations to the Board of Directors on the remuneration packages of individual executive Directors and senior executives, and the remuneration of non-executive Directors;
- based on the remuneration offered by companies of similar nature, time needed and responsibilities, proposing the employment terms for other positions within the Bank; and
- assessing fulfillment of duties and responsibilities by Directors and senior executives and evaluating their annual performance.

During the Reporting Period, the nomination and remuneration committee held 4 meetings in total, at which the Resolution regarding the Change of Company Secretary, Authorized Representative Required by the Listing Rules, ESS First Authorized Person and Authorized Agent of the Bank of Gansu Co., Ltd., the Resolution regarding the Report on Work of Independent Directors in 2020, the Resolution regarding the Results of the Assessment of the Performance of the Directors and Senior Management by the Board for 2020, the Resolution regarding the Remuneration Distribution and Settlement for Directors and Supervisors in 2020, the Resolution regarding the Remuneration Distribution and Settlement for Senior Management in 2020, the Resolution regarding the Adjustment of the Directors of Bank of Gansu, the Resolution regarding the Election of a New Session of the Board of Directors of Bank of Gansu Co., Ltd. were considered and approved.

(iv) Related Party Transaction and Risk Management Committee

During the Reporting Period, the related party transaction and risk management committee consists of Mr. Wong Sincere (independent non-executive Director), Mr. Dong Ximiao (independent non-executive Director), Mr. Wang Tingting (independent non-executive Director) and Mr. Liu Guanghua (independent non-executive Director). Mr. Wong Sincere is the chairman of the related party transaction and risk management committee.

The principal responsibilities of the related party transaction and risk management committee include but are not limited to:

Responsibilities regarding management of related party transaction:

- examining and approving the related party transaction within the scope of authorization set by the Board of Directors, or accepting the filing of such related party transaction; and
- assessing the related party transaction outside the scope of authority set by the Board of Directors, and seeking for the approval of such related party transaction by the Board of Directors.

Responsibilities regarding risk management:

- supervising the management of risks by the Bank's senior management;
- evaluating the Bank's risk profile;
- making recommendations regarding our risk management and internal controls, discussing risk management with senior management, and ensuring that management has performed their duties to establish effective systems; and
- actively or as appointed by the Board of Directors, conducting research on key investigation results relating to risk management matters and responses of management to investigation results.

During the Reporting Period, the related party transaction and risk management committee held 7 meetings in total, at which the Resolution regarding the Consideration of the Related-party Transaction of Investment in the Bonds Issued by Gansu Railway Construction Investment Group Co., Ltd., the Resolution regarding the Report on Particulars of Related-party Transactions for 2020, the Resolution regarding the Estimated Cap of Related-party Transactions for 2021, the Resolution regarding the Work Report on Anti-money Laundering for 2020, the Resolution regarding the Work Report on the Self-assessment of Money Laundering and Terrorist Financing Risks for 2020, the Resolution regarding the Amendments to the Administration Measures for Anti-money Laundering Work of Bank of Gansu, the Resolution regarding the Report on Supervision Opinions and Rectification for 2020, the Resolution regarding the Overall Risk Report for 2020, the Resolution regarding the Risk Appetite Statement for 2021, the Resolution regarding the Risk Management Strategy Proposal for 2021, the Resolution regarding the Credit Risk and Market Risk Limit Management Plan for 2021, the Resolution regarding the Related-party Transaction of Investment in the Bonds Issued by Gansu Financial Holding Group Co., Ltd., the Resolution regarding the Overall Risk Report for the First Half of 2021, the Resolution regarding the Report on Particulars of Related-party Transactions for the First Half of 2021, the Resolution regarding the Market-based Transfer of Non-performing Assets which May Constitute Related-party Transactions, the Resolution regarding the Application for the Increase in the Estimated Cap of the Related-party Transactions with Gansu Financial Holding and the Resolution regarding the Related-party Transaction of Investment in the Bonds Issued by Gansu Railway Construction Investment Group Co., Ltd. were considered and approved.



(v) *Consumer Rights Protection Committee*

During the Reporting Period, the consumer rights protection committee consists of Mr. Liu Qing (executive Director), Mr. Shi Guanglei (non-executive Director), Ms. Yang Chunmei (non-executive Director), Mr. Ma Zhiqiang (non-executive Director) and Mr. Liu Guanghua (independent non-executive Director). Mr. Ma Zhiqiang is the chairman of the consumer rights protection committee.

The principal responsibilities of the consumer rights protection committee include but are not limited to:

- formulating strategies, policies and objectives of our consumer rights protection work and incorporating contents relating to consumer rights protection into our corporate governance and business development strategies;
- supervising our senior management to effectively implement consumer rights protection work;
- periodically listening to our senior management's special reports on consumer rights protection work;
- supervising and evaluating the comprehensiveness, promptness and effectiveness of our consumer rights protection work and the performance of our senior management in this respect; and
- reviewing and providing comments on proposals in relation to consumer rights protection to be submitted to the Board in accordance with our overall strategies.

During the Reporting Period, the consumer rights protection committee held 2 meeting in total, at which the Resolution regarding the Work Report of Consumer Rights Protection for 2020 and the Resolution regarding the Work Report of Consumer Rights Protection Committee for the First Half of 2021 were considered and approved.

(14) Overview of the annual audit work of the Bank

Shinewing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited (collectively as “Shinewing”) carried out the 2021 audit on the Bank by two stages, the preliminary audit and year-end audit. In the preliminary audit stage, Shinewing conducted the audit on internal control, carried out internal control test at the entity level to the Bank’s level and business process level, and evaluated the effectiveness of the internal control design and whether it has been effectively implemented during the audit. Through the interview, Shinewing understood the Bank’s control environment, the main operation conditions, business innovation, system updates and fraud risk. Shinewing conducted a preliminary audit on major subjects of financial statements, such as financial instruments, operating income, investment income and other subjects. Shinewing also made a testing and evaluation on the main information system used by the Bank and discussed timely the finding of preliminary audit with the Bank’s management. At the end of year-end audit, Shinewing followed up the finding on the preliminary audit stage and conducted detailed audit procedures for all major subjects, and communicated timely the finding of year-end audit with the Bank’s management.

In order to successfully complete the audit work in 2021 and issue relevant reports with scheduled time, the audit committee of the Board of Directors authorized the finance department of the Bank to discuss with Shinewing about the planning of audit work, audit progress, scope of consolidation, timing of initial draft and final draft of the auditor’s report, etc. During the audited period, the audit committee made multiple rounds of supervision. On March 30, 2022, Shinewing issued the standard unqualified auditor’s reports to the Bank within the scheduled time.

The audit committee reviewed the independence, objectivity and audit procedure of Shinewing to ensure that the financial reports issued give a true and fair view. Shinewing has taken the necessary protective measures in accordance with the relevant ethical requirements to prevent possible threats to independence.

(V) Board of Supervisors

The Board of Supervisors, the Bank’s supervisory body, aims to guarantee the legitimate interests of the Bank, Shareholders, employees, depositors and other stakeholders and has the obligation to oversee the Bank’s financial activities, risk management and internal control, discharge of duties by the Board and its members and the senior management, and is accountable to the Shareholders as a whole.

The term of office of the Supervisors shall be three years. Upon expiry of the current term of office, a Supervisor is eligible for re-election and re-appointment. The cumulative term of office for an external Supervisor of the Bank shall be no more than six years. Shareholder Supervisors and external Supervisors shall be elected, removed or replaced by the general meeting. Employee representative Supervisors shall be elected, removed or replaced by the employee representative meeting of the Bank.



(1) Composition of the Board of Supervisors

According to the Articles of Association, the Board of Supervisors shall comprise Shareholder Supervisors, employee representative Supervisors and external Supervisors. The number of the employee representative Supervisors of the Bank shall not be less than 1/3 of the total number of the Supervisors. During the Reporting Period and up to the date of this annual report, the members of the Board of Supervisors are as follows:

- Ms. Tang Lan (Chairman of the Board of Supervisors, employee representative Supervisor)
- Mr. Zhang Yanlong (Shareholder Supervisor)
- Mr. Han Zhenjiang (Shareholder Supervisor)
- Mr. Zeng Lehu (Shareholder Supervisor)
- Mr. Luo Yi (External Supervisor)
- Mr. Ma Runping (External Supervisor)
- Mr. Li Zongyi (External Supervisor)
- Mr. Wang Xiaopei (Employee representative Supervisor)
- Mr. Liu Peixun (Employee representative Supervisor)

(2) Chairman of the Board of Supervisors

During the Reporting Period, Ms. Tang Lan served as the chairman of the Board of Supervisors. The chairman of the Board of Supervisors shall have the following duties and powers:

- to convene and preside over meetings of the Board of Supervisors;
- to urge and check the implementation of the resolutions of the Board of Supervisors;
- to review and sign reports of the Board of Supervisors and other important documents;
- to report work to the general meetings on behalf of the Board of Supervisors;
- to organize the Board of Supervisors to fulfill obligations; and
- other duties and powers as provided for in laws, administrative regulations and Articles of Association.

(3) Changes of Supervisors

For changes of Supervisors, please refer to the section headed “Directors, Supervisors, Senior Management, Employees and Organizations — II. Changes in Directors, Supervisors and Senior Management Members” of this annual report.

(4) Responsibilities of the Board of Supervisors

The Board of Supervisors is a supervising organ of the Bank and accountable to the Shareholders as a whole. The Board of Supervisors shall exercise the following powers:

- (i) to review the Bank’s report periodically prepared by the Board and give written audit opinions;
- (ii) to examine and supervise the Bank’s financial affairs;
- (iii) to monitor the Directors and senior officers in the performance of their duties, make recommendations on the removal of Directors, president and other senior management who violate the laws, administrative regulations, the Articles of Association or the resolutions of the Shareholders’ general meeting;
- (iv) to demand rectification from a Director, president and other senior officers when the acts of such persons are detrimental to the interests of the Bank;
- (v) to review financial information such as the financial reports, operation reports and profit distribution plans proposed to be submitted by the Board to general meetings; if any queries arise, it may authorize the registered certified public accountants and certified public auditors in the name of the Bank for review;
- (vi) to propose to convene an extraordinary general meeting; to convene and preside over the Shareholders’ general meeting when the Board of Directors fails to perform the duties of convening and presiding over the general meeting as set out in the Articles of Association;
- (vii) to make proposal to the Shareholders’ general meeting;
- (viii) to assess and evaluate the Supervisors for performance of their duties and report to the Shareholders’ general meeting;
- (ix) to report to the Shareholders’ general meeting;
- (x) to supervise and require for rectification regarding the Bank’s business decision-making, risk management and internal control;
- (xi) to supervise the Bank’s internal audit;
- (xii) to undertake the resign audit of Directors and senior officers as required;
- (xiii) to negotiate with the Directors or file a lawsuit against the Directors and senior officers on behalf of the Bank in accordance with the provisions of the PRC Company Law;



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- (xiv) to investigate any abnormality found in operations of the Bank, and when necessary, to engage such professionals as accountant firms or law firms to assist in the work, at the expense of the Bank;
- (xv) to propose any remuneration (or allowance) arrangement of a Supervisor;
- (xvi) to supervise the Directors and senior management personnel in the performance of the anti-money laundering duties according to law and to evaluate the Directors and senior officers in the performance of the risk management of money laundering, and report to the Shareholders' general meeting; and
- (xvii) other duties and powers as provided in the laws, administrative regulations, and the Articles of Association or conferred by the general meetings.

The Board of Supervisors fulfills their supervisory responsibilities mainly through the following manners:

- convening regular meetings of the Board of Supervisors;
- attending general meetings and the meetings of the Board of Directors;
- attending the relevant meetings of the senior management;
- reviewing various documents and materials provided by the senior management and listening to the work report prepared by the senior management;
- evaluating annual performance of the Directors and senior management;
- conducting on-site inspections of the Bank's branches, sub-branches and subsidiaries; and
- conducting off-office audits of the Bank's executive Directors and senior management.

Through the above works, the Board of Supervisors monitors and evaluates the Bank's operation and management, risk management, internal controls, and the performance of the Board of Directors and senior management.



(5) Meetings of the Board of Supervisors

During the Reporting Period, the Board of Supervisors convened 10 meetings and there was no objection to the matters concerning the supervision of the Board of Supervisors. The following table sets forth the attendance of Supervisors at meetings during the Reporting Period:

Supervisors	Attendance in person	Attendance through proxy	No. of required attendance
Ms. Tang Lan	10	0	10
Mr. Zhang Yanlong	1	0	1
Mr. Han Zhenjiang	1	0	1
Mr. Zeng Lehu	10	0	10
Mr. Luo Yi	10	0	10
Mr. Ma Runping	1	0	1
Mr. Li Zongyi	1	0	1
Mr. Wang Xiaopei	1	0	1
Mr. Liu Peixun	1	0	1



During the Reporting Period, the Board of Supervisors had considered and approved the following resolutions:

the Resolution regarding the Changes in the Accounting Estimate of Depreciation and Amortization Period of the Fixed Assets, Intangible Assets and Long-term Deferred Expenses; the Resolution regarding the Consideration of the Related-party Transaction of Investment in the Bonds Issued by Gansu Railway Construction Investment Group Co., Ltd.; the Resolution regarding the Work Report of the Board of Supervisors for 2020; the Resolution regarding the Work Report of the Board of Directors for 2020; the Resolution regarding the Work Report of Senior Management for 2020; the Resolution regarding the Annual Results Report for 2020; the Resolution regarding the Financial Audit Report for 2020; the Resolution regarding the Final Financial Report for 2020; the Resolution regarding the Profit Distribution Proposal for 2020; the Resolution regarding the Annual Financial Budget for 2021; the Resolution regarding the Integrated Business Plan for 2021; the Resolution regarding the Annual Report for 2020 (draft); the Resolution regarding the Engagement of External Auditing Firms for 2021; the Resolution regarding the General Mandates to Issue Shares; the Resolution regarding the Remuneration Distribution and Settlement for Directors and Supervisors in 2020; the Resolution regarding the Remuneration Distribution and Settlement for Senior Management in 2020; the Resolution regarding the Amendments to the Articles of Association and the Grant of Authorization for Registration of Changes with Industry and Commerce Administration Authority; the Resolution regarding the Extension of the Validity Period of the Relevant Authorisation for the Public Issuance of Secondary Capital Bonds; the Resolution regarding the 2020 Environmental, Social and Governance (ESG) Report; the Resolution regarding the Report on the Assessment of the Basic Position of the Substantial Shareholders for 2020; the Resolution regarding the Work Report of Consumer Rights Protection for 2020; the Resolution regarding the Work Report of Audit for 2020; the Resolution regarding the Audit Plan for 2021; the Resolution regarding the Internal Control Self-assessment Report for 2020; the Resolution regarding Three-year (2021-2023) Planning for Audit Plan; the Resolution regarding the Report on Particulars of Related-party Transactions for 2020; the Resolution regarding the Estimated Cap of Related-party/Connected Transactions for 2021; the Resolution regarding the Work Report on Anti-money Laundering for 2020; the Resolution regarding the Work Report on the Self-assessment of Money Laundering and Terrorist Financing Risks for 2020; the Resolution regarding Amendments to the Administration Measures for Anti-money Laundering Work of Bank of Gansu; the Resolution regarding the Report on Supervision Opinions and Rectification for 2020; the Resolution regarding the Overall Risk Report for 2020; the Resolution regarding the Risk Appetite Statement for 2021; the Resolution regarding the Risk Management Strategy Proposal for 2021; the Resolution regarding the Credit Risk and Market Risk Limit Management Plan for 2021; the Resolution regarding the Report on Green Finance Business for 2020; the Resolution regarding the Consideration of the Related-party Transaction of Investment in the Bonds Issued by Gansu Financial Holding Group Co., Ltd.; the Resolution regarding the Interim Results Announcement of Bank of Gansu Co., Ltd. for 2021; the Resolution regarding the Interim Report of Bank of Gansu Co., Ltd. for 2021 (Draft); the Resolution regarding the Five-year (2021-2025) Development Strategy of Bank of Gansu; the Resolution regarding the Amendments to the Basic Financial Management System of Bank of Gansu; the Resolution regarding the Financial Bonds Issuance Plan of Bank of Gansu Co., Ltd. for 2021; the Resolution regarding the Overall Risk Report for the First Half of 2021; the Resolution regarding the Report on Particulars of Related-party Transactions for the First Half of 2021; the Resolution regarding the Increase in Estimated Cap of Related-party Transactions for 2021; the Resolution regarding the Amendments to the Basic Accounting System of Bank of Gansu; the Resolution regarding the Work Report of Internal Audit for the First Half of 2021; the Resolution regarding the Work Report of Consumer Rights Protection Committee for the First Half of 2021; the Resolution regarding the Report of Bank of Gansu on the Implementation of the Digital Transformation; the Resolution regarding the Market-based Transfer of Non-performing Assets which May Constitute Related-party Transactions; the Resolution regarding the Application for Filing of the Pledge of Shares of Shengteng International (盛騰國際); the Resolution regarding the Election of a New Session of the Board of Supervisors of Bank of Gansu Co., Ltd.; the Resolution regarding the Application for the Increase in the Estimated Cap of the Related-party Transactions with Gansu Financial Holding; the Resolution regarding the Related-party Transaction of Investment in the Bonds Issued by Gansu Railway Construction Investment Group Co., Ltd.; the Resolution regarding the Election of the Chairman of the Third Session of the Board of Supervisors of Bank of Gansu Co., Ltd.; the Resolution regarding the Adjustment to the Members of the Committees under the Board of Supervisors of Bank of Gansu Co., Ltd.; the Resolution regarding the Election of the Chairman of the Third Session of the Board of Directors of Bank of Gansu Co., Ltd.; the Resolution regarding the Appointment of the Secretary to the Board of Directors of Bank of Gansu Co., Ltd.; the Resolution regarding the Appointment of Other Members of Senior Management of Bank of Gansu Co., Ltd.; the Resolution regarding the Strategic Administration Measures of Bank of Gansu Co., Ltd.; the Resolution regarding the Application for the Adjustment to the Risk Limit for Certain Businesses of Bank of Gansu Co., Ltd..



(6) Attendance at the general meetings

During the Reporting Period, the Board of Supervisors designated representatives to attend the annual general meeting of the Bank. The Board of Supervisors presented its report on work and results of performance appraisal of Supervisors, which were approved at the annual general meeting.

(7) Attendance at the meetings of the Board of Directors and senior management

During the Reporting Period, the Board of Supervisors designated representatives to attend the meetings of the Board of Directors and supervised legal compliance of the meetings, procedures of voting, attendance, speech and voting of the Directors. The Board of Supervisors also designated representatives to attend the relevant meetings of the senior management and supervised implementation of resolutions by the Board of Directors.

(8) Committees under the Board of Supervisors

The Board of Supervisors has established two committees, namely the supervisory committee and the nomination committee. These committees operate in accordance with the rules of procedures formulated by the Board of Supervisors.

Supervisory Committee

The supervisory committee consists of five Supervisors, being Mr. Li Zongyi, Ms. Tang Lan, Mr. Liu Peixun, Mr. Ma Runping and Mr. Han Zhenjiang. Mr. Li Zongyi is the chairman of the Supervisory Committee. The principal responsibilities of the supervisory committee include: supervising the Board of Directors in formulating prudent business philosophies and development strategies; formulating and coordinating the implementation of internal inspection and special audit plans with respect to our business decision-making, financial activities, risk management and internal controls; formulating and coordinating the implementation of investigation plans for major emergencies and risk events based on the authorization of our Board of Supervisors; and communicating with external auditors regarding preparation of the Board's periodic reports and related material adjustments and reporting to the Board of Supervisors.



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The supervisory committee convened a total of 10 meetings during the Reporting Period, at which the following resolutions were considered and approved:

the Resolution regarding the Changes in the Accounting Estimate of Depreciation and Amortization Period of the Fixed Assets, Intangible Assets and Long-term Deferred Expenses; the Resolution regarding the Consideration of the Related-party Transaction of Investment in the Bonds Issued by Gansu Railway Construction Investment Group Co., Ltd.; the Resolution regarding the Work Report of the Board of Supervisors for 2020; the Resolution regarding the Work Report of the Board of Directors for 2020; the Resolution regarding the Work Report of Senior Management for 2020; the Resolution regarding the Annual Results Report for 2020; the Resolution regarding the Financial Audit Report for 2020; the Resolution regarding the Final Financial Report for 2020; the Resolution regarding the Profit Distribution Proposal for 2020; the Resolution regarding the Annual Financial Budget for 2021; the Resolution regarding the Integrated Business Plan for 2021; the Resolution regarding the Annual Report for 2020 (draft); the Resolution regarding the Engagement of External Auditing Firms for 2021; the Resolution regarding the General Mandates to Issue Shares; the Resolution regarding the Remuneration Distribution and Settlement for Directors and Supervisors in 2020; the Resolution regarding the Remuneration Distribution and Settlement for Senior Management in 2020; the Resolution regarding the Amendments to the Articles of Association and the Grant of Authorization for Registration of Changes with Industry and Commerce Administration Authority; the Resolution regarding the Extension of the Validity Period of the Relevant Authorisation for the Public Issuance of Secondary Capital Bonds; the Resolution regarding the 2020 Environmental, Social and Governance (ESG) Report; the Resolution regarding the Report on the Assessment of the Basic Position of the Substantial Shareholders for 2020; the Resolution regarding the Work Report of Consumer Rights Protection for 2020; the Resolution regarding the Work Report of Audit for 2020; the Resolution regarding the Audit Plan for 2021; the Resolution regarding the Internal Control Self-assessment Report for 2020; the Resolution regarding Three-year (2021-2023) Planning for Audit Plan; the Resolution regarding the Report on Particulars of Related-party Transactions for 2020; the Resolution regarding the Estimated Cap of Related-party/Connected Transactions for 2021; the Resolution regarding the Work Report on Anti-money Laundering for 2020; the Resolution regarding the Work Report on the Self-assessment of Money Laundering and Terrorist Financing Risks for 2020; the Resolution regarding Amendments to the Administration Measures for Anti-money Laundering Work of Bank of Gansu; the Resolution regarding the Report on Supervision Opinions and Rectification for 2020; the Resolution regarding the Overall Risk Report for 2020; the Resolution regarding the Risk Appetite Statement for 2021; the Resolution regarding the Risk Management Strategy Proposal for 2021; the Resolution regarding the Credit Risk and Market Risk Limit Management Plan for 2021; the Resolution regarding the Report on Green Finance Business for 2020; the Resolution regarding the Consideration of the Related-party Transaction of Investment in the Bonds Issued by Gansu Financial Holding Group Co., Ltd.; the Resolution regarding the Interim Results Announcement of Bank of Gansu Co., Ltd. for 2021; the Resolution regarding the Interim Report of Bank of Gansu Co., Ltd. for 2021 (Draft); the Resolution regarding the Five-year (2021-2025) Development Strategy of Bank of Gansu; the Resolution regarding the Amendments to the Basic Financial Management System of Bank of Gansu; the Resolution regarding the Financial Bonds Issuance Plan of Bank of Gansu Co., Ltd. for 2021; the Resolution regarding the Overall Risk Report for the First Half of 2021; the Resolution regarding the Report on Particulars of Related-party Transactions for the First Half of 2021; the Resolution regarding the Increase in Estimated Cap of Related-party Transactions for 2021; the Resolution regarding the Amendments to the Basic Accounting System of Bank of Gansu; the Resolution regarding the Work Report of Internal Audit for the First Half of 2021; the Resolution regarding the Work Report of Consumer Rights Protection Committee for the First Half of 2021; the Resolution regarding the Report of Bank of Gansu on the Implementation of the Digital Transformation; the Resolution regarding the Market-based Transfer of Non-performing Assets which May Constitute Related-party Transactions; the Resolution regarding the Application for Filing of the Pledge of Shares of Shengteng International (盛騰國際); the Resolution regarding the Articles of Association of Bank of Gansu Co., Ltd.; the Resolution regarding the Application for the Increase in the Estimated Cap of the Related-party Transactions with Gansu Financial Holding; the Resolution regarding the Related-party Transaction of Investment in the Bonds Issued by Gansu Railway Construction Investment Group Co., Ltd.; the Resolution regarding the Strategic Administration Measures of Bank of Gansu Co., Ltd.; the Resolution regarding the Application for the Adjustment to the Risk Limit for Certain Businesses of Bank of Gansu Co., Ltd..

Nomination Committee

The nomination committee consists of five Supervisors, being Mr. Luo Yi, Ms. Tang Lan, Mr. Wang Xiaopei, Mr. Zhang Yanlong and Mr. Zeng Lehu. The chairman of the nomination committee is Mr. Luo Yi. The principal responsibilities of the nomination committee include: formulating procedures and standards concerning election and appointment of Supervisors, conducting preliminary review on the qualifications of candidates for Supervisors, and submitting proposals to the Board of Supervisors; supervising the process of election and appointment of the Directors; performing comprehensive evaluation of Directors, Supervisors and senior management and reporting the results of evaluation to the Board of Supervisors; and supervising the objectivity and reasonableness of the remuneration management systems and policies and remuneration plans for senior management.

The nomination committee held 2 meetings during the Reporting Period, at which the following resolutions were considered and approved:

the Resolution regarding the Election of a New Session of the Board of Supervisors of Bank of Gansu Co., Ltd.; the Resolution regarding the Election of the Chairman of the Third Session of the Board of Supervisors of Bank of Gansu Co., Ltd.; the Resolution regarding the Adjustment to the Members of the Committees under the Board of Supervisors of Bank of Gansu Co., Ltd.; the Resolution regarding the Election of the Chairman of the Third Session of the Board of Directors of Bank of Gansu Co., Ltd.; the Resolution regarding the Appointment of the Secretary to the Board of Directors of Bank of Gansu Co., Ltd.; the Resolution regarding the Appointment of Other Members of Senior Management of Bank of Gansu Co., Ltd..

(9) Work performed by External Supervisors

The chairmen of the supervisory committee and the nomination committee of the Board of Supervisors are served by external Supervisors, which strengthens the role of external Supervisors in performing assessment, internal control and other aspects of independent oversight functions, and plays a positive role in improving the Bank's management quality and governance structure.

During the Reporting Period, external Supervisors actively participated in meetings, carefully studied and actively participated in discussions and decision-making of each issue, considered each issue from the perspective of sustainable development of the Bank and protection of its Shareholders' interests, carefully provided their independent opinions, and fulfilled the responsibilities of external Supervisors in compliance with applicable laws and regulations.

(VI) Senior Management

Under the leadership of the Board of Directors, the president and other senior management of the Bank shall operate and manage the Bank in accordance with the relevant laws and regulations, the Articles of Association and the authorization of Board of Directors. In accordance with the Articles of Association, the president of the Bank shall be nominated, appointed or dismissed by the Board of Directors. Moreover, the Bank has one president and several vice presidents. The vice president and other senior management are nominated by the president, appointed or dismissed by the Board of Directors. The qualifications of the president and other senior management shall be reviewed and approved by the regulatory authority of banking in China.



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As at the date of this annual report, the senior management of the Bank includes:

- Mr. Qiu Jinhu (Vice President, performing the duties of President)
- Ms. Hao Jumei (Vice President, Secretary to the Board)
- Mr. Chen Jinhui (Vice President)
- Mr. Du Jing (Vice President)
- Mr. Feng Yuhui (Chief Business Officer)

The president of the Bank shall be responsible to the Board of Directors. The president shall operate and manage the Bank in accordance with the laws, regulations, the Articles of Association and the authorization of the Board of Directors. The vice president shall assist with the president and perform the responsibilities as per the relevant authorizations.

The president of the Bank has the following powers and duties:

- (a) to manage the business operations of the Bank and report work to the Board;
- (b) to implement resolutions of the Board;
- (c) to prepare plans for the establishment of internal management structure of the Bank;
- (d) to establish the basic management system of the Bank and to formulate the Bank's specific rules and regulations;
- (e) to appoint or remove the head of the functional departments and the branches other than those required to be appointed or removed by the Board;
- (f) to propose to the Board for the appointment or removal of the deputy president and other senior officers of the Bank;
- (g) to authorize deputy president and other senior officers, the person in charge of the internal functional departments and branches to be engaged in business management activities;
- (h) to submit to the Board the annual business plan and investment plan of the Bank, the annual financial budget, the final accounting plan and the profit distribution plan of the Bank on behalf of the senior management, and organize the implementation after approval;
- (i) to determine the salary, welfare, reward, punishment and other incentive and restraint programs and implement them after the approval of the Board of Directors;
- (j) to decide on the appointment and dismissal of employees of the Bank other than senior officers;

- (k) to take urgent measures in the event of a major incident in the Bank and to report immediately to the Board of Directors, the Board of Supervisors and the banking regulatory authorities and the local branches of the PBOC;
- (l) in exceptional circumstances, to propose an extraordinary meeting of the Board of Directors; and
- (m) other powers which are to be exercised by the president in accordance with the laws, regulations and the provisions of the Articles of Association or the power to be exercised by the president as authorized by the Board.

The president and vice presidents who are not Directors shall have no voting rights at the meetings of the Board of Directors.

Remuneration paid to the senior management (excluding the members of senior management who concurrently served as Directors) for the year ended December 31, 2021 is set out as follows:

Remuneration bands	Number of persons
Below RMB1.0 million	5
RMB1.0 million — RMB1.5 million	0

(VII) Chairman of the Board of Directors and the President

The roles and duties of the chairman of the Board of Directors and the president of the Bank are assumed by different persons, with their respective responsibilities clearly delineated and in compliance with the requirements under the Hong Kong Listing Rules.

Mr. Liu Qing was appointed as an executive Director and the chairman of the Board of Directors on December 3, 2018, responsible for the overall strategic planning and management of the Board of Directors to ensure the effective operation of the Board of Directors and that all Directors are aware of the current issues and that each issue could be discussed in a timely and constructively manner. To assist the Board of Directors to discuss all important or other related matters, the chairman of the Board of Directors works with the Bank's senior management to ensure that all Directors receive timely, appropriate, complete and reliable information for their consideration and review.

Due to work rearrangement, Mr. Wang Wenyong has ceased to be an executive Director and the President of the Bank, with effect from December 27, 2021. In view of the temporary vacancy of the candidate for the President of the Bank, at the meeting of Board of Directors held on January 21, 2022, the Bank considered and approved the authorization and appointment of Mr. Qiu Jinhu, vice president of the Bank, to act as President during the vacancy of the President for the period until the date of the election of the President by the Board of Directors. The Bank is identifying appropriate candidate to act as the President and will otherwise publish an announcement as and when appropriate. The president of the Bank is responsible for the operation of business, the implementation of the strategies and business plans of the Bank. The president of the Bank, being nominated by the chairman of the Board of Directors and appointed by the Board of Directors, reports to the Board of Directors and performs his duties and responsibilities in accordance with the Articles of Association and within the authorization by the Board of Directors.



(VIII) Securities Transactions by Directors, Supervisors and Senior Management

The Bank has adopted, in respect of securities transactions by Directors, Supervisors and senior management members, a code of conduct on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Hong Kong Listing Rules.

Having made specific enquiries to all Directors, Supervisors and members of the senior management of the Bank, the Bank confirmed that they complied with the Model Code during the Reporting Period.

(IX) External Auditors and Remuneration of Auditors

The Group engaged Shinewing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited as its domestic and international auditors for 2021, respectively. The fees as agreed to be paid by the Group for the audit of the financial statements for the year ended December 31, 2021 are RMB4.80 million.

The audit committee of the Board of Directors was of the view that Shinewing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited can complete various engagements of the Bank satisfactorily, stick to the principles of independence, objectiveness and impartiality and comply with the applicable accounting principles and ethical requirements for accountants, and are diligent and responsive when conducting auditing work. During the Reporting Period, there was no occasion where the Board of Directors did not agree with the opinions of the audit committee on the selection and appointment of external auditors.

(X) Company Secretary

During the Reporting Period, the company secretary of the Bank is Ms. Fok Po Yi (霍寶兒), who has resigned since January 26, 2021. Mr. Wong Wai Chiu was appointed as the company secretary of the Bank on January 26, 2021. Mr. Wong took part in relevant professional trainings for no less than 15 hours during the Reporting Period. The main contact person between the company secretary and the Bank is Ms. Hao Jumei, the secretary to the Board, Ms. Hao Jumei is also required to report significant events to the chairman of the Board.

Regarding the biographic details of Mr. Wong Wai Chiu and further information regarding the change of the company secretary, please refer to the section headed “Directors, Supervisors, Senior Management, Employees and Organizations — IV. Company Secretary” of this annual report.

(XI) Communication with Shareholders

The Bank places great importance on its Shareholders’ opinions and suggestions and has enhanced understanding and interaction with the Shareholders through a wide range of channels such as the general meeting, reception for visitors, on-site visits and telephone consultations.

General enquiries

For enquiries made to the Board of Directors by the Shareholders and potential investors, please contact:

Office of the Board of Directors, Bank of Gansu Co., Ltd.
Bank of Gansu Tower, No. 525-1 Donggang West Road, Chengguan District, Lanzhou City, Gansu Province, the PRC
Telephone: +86 (931) 877 0491
Facsimile: +86 (931) 877 1877

Principal place of business in Hong Kong of the Bank: 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong

Investors may view this annual report on the website of the Bank (www.gsbankchina.com) and the designated website of the Hong Kong Stock Exchange (www.hkexnews.hk).

Enquiries on matters relating to the H Shares

If the Shareholders have any enquiries on matters relating to the H Shares held by them, such as share transfer, change of address, reporting for loss of share certificates and dividend warrants, please send the enquiries in writing to the following address:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Telephone: (852) 2862 8555
Facsimile: (852) 2865 0990

Enquiries on matters relating to the Domestic Shares

If the Shareholders have any enquiries on matters relating to the Domestic Shares held by them, such as share transfer, change of address, reporting for loss of share certificates and dividend warrants, please send the enquiries in writing to the following address:

Office of the Board of Directors, Bank of Gansu Co., Ltd.
Bank of Gansu Tower, No. 525-1 Donggang West Road, Chengguan District, Lanzhou City, Gansu Province, the PRC
Telephone: +86 (931) 877 0491
Facsimile: +86 (931) 877 1877



(XII) Information Disclosure

The Board of Directors and senior management of the Bank place great importance on information disclosure. They rely on good corporate governance and internal controls to provide timely, accurate and fair information for the investors. During the Reporting Period and up to the date of this annual report, no insider dealing was identified.

In accordance with the requirement of Measures for the Information Disclosure of Commercial Banks and Notice on the Normative Content of the Annual Report of the Joint-stock Commercial Banks, the Bank continuously improved the timeliness, accuracy and completeness of the information to be disclosed.

The Bank has also formulated the Information Disclosure Regulations of Bank of Gansu Co., Ltd. (“Information Disclosure Regulations”), which provide for basic principles of information disclosure, including the disclosure principles in the Bank’s prospectus, offering circulars, listing documents, periodic reports and interim reports. The Board of Directors is primarily responsible for the information disclosure of the Bank and the chairman of the Board of Directors is the primary person in charge of the information disclosure of the Bank.

(XIII) Procedures and Regulatory Measures related to Inside Information

The Bank places great importance on insider information management. In order to strengthen relevant confidentiality and protect the legitimate interest of investors by maintaining fairness with regard to information disclosure, the Bank has formulated the Information Disclosure Regulations pursuant to applicable laws, regulations, the Hong Kong Listing Rules and other regulatory requirements. The Information Disclosure Regulations provide for the scope of inside information and the definition of insiders possessing inside information, detailed requirements on management of insiders and inside information, confidentiality of such information and sanction measures for divulgence of inside information.

(XIV) Amendment to the Articles of Association during the Reporting Period

On May 24, 2021, the proposal regarding the amendments to the Articles of Association in respect of the change of the domicile of the Bank was considered and approved at the 2020 annual general meeting, and on December 24, 2021, the proposal regarding the proposed amendments to the Articles of Association was considered and approved at the 2021 first extraordinary general meeting. The latest version of the amended Articles of Association will become effective upon approval by CBIRC Gansu Office and has not yet been approved so far. Investors may review the existing and effective Articles of Association on the website of the Bank (www.gsbankchina.com) and the designated website of the Hong Kong Stock Exchange (www.hkexnews.hk).



(XV) Rights of Shareholders

(1) Convening of extraordinary general meeting at the request of Shareholders

The Shareholders (the “Proposal Shareholders”) of the Bank who individually or jointly hold 10% or more (calculated based on the shareholding from the date when such written request is made by such Shareholders) of the total voting Shares of the Bank may request in writing to convene an extraordinary general meeting. The following procedures shall be followed if the Proposal Shareholders request an extraordinary general meeting or class meeting:

- (i) Two or more Shareholders jointly holding the shares carrying more than 10% (inclusive) of the voting rights in the meeting to be held can execute one or several copies of written requirements in the same format for requiring the Board of Directors to convene the extraordinary general meeting or class meeting and clarify the meeting subject. The Board shall respond in writing to decide to convene such meeting or not within ten days upon receipt of such written proposal in accordance with the laws, rules and regulations and the Articles of Association. The number of shares aforesaid shall be calculated from the date when such written request is made by the Shareholders.

Where the Board agrees to convene an extraordinary general meeting, a notice of the general meeting shall be given within five days after the Board makes such resolution, in which the consent of the Proposal Shareholder requesting to convene the extraordinary general meeting shall be obtained in respect of any changes to the original proposals.

- (ii) Where the Board does not agree to convene an extraordinary general meeting or does not respond within ten days upon receipt of the request, the Shareholders who individually or jointly hold more than 10% of the Shares of the Bank shall have the right to propose to the Board of Supervisors to convene an extraordinary general meeting and make such proposal in writing to the Board of Supervisors.

Where the Board of Supervisors agrees to convene an extraordinary general meeting, a notice of the general meeting shall be given within five days upon receipt of such request, in which the consent of the Proposal Shareholder requesting to convene the extraordinary general meeting shall be obtained in respect of any changes to the original proposal.

Where the Board of Supervisors fails to give a notice of the general meeting in specified period, the Board of Supervisors shall be deemed not to agree to convene and preside over the general meeting. The Shareholders individually or jointly holding more than 10% of the Shares of the Bank for over 90 consecutive days (the “Convening Shareholder”) may convene and preside over a general meeting.



Where the Board fails to respond to the request of the Shareholder to hold a general meeting, any reasonable expenses incurred by the Shareholder to convene and preside over such meeting shall be borne by the Bank and deducted from any sums owed by the Bank to the Directors who have defaulted on their duties.

If the Board of Supervisors or Shareholders decide to convene the general meeting, it shall notify the Board of Directors in writing, and report to and file with the banking regulatory authority of the place where the Bank is located. The content of the notice of convening the extraordinary general meeting shall comply with the following requirements:

- (A) The proposal shall not be added with the new content; or otherwise the Proposal Shareholders shall make a new request to the Board of Directors to convene a general meeting in accordance with the aforesaid procedures;
- (B) The meeting shall be held at the venue where the Bank is located.

For the general meeting convened and presided over by Shareholders on their own initiatives, the shareholding proportion of the Convening Shareholders before the announcement of the resolutions passed at the general meeting shall not be less than 10%. The Board of Supervisors or Convening Shareholders shall submit the relevant evidentiary materials to the local banking regulatory authorities in the jurisdiction in which the Bank is situated upon the issuance of the notice of a general meeting or the announcement of the resolution of a general meeting.

(2) Proposing resolutions at Shareholders' general meetings

Shareholders who individually or jointly hold 3% or more of the total voting Shares of the Bank may submit provisional proposals to the conveners in writing 10 days before the date of the general meeting. The conveners shall issue a supplemental notice of general meeting setting out the contents of the provisional proposals within two days upon receiving the proposals.

Shareholders who individually or jointly hold 3% or more of the total voting Shares of the Bank may nominate candidates for Directors and Supervisors to the Board of Directors and Board of Supervisors.

Shareholders who individually or jointly hold 1% or more of the total voting Shares of the Bank may nominate candidates for independent Directors. One Shareholder can only nominate one candidate for independent Director and a Shareholder who has nominated a candidate for Director shall not nominate any candidate for independent Director. The qualifications of the nominated candidates for independent Director shall be reviewed by the Nomination and Remuneration Committee under the Board of Directors, wherein the key points of review shall include the independence, expertise, experience, capabilities. The nominators for independent Director shall obtain the consent of the nominee before nomination and the nominating Shareholder shall be fully aware of the occupation, academic experiences, professional qualifications, detailed work experiences, all spare-time jobs and other information of the nominee and shall express opinions on the qualification and independence of the nominee as independent Director. In case the Board of Directors has the different views on the particulars of the nominee, written opinions of Board of Directors shall be issued.

(3) Making inquiries to the Board of Directors

Shareholders of the Bank are entitled to supervise the business activities of the Bank, and make recommendations or inquiries to the Board of Directors.

(4) Inspection rights of the Shareholders

Shareholders are entitled to access the following information in accordance with the applicable laws, regulations, departmental rules, normative documents, regulations promulgated by the securities regulatory authorities of the place where the Bank's Shares are listed and the Articles of Association, including:

- (i) to obtain a copy of the Articles of Association after its cost has been paid;
- (ii) to have access to and copy the following documents after a reasonable fee has been paid:
 - (A) the Shareholder register;
 - (B) the personal information of Directors, Supervisors, president and other senior management of the Bank;
 - (C) status of the share capital of the Bank;
 - (D) reports on the aggregate par value, number of Shares, and highest and lowest prices of each class of Shares in relation to any repurchase by the Bank of its own Shares since the last accounting year, as well as all the expenses paid by the Bank in relation to such repurchases;
 - (E) minutes of the general meetings;
 - (F) special resolutions of the Bank;
 - (G) the latest audited financial statements and the Board reports, auditor's reports and the Board of Supervisors' Reports of the Bank;
 - (H) the copy of the latest annual return submitted to the State Administration for Market Regulation or other competent authorities for filing.

In accordance with the requirements of Hong Kong Listing Rules, the Bank shall make the documents above (save for item (B) above) available for free inspection by the public and Shareholders of H Shares at the address of the Bank in Hong Kong, of which the documents referred to in item (E) shall be available for inspection by Shareholders only.

If any Shareholder makes a request to obtain a copy of the relevant documents from the Bank, the Bank shall send a copy of the requested documents within seven days upon the receipt of a reasonable fee. The Bank may refuse to provide any documents if such documents or the copies thereof requested involve any business secrets and/or include sensitive information about share price of the Bank.

Risk Management, Internal Control and Internal Audit

I. OVERVIEW

The Bank emphasizes prudent business management and believes that effective risk management and internal control are critical to its sustainable business growth:

- The Bank has established a comprehensive risk management, internal control reporting, announcement and appraisal system. In particular, the Bank has set up a vertical risk management structure by establishing risk management departments and positions at its head office and at each branch and sub-branch.
- The Bank has developed different risk management strategies based on the nature and characteristics of major risk categories. It also provides regular risk management training to its employees by conducting bank-wide on-site training and inviting law firms and professional institutions to provide training.

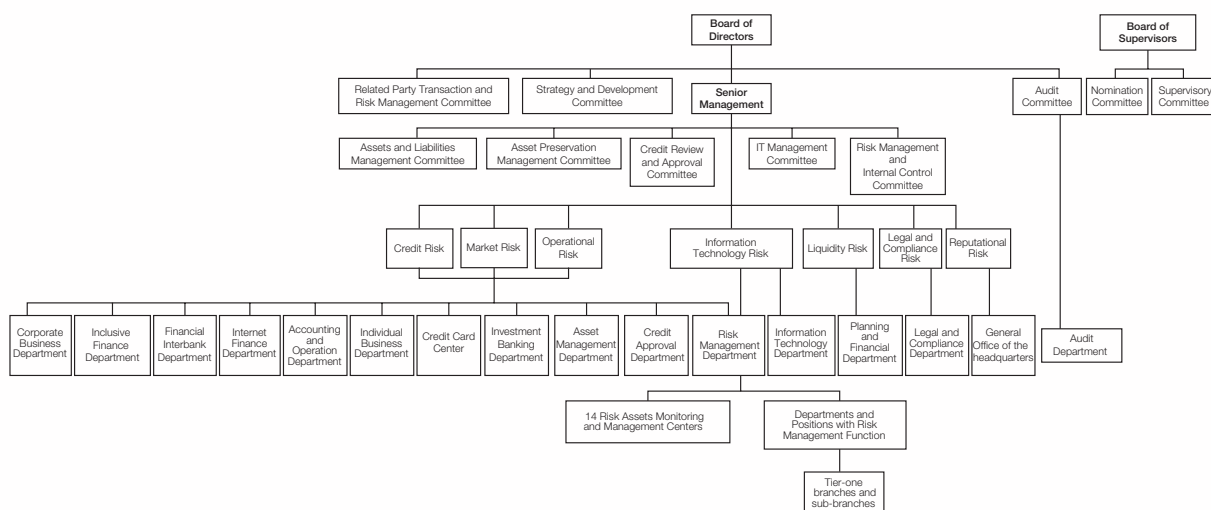
The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Bank has implemented prudent risk management and internal control to ensure good asset quality. As of December 31, 2021, the Bank's non-performing loan ratio was 2.04%; and the Bank's provision coverage ratio was 132.04%.

II. RISK MANAGEMENT AND INTERNAL CONTROL OF THE BANK

(I) Organizational System

As of the date of this annual report, the organizational structure of the Bank's risk management is as follows:





(1) Board of Directors and its Special Committees

The Board of Directors is ultimately responsible for the Bank's risk management and internal control. The Board is primarily responsible for (i) cultivating the Bank's risk management culture, philosophy, values and code of conduct; (ii) formulating risk management strategies; (iii) determining the Bank's overall risk appetite and risk limits; (iv) reviewing and approving risk management policies and procedures; (v) supervising the performance of risk management responsibilities by the Bank's senior management; (vi) reviewing risk management reports; (vii) reviewing and approving disclosures regarding the Bank's exposure to major risks and overall risk exposure; and (viii) appointing the Bank's chief risk officer. The Bank has established a related party transaction and risk management committee, strategy and development committee and audit committee under its Board of Directors.

Related Party Transaction and Risk Management Committee

The Bank's related party transaction and risk management committee is primarily responsible for (i) supervising the control of risks by the Bank's senior management; (ii) evaluating the Bank's risk profile; (iii) making recommendations regarding the Bank's risk management and internal controls, discussing risk management with senior management, and ensuring that management has performed their duties of establishing effective systems; (iv) conducting research on key investigation results relating to risk management matters and management responses to investigation results; (v) reviewing and approving related party transaction filings within the committee's authorized scope as determined by the Board; and (vi) reviewing related party transactions and submitting transactions to the Board for approval.

Strategy and Development Committee

The Bank's strategy and development committee is primarily responsible for: (i) formulating the Bank's operation objectives; (ii) formulating the environmental, social and governance (ESG) related objectives, medium- and long-term development strategy and management approach of the Bank, and supervising the implementation of the relevant objectives; and (iii) supervising and reviewing the implementation of the Bank's annual business plans and investment plans.

Audit Committee

The Bank's audit committee is primarily responsible for: (i) reviewing the Bank's accounting policies, financial position, financial reports and risk and compliance conditions; (ii) proposing the engagement or replacement of external auditing firms; (iii) supervising the Bank's internal audit system and the implementation of this system; (iv) coordinating internal and external audits; and (v) ensuring the truthfulness, accuracy and completeness of the Bank's audited financial information.

According to the regulatory requirements, the Board of Directors conducts self-evaluation on the effectiveness of risk management and internal control on an annual basis. During the Reporting Period, the Bank maintained effective risk management and internal control in all material respects, and the Board of Directors was not aware of any significant or material defects in relation to the risk management and internal control. The Board of Directors has conducted a review of the effectiveness of the risk management and internal control systems of the Bank and its subsidiary and considered them effective and adequate.

(2) Board of Supervisors and its Special Committees

The Board of Supervisors shall be accountable to the Shareholders' general meeting, and supervises the Bank's financial position and the legality and compliance of the performance of Directors, presidents and other senior management members in accordance with the laws, regulations and responsibilities prescribed in the Articles of Association, in order to safeguard the legal rights of the Bank and its Shareholders.

There are the supervisory committee and nomination committee under the Bank's Board of Supervisors, and the Board of Supervisors has established effective mechanisms for communication with such committees.

Supervisory Committee

The Bank has established a supervisory committee under the Board of Supervisors, which is primarily responsible for (i) supervising the Board of Directors in formulating prudent business philosophies and development strategies; (ii) formulating and coordinating the implementation of internal inspection and special audit plans with respect to the Bank's business decision making, financial activities, risk management and internal controls; (iii) formulating and coordinating plans for major emergencies and risk events based on the authorization by the Board of Supervisors; and (iv) communicating with external auditors regarding the preparation of the Board's periodic reports and related material adjustments and reporting to the Board of Supervisors.

Nomination Committee

The Bank's nomination committee under the Board of Supervisors is primarily responsible for (i) preparing the selection procedures and criteria for Supervisors; making preliminary assessment on the service qualifications and conditions of the candidate for Supervisors, and making recommendations to the Board of Supervisors; (ii) supervising the selection procedure of Directors; (iii) conducting comprehensive assessment on the performance of Directors, Supervisors and senior management and report to the Board of Supervisors; (iv) supervising on whether the compensation system and policy of the Bank and the compensation plan of the senior management are scientific and reasonable; and (v) other matters authorized by the Board of Supervisors.

(3) Senior Management and its Special Committees

The Bank's senior management implements the risk management policies, strategies and plans set by the Board of Directors. It is primarily responsible for (i) establishing a management structure based on comprehensive risk management strategies, delineating risk management responsibilities among various departments, and developing a coordinated checks-and-balances mechanism among departments; (ii) formulating clear execution and accountability systems for the effective communication and implementation of risk management strategies, preferences and limits; (iii) formulating and implementing overall risk limits based on the Bank's overall risk appetites determined by the Board, based on the relevant industry, region, customer and product; (iv) formulating and adjusting risk management policies and procedures and conducting periodic evaluations; (v) evaluating the Bank's overall risk profile and exposure to specific risks and reporting to the Board; (vi) establishing information management and data quality control systems; and (vii) monitoring breaches of risk appetite limits or violations of risk management policies and procedures, and taking corresponding measures based on the Board's authorization.

The Bank has established five special committees with risk management responsibilities under its senior management: the risk management and internal control committee, asset preservation and management committee, IT management committee, credit review and approval committee, and assets and liabilities management committee.

Risk Management, Internal Control and Internal Audit



Risk Management and Internal Control Committee

The Bank's risk management and internal control committee is primarily responsible for (i) formulating risk management and internal control plans and policies as well as risk evaluations to ensure the effective operation of the Bank's risk management and internal control systems; (ii) formulating risk identification, quantification, assessment, monitoring, control and mitigation measures; (iii) formulating plans or proposals to evaluate the sufficiency, compliance and effectiveness of risk management and internal control systems; (iv) overseeing business departments in establishing, improving and implementing internal control systems; (v) conducting feasibility studies with respect to risks associated with the Bank's major business activities; (vi) handling material risk events; (vii) reviewing proposals regarding risk classifications and provisioning for impairments; (viii) reviewing accountability for incidents of employee non-compliance; (ix) submitting risk reports to the related party transaction and risk management committee; and (x) ensuring the implementation of risk management policies and resolutions of the related party transaction and risk management committee.

Asset Preservation and Management Committee

The Bank's asset preservation and management committee is primarily responsible for (i) reviewing asset preservation plans and strategies; (ii) reviewing and approving proposals relating to the collection and disposition of collateral; (iii) reviewing and approving dispositions of non-credit assets; (iv) reviewing and approving proposals for the restructuring of non-performing loans; (v) reviewing and approving proposals of branches and sub-branches for the write-offs of credit and bad debts; (vi) reviewing and approving proposals for asset restructurings, mergers and acquisitions and bankruptcies; and (vii) advising on the protection of creditors' rights and preservation of loan assets, and overseeing the implementation of such advice.

IT Management Committee

The Bank's IT management committee is primarily responsible for (i) formulating the Bank's IT strategic objectives and planning; (ii) supervising the Bank's IT-related work and regularly reporting IT strategic plans, IT budget and IT expenditures to the Board and senior management; (iii) reviewing the Bank's annual IT budget, adjusting IT project priorities and coordinating relevant resources; (iv) considering the Bank's IT policies, systems, standards and principles and urging relevant departments to establish an internal IT management system; (v) implementing the Bank's information safety management decisions and addressing significant information safety incidents; and (vi) supervising the implementation by IT departments of the IT budget and expenditures, IT strategies, standards and flows, IT internal controls, the operation, maintenance and upgrading of IT systems and infrastructure, information safety management, disaster recovery planning as well as IT outsourcing.

Credit Review and Approval Committee

The Bank's credit review and approval committee is primarily responsible for (i) independently performing review and approval duties on matters relating to the Bank's credit business on the basis of the reporting entity's due diligence report and credit business review analysis opinion; and (ii) assessing and reviewing the feasibilities and risks regarding the technology, market and finance relating to the Bank's credit business, paying attention to various factors that may affect credit safety, effectively identifying various risks, and generating review and approval opinions after a comprehensive appraisal of revenue and risks.

Assets and Liabilities Management Committee

The Bank's assets and liabilities management committee is primarily responsible for determining the Bank's asset and liability management policies, to ensure that the Bank maintains reasonable capital adequacy ratios and liquidity and realizes its desired operating results under the changing economic environment and financial markets.



Risk Management, Internal Control and Internal Audit

(4) Risk Management Department

The Bank has established a centralized and vertical risk management structure. A number of the Bank's business departments at the head office, such as Risk Management Department, Corporate Business Department, Credit Approval Department, Inclusive Finance Department, Asset Preservation Department and Personal Banking Department, are involved in the Bank's daily risk management. These departments are mainly responsible for (i) formulating the Bank's overall risk management policies, covering credit authorizations and policies, credit reviews and approvals, management of non-performing assets and review and approval of loan disbursements; (ii) reviewing and approving the credit business by branches and sub-branches; and (iii) guiding branches and sub-branches in formulating credit policies based on their scale of business, target customers and local economic conditions.

Each of the Bank's branches and sub-branches has established its own risk management department and positions. The risk management departments and positions at the Bank's branches and sub-branches are mainly responsible for (i) implementing the risk management policies of the Bank's head office; (ii) monitoring and staying alert of and supervising the risks associated with the Bank's business activities; and (iii) reporting major risk events to the management of the branch or sub-branch and the risk management department of the Bank's head office.

(II) Management of Different Types of Risks

(1) Credit Risk Management

Overview

Credit risk is the risk of loss due to (i) failure by a debtor or counterparty to meet its contractual obligations or (ii) a decrease in credit ratings or repayment ability. The Bank's credit risks arise mainly from loans, investments, guarantees, commitments and other on- or off-balance-sheet credit risks exposures.

The Bank determines the direction and amount of credit extended each year based on national and regional economic development plans, market conditions and macroeconomic control measures. The Bank also considers its asset and liability structure and trends in deposit and loan growth. The Bank formulates annual credit policy guidelines to provide detailed guidance for extending credit to different industries, customer types and geographic regions.

In accordance with relevant guidelines, extension of credit in areas more susceptible to changes in macroeconomic conditions and regulatory policies (such as local government financing platforms, as well as borrowers in the real estate sector or industries involving high-pollution, high-power consumption and over-capacity) must comply with all regulatory requirements. The Bank also encourages the extension of credit to emerging technology sectors, such as internet, big data and artificial intelligence in accordance with national policy directives. In addition, the Bank also issue notices of adjustments to credit policy guidelines in a timely manner in response to changes in government policies, the economic environment and its risk preferences.

The Bank categorizes the industries in which a loan applicant operates into different categories and adopts a different credit policy for each industry category. The Bank has also adopted detailed credit policies for small and micro enterprise loans and retail loans based on the type of product, customer group and investment field. The Bank generally updates these policies on an annual basis.



Credit Risk Management of Corporate Loans

The Bank manages credit risks related to its corporate loans through five procedures, including pre-loan investigation, credit review and approval, loan disbursement management, post-disbursement management, and non-performing loan management.

Credit Risk Management for Retail Loans

The Bank's credit risk management procedures for retail loans include pre-loan investigation, credit review and approval, loan disbursement management and post-disbursement management.

Credit Risk Management for Financial Market Operations

The Bank's financial market operations include money market transactions, investment business and wealth management business. The Bank has established various mechanisms to manage credit risks arising from its financial market operations.

Credit Risk Management for Money Market Transactions

The credit management department at the Bank's head office leads the review and approval of credit limits granted to inter-bank customers and adjusts credit limits based on a customer's operating conditions. To timely respond to risk event alerts, the Bank closely monitors changes in the operations of the actual bearers of credit risks and any external factors that could affect their ability to honor contractual obligations.

Credit Risk Management for Standard Investments and Non-Standard Credit Assets Investments

The Bank primarily invests in (i) standard investments such as debt securities issued by the PRC government, PRC policy banks, PRC commercial banks and other financial institutions and corporate issuers, and public funds managed by fund companies, and (ii) non-standard credit assets, such as trust plans, asset management plans, wealth management products.

In terms of debt securities investments, (i) the Bank has formulated strict counterparty selection criteria for its bond investments; and (ii) it only invests in standard debt financing instruments with corporate or facility credit ratings of AA or above, with a focus on bonds issued by state-owned or state-controlled enterprises. The Bank has also established similar risk management procedures for investment funds as those for loans.

The Bank manages credit risks related to its non-standard credit assets investments primarily through procedures including counterparty screening, due diligence, review and approval, classifications and record keeping. In particular, the Bank has established similar risk management procedures for asset management plans and trust plans as those for loans. The Bank also implements strict standards for investment in non-principal-protected wealth management products.

Credit Risk Management for the Wealth Management Business

The Bank manages risks associated with the issuance of wealth management products primarily through measures such as setting up an asset management department at the Bank's head office to be responsible for the issuance and management of the wealth management business, conducting evaluations of counterparty's eligibility, pre-investment due diligence investigations, risk assessments and post-investment risk management for wealth management products, performing market forecasts and analyses to select appropriate investment targets for wealth management products, and timely disclosing the relevant information to investors, etc.



Risk Management, Internal Control and Internal Audit

Credit Risk Management for the Bank's Bill Discounting Business

The Bank has published management measures and procedures for its bill discounting business. The Bank provides discounting of bank acceptance bills and commercial acceptance bills. It manages risks arising from the discounting of bank acceptance bills primarily by verifying the authenticity of the bills and the items recorded on the bills. The measures and procedures adopted by the Bank for commercial bill discounting mainly include approval by corporate credit approval authorizations, verification of the accuracy of the underlying transactions and risk classification by the risk management department based on repayment status.

Credit Risk Management for the Bank's Off-Balance-Sheet Business

The Bank strictly reviews the business backgrounds of off-balance-sheet transactions and verifies the authenticity of the related documentation. The Bank also requires strict compliance with its internal procedures to ensure that the deposit amounts, margin ratios and guarantee measures meet its requirements.

Credit Risk Management for Related Party Transactions

In order to control risks arising from related party transactions and ensure compliance with relevant laws and regulations, the Bank has specified in its Articles and internal policies the standards for identifying related parties, the review and approval procedures for related party transactions and the reporting and registration requirements for such transactions.

The Bank rigorously enforces these internal procedures throughout the Bank to identify business relationships between related parties and the Bank and maintain centralized monitoring and management of related party transactions.

Credit Risk Management IT System

The Bank seeks to improve its credit risk management with advanced IT systems. It has improved and upgraded the credit management system to analyze customer data. The system consists of a credit evaluation module, a risk management module, a post-disbursement management module, a credit reporting module and an asset preservation module in accordance with the Bank's internal policies related to the extension of credit and provision of loans.

The Bank's risk management department collects and reports feedback from the Bank's credit business departments to the Bank's senior management and IT department. The Bank has set employee authorization limits to ensure data security and prevent employees from using system functions not related to their duties. Changes in authorization limits for employees at branches must be approved by authorized persons in the risk management department at the relevant branch. Changes in authorization limits for head office employees must be approved by authorized persons in the risk management department at the Bank's head office.

The Bank has also developed a credit risk big data alert system that measures credit risk by analyzing data of its credit businesses, data in the PBOC Credit Reference System and data from third party sources, such as the Internet and media.



(2) Liquidity Risk Management

Liquidity risk refers to the risk of failing to liquidate a position in a timely manner or failing to acquire sufficient funds at a reasonable cost to fulfill payment obligations. Factors affecting the Bank's liquidity include the term structure of its assets and liabilities and changes to financial industry policies, such as changes in the requirements relating to the Bank's statutory deposit reserve ratio. The Bank is exposed to liquidity risk primarily in its lending, trading and investment activities, as well as in the management of its cash flow positions.

The objective of the Bank's liquidity risk management is, by establishing timely, reasonable and effective liquidity risk management mechanisms, to identify, measure, monitor and control liquidity risks, meet the liquidity needs of the Bank's assets, liabilities and off-balance businesses on a timely basis, and control liquidity risks at an acceptable level to maintain sustained and healthy operations.

The organizational framework of the Bank's liquidity risk management focuses on formulating, implementing and supervising the separation of duties in relation to liquidity risk management policies and procedures. The Board of Directors is the ultimate decision-making institution for liquidity risk management and assumes ultimate responsibility for the Bank's liquidity risk management. Senior management is responsible for liquidity risk management, and the Bank's assets and liabilities management committee is responsible for implementing liquidity risk management policies and procedures. The Bank's supervisory committee is responsible for supervising and evaluating the implementation of liquidity risk management by the Board of Directors and senior management. The financial planning department is responsible for the Bank's daily liquidity risk management.

The Bank continually improves liquidity risk management, strictly implements regulatory rules, closely monitors liquidity indicators, enhances maturity management of its cash flows, formulates emergency plans and enhances liquidity risk management and stress tests. The Bank manages liquidity risks with instruments such as position provisioning and monitoring, cash flow analyses, liquidity stress tests, liquidity risk limits and liquidity risk indicators.

(3) Market Risk Management

Market risk is the risk of loss in on-balance sheet and off-balance sheet arising from fluctuations in market prices. The Bank is exposed to market risks primarily through its banking book and trading book. The market risks associated with the banking book include interest rate risk and exchange rate risk. The primary market risks in the Bank's trading book arise from fluctuations in the value of financial instruments due to changes in interest and exchange rates.

The Bank conducts analysis and studies on interest rate trends in financial markets, based on the results and forecast of which it formats and adjusts interest rates. It manages the interest rate risk exposure of its RMB-denominated assets and liabilities on its balance sheet primarily by adjusting interest rates and optimizing the maturity profile of its assets and liabilities. The Bank seeks to reduce maturity mismatches by adjusting repricing frequency and establishing a pricing structure for corporate deposits. The Bank uses various measures to evaluate interest rate risks arising from its banking book, including but not limited to techniques and measures such as duration analysis, sensitivity analysis, scenario analysis and stress tests.

The Bank also seeks to keep the adverse impact of exchange rate fluctuations within an acceptable range by managing risk exposure limits and the currency structure of its assets and liabilities. In addition, the Bank endeavors to reduce the number of transactions involving high exchange rate risks, monitor major indicators, and inspect the positions of major foreign currencies on a daily basis.

The Bank employs a number of risk management techniques to monitor and control market risks in its financial market operations, including monitoring open positions, stop-loss limits and value-at-risk of the Bank's trading book on a daily basis. The Bank analyzes its potential market risks through various methods, including duration analysis, sensibility analysis, scenario analysis and value-at-risk analysis.



Risk Management, Internal Control and Internal Audit

(4) Operational Risk Management

Operational risk refers to the risk of loss caused by incomplete internal control procedures, failures of employees and IT systems or external events. Operational risk events include internal and external fraud, safety accidents in the workplace, damage to tangible assets, failures of risk, implementation, settlement and procedure management systems relating to customers, products and operations, as well as errors or malfunctions in IT systems.

The Bank's Board of Directors is ultimately responsible for ensuring the effectiveness of the Bank's operational risk management. The Bank's senior management is responsible for coordinating operational risk management through its risk management and internal control committee. The Bank's risk management department formulates operational risk management procedures for identifying, evaluating, monitoring and controlling operational risks under the supervision of the Board and senior management. The Bank's audit department supervises and evaluates the management of operational risks and is responsible for independently examining and evaluating the appropriateness, effectiveness and efficiency of operational risk management policies, systems and procedures. The Bank has also established a GRC system for managing internal control and operational risks.

The Bank manages operation risk primarily through measures including: (i) collecting and analyzing data on operational risk related loss to identify operational risks; (ii) re-assessing risk points for products and businesses which involve frequent occurrences of operational risk events or may incur significant losses from potential operational risk events; (iii) monitoring operational risks, and establishing an alert system to control the frequency of risk events that are likely to result in uncontrollable losses as well as reduce the potential losses from these events; (iv) establishing a comprehensive operational risk reporting system to analyze and report operational risks in a timely manner; and (v) enhancing internal training on operational risk management.

(5) Reputational Risk Management

Reputational risk represents the risk of negative evaluation of the Bank by stakeholders, the public and the media due to the Bank's operation and management, the behavior of its employees or external events such as complaints, penalties and cases, which hurts the brand value and affects the normal operations or even the market stability. The general office of the Bank's head office is primarily responsible for the management of reputation risk, and the Board, Board of Supervisors and senior management assume the ultimate responsibility, supervisory responsibility and management responsibility for reputation risk management, respectively. The Bank's reputational risk management measures primarily include (i) formulating detailed reputational risk management policies and guidelines for identifying, reporting and managing significant reputational incidents; (ii) supervising employees' performance of duties in minimizing negative risk events; (iii) analyzing public opinion, investigating reputational risks and analyzing the dissemination channels of reputational risks and related incidents; and (iv) enhancing internal training on reputational risk management.

(6) IT Risk Management

IT risk refers to operational, reputational, legal and other risks arising from information technology due to natural factors, human factors, technical constraints, management defects and other factors. The Bank's IT risk management aims to identify, measure, monitor and control IT risks through the development of effective systems.

The Bank's IT management committee supervises and guides the Bank's IT activities. The risk management department formulates IT risk management procedures under the supervision of the Board and senior management. Its audit department audits IT risks. Its IT department and relevant business departments are responsible for the implementation of specific risk management measures, plans and proposals.

The Bank has adopted a variety of measures to manage IT risk, including (i) establishing systems, procedures and implementation rules for managing IT risks in accordance with relevant regulatory requirements; (ii) setting up an IT outsourcing risk management system with defined outsourcing management principles and strategies to eliminate outsourcing risks; and (iii) enhancing internal training on IT risks.



(7) Legal and Compliance Risk Management

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, financial losses and reputational harm resulting from the failure to comply with laws and regulations. The Bank has a three-tier legal and compliance risk management structure at its head office, branches and sub-branches.

The legal and compliance department at the Bank's head office is in charge of managing the Bank's overall legal and compliance risks. In addition, the Bank has established legal and compliance departments at the tier-one branches and sub-branches in charge of the matters in respect of legal compliance and risk management.

The Bank's risk management and internal control committee supervises and leads its legal and compliance work. The Bank systematically manages our internal control compliance and legal affairs by building a management system for internal control compliance and operational risks. The Bank manages legal and compliance risks primarily through the following measures:

- formulating our rules, systems and annual plans, and leading and urging the formulation and amendment thereof;
- enhancing the compliance review mechanism to identify and evaluate compliance risks associated with our business activities;
- developing, coordinating, reviewing and incorporating the Bank's operation authorization plans and revised plans and putting them into implementation;
- uniformly managing standard contracts and other legal documents;
- managing and tracking our legal proceedings;
- formulating an annual compliance management plan, stipulating the focus for annual compliance work;
- managing related parties and connected transactions to control connected transactions in advance;
- optimizing the management mechanism for rectifications upon inspection, and enhancing the supervision and management of our rectifications upon inspection;
- closely monitoring regulatory changes and reporting compliance information and risks to our senior management and the relevant business lines; and
- enhancing internal training on legal and compliance, and issuing compliance alerts and reminders to employees through compliance proposals and internal publications.



Risk Management, Internal Control and Internal Audit

(8) Anti-money Laundering Management

The Bank has formulated comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and other applicable regulations of the PBOC.

The Board of Directors oversees the Bank's bank-wide implementation of anti-money laundering policies, supervises senior management with respect to the formulation and implementation of anti-money laundering rules and procedures, reviews reports from senior management on any major anti-money laundering matters and the Bank's overall money-laundering risk profile, and adjusts the Bank's anti-money laundering policies on a timely basis.

The Bank has established anti-money laundering leadership groups at its head office, branches and sub-branches.

The anti-money laundering leadership group at its head office leads and coordinates the bank-wide anti-money laundering efforts. It is primarily responsible for:

- formulating anti-money laundering plans;
- reviewing rules and internal controls regarding anti-money laundering;
- ensuring the effective implementation of internal controls for anti-money laundering;
- analyzing significant issues relating to anti-money laundering;
- formulating solutions and responsive measures; and
- reporting to our Board of Directors.

This leadership group is led by the president of the Bank and the office is set up at the legal and compliance department. The members of the leadership group consists of the anti-money laundering leadership management department, the business management department, the responsible persons from the middle and back cooperation departments and other parties.

The Bank conducts due diligence on the customers in accordance with anti-money laundering laws and regulations. The Bank reports large-scale and suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center on a daily basis through its anti-money laundering management system. The Bank also reports major reasonably suspected money laundering activities to the local branch of the PBOC and cooperates with their investigations, and reports to local public security units when necessary.

The Bank provides bank-wide anti-money laundering training on a regular basis based on employees' position and seniority. The Bank also requires all new employees to participate in mandatory anti-money laundering training before commencing employment.

(9) Anti-corruption System

The Bank strictly abides by laws and regulations such as the Regulation of the Communist Party of China on Disciplinary Actions, the Law of the People's Republic of China on Administrative Discipline for Public Officials, the Criminal Law of the People's Republic of China and the Supervision Law of the People's Republic of China in its stringent control of corporate prevention of possible irregularities, discipline and violations of the law by the Bank's employees. Accordingly, the Bank has launched the Trial Implementation Measures for Complaint Management and Investigation of Bank of Gansu (《甘肅銀行信訪管理及查處工作實施辦法(試行)》), the Trial Administrative Measures for Report on Marriage and Compassionate Leave of Party Members and Leading Cadres of Bank of Gansu (《甘肅銀行黨員幹部操辦婚喪喜慶事宜報備暫行辦法》), the Operating Procedures for Reminders, Letters and Discretions for Management Staff of Bank of Gansu's head office (《甘肅銀行總行管理幹部提醒、函詢和誠勉工作操作規程》), the Trial Administrative Measures for Accountability of Violation and Dereliction of Duty of Bank of Gansu (《甘肅銀行違規失職行為問責管理辦法(試行)》), the Measures for the Assessment of the Party Construction of Bank of Gansu (《甘肅銀行黨風廉政建設工作考核辦法》), the Administrative Measures for the Prevention and Control of Cases of Bank of Gansu (《甘肅銀行案件防控管理辦法》) and other internal systems, and has gradually improved the system.

In addition to the internal system, the Bank has established a four-in-one complaint mechanism of "letters, visits, call, internet", which accepts and handles issues and traces in accordance with relevant requirements, so as to effectively curb the occurrence of corruption and other illegal acts. In terms of complaint management, the assigned discipline inspection and supervision team has formulated a corresponding working system. In accordance with the principles of unified management, classification and treatment, and handling within a time limit, the approval process is strictly implemented. In accordance with the requirements of registration acceptance, analysis and judgment, investigation and verification, and handling of issues, the Bank will investigate and deal with issues and traces on complaint letters in accordance with the law.

(III) Internal Audits

The Bank believes internal audits are essential to its stable operations and achievement of business objectives. The Bank conducts internal audits to monitor the compliance with laws and regulations and the implementation of its internal policies and procedures, with the objective of controlling risks at an acceptable level.

The Bank also aims to conduct effective risk management as well as optimize internal control compliance and its corporate governance structure, in an effort to improve its operations. The Bank adheres to the principles of independence, importance, prudence, objectiveness and relevance for internal audits.

The Bank has adopted an independent and vertical internal audit management system, consisting of the audit committee of the Board of Directors and the audit department of its head office.

The Bank has formulated internal audit rules and systems that contain articles of association and criteria for internal audit. The audit department of its head office formulates annual internal audit plans based on regulatory requirements as well as its operation, management and business profile. The plans may be implemented after being approved by the audit committee of the Board of Directors.

The Bank has also established an audit management system, which may, through standard internal audit methods and procedures, audit its operation and management, information systems, risk profile and performance of employees of key positions, evaluate the effectiveness of its internal controls and corporate governance, and conduct follow-up audits on a timely basis.



III. REGULATION OF THE BANK'S INSIDE INFORMATION

The Bank attaches great importance to information disclosure and insider information management. In order to strengthen the insider information and confidentiality work, safeguard the fairness of information disclosure and protect the legitimate rights and interests of investors, the Bank has formulated Measures for Information Disclosure of Bank of Gansu Co., Ltd. (《甘肅銀行股份有限公司信息披露辦法》) in accordance with PRC Company Law, PRC Securities Laws, the Hong Kong Listing Rules, and other applicable laws, regulations and normative documents.

The Bank has also formulated the Rules of Registration of Insiders and Confidentiality (《內幕信息知情人登記管理及保密制度》) which provide clear regulations for various aspects, including the coverage of the information that involves the Bank's operation and finance, or that may have significant impact on the market prices of the Bank's Shares and that has not been publicly disclosed on the information disclosure media designated by securities regulatory authorities, and the scope of insiders. In addition, the Bank has specified in detail management of insiders and confidentiality and the penalties for violating the internal measures governing insiders and inside information.

Independent Auditor's Report



SHINEWING (HK) CPA Limited
43/F., Lee Garden One, 33 Hysan Avenue
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣希慎道33號
利園一期43樓

TO THE SHAREHOLDERS OF BANK OF GANSU CO., LTD.

甘肅銀行股份有限公司

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

OPINION

We have audited the consolidated financial statements of Bank of Gansu Co., Ltd (the "Bank") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 176 to 305, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified during our audit are summarised as follows:

- Expected credit losses of loans and advances to customers
- Consolidation of structured entities
- Valuation of financial instruments



Independent Auditor's Report

Expected credit losses of loans and advances to customers

Refer to note 23 to the consolidated financial statements and the accounting policies on pages 192 to 197.

The key audit matter	How the matter was addressed in our audit
<p>Impairment allowances represent management's best estimate of the expected credit losses ("ECL") for the loan portfolios at the balance sheet date.</p> <p>They are assessed based on whether the credit risk has increased significantly since initial recognition and the Group's historical credit loss experience adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.</p> <p>The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.</p> <p>Management estimations and judgements are required to determine whether there are significant increase in credit risk, the probability of default, loss given default, forward-looking information and the expected future cash flows related to each loan within the loan portfolios.</p> <p>We identified the ECL on loans and advances to customers as a key audit matter due to the significant balances amounted to approximately RMB193,241,097,000 (net of accumulated impairment losses of approximately RMB5,354,206,000) as at the end of the reporting period and the subjective nature of the judgement, estimation and calculation.</p>	<p>Our procedures were designed to review the management assessment on the ECL model and to challenge the reasonableness of the models and assumptions used to estimate the ECL of loans and advances to customers.</p> <p>We have discussed the judgement in relation to the recognition of 12 months ECL and lifetime ECL of loans and advances under the 3 different stages and assessed the appropriateness of the modelling policy, assumptions and methodology used for material portfolios independently by reference to the Group's accounting policies, the market practices and model calculations were tested through re-performance.</p> <p>We have challenged the assumptions, critical judgement and the ECL models used by the management by assessing the reliability of the management's past estimates and future forecast.</p> <p>For the collectively assessed ECL, we assessed the reasonableness of the Group's ECL models, including the model input, model design, model performance for significant portfolios. We assessed the reasonableness of the Group's criteria for assessing if there has been a significant increase in credit risk and thus the allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment. We challenged whether historical experience is representative of current economic scenarios and of the recent losses incurred in the portfolios and assessed the reasonableness of forward-looking adjustments, including the economic variables and assumptions used in each of the economic scenarios and their probability weightings. Where changes had been made in model parameters and assumptions, we evaluated the appropriateness of such changes. We also assessed and tested the sensitivity of the credit loss provisions to changes in modelling assumptions.</p> <p>For a sample of exposures that was subject to an individual impairment assessment, we specifically reviewed the Group's assumptions on the expected future cash flows, including forward-looking information and the value of realisable collateral based on available market information.</p> <p>For both collectively and individually assessed ECL, we have also assessed the consolidated financial statement disclosures relating to the Group's exposure to credit risk.</p>



Independent Auditor's Report

Consolidation of structured entities

Refer to note 44 to the consolidated financial statements and the accounting policies on pages 187.

The key audit matter	How the matter was addressed in our audit
<p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing trust plans, asset management plans, wealth management products and investment funds.</p> <p>The Group determines whether or not to consolidate these structured entities based on the assessment of whether the Group has control over them through taking consideration of power arising from rights, variable returns, and link between power and returns.</p> <p>The assessment of the Group's control over structured entities involves significant judgment and estimation such as the purpose and design of structured entities, its practical ability to direct the relevant activities, interests it holds directly or indirectly, performance fee obtained, profit and the exposure to loss from providing credit enhancement or liquidity support, etc unilaterally. We identified consolidation of structured entities as a key audit matter due to the key judgement exercised by the management of the Group in assessing and concluding whether the Group, as an investor, controlled over the structured entities.</p>	<p>We assessed the Group's analysis and conclusions on whether or not the Group has the practical ability to direct the relevant activities of the structures entities unilaterally and the Group has control over the structured entities by reviewing relevant agreements and documents to analyse whether the Group has obligation to absorb any loss of structured entities, as well as the Group's analysis on its power over structured entities, and whether the Group is exposed, or has rights, to the magnitude and variability of variable returns from its involvement with structured entities.</p> <p>Furthermore, we tested the design and operating effectiveness of the Group's controls over its structured entities, and assessed the adequacy of disclosures being made in the consolidated financial statements required under the accounting policies of the Group for these consolidated or unconsolidated structured entities.</p>



Independent Auditor's Report

Valuation of financial instruments

Refer to note 50 to the consolidated financial statements and the accounting policies on pages 210 to 211.

The key audit matter	How the matter was addressed in our audit
<p>The Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques, in particularly those required significant unobservable inputs, usually involve subjective judgment and assumptions. With different valuation techniques and assumptions applied, the valuation results might vary significantly.</p> <p>As at December 31, 2021, financial assets measured at fair value amounted to approximately RMB39,618,513,000, representing 11% of total assets. Financial instruments which required either directly (i.e. as prices) or indirectly (i.e. derived from prices) inputs were categorised within level 2 of the fair value hierarchy while financial instruments which are not based on observable market inputs were categorised within level 3 of the fair value hierarchy. We identified valuation of financial instruments as a key audit matter due to the significance of financial instruments measured at fair value, and judgements and estimations involved in valuation.</p>	<p>Our procedures were designed to assess and evaluate the design and operating effectiveness of the Group's internal controls over valuation of financial instruments, including to evaluate the effectiveness of the relevant data quality and the IT system involved.</p> <p>We assessed the valuation techniques, inputs and assumptions used by the Group and observed the management's analysis and comparison of the Group's valuation techniques with those commonly used in the markets, validation of observable inputs using external market data, and comparison with valuation outcomes obtained from various pricing sources.</p> <p>We also assessed the adequacy of the disclosure being made in the consolidated financial statements required under the Group's accounting policies for valuation of financial instruments.</p>



Independent Auditor's Report

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

RESPONSIBILITIES OF DIRECTORS OF THE BANK AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.



Independent Auditor's Report

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibilities towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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



Independent Auditor's Report

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

We also provide the those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Shun Ming.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lee Shun Ming
Practising Certificate Number: P07068

Hong Kong
March 30, 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
Interest income		13,676,231	14,752,887
Interest expenses		(8,751,975)	(9,002,476)
Net interest income	6	4,924,256	5,750,411
Fee and commission income		392,412	379,269
Fee and commission expenses		(41,609)	(50,432)
Net fee and commission income	7	350,803	328,837
Net trading gains	8	953,119	716,300
Net gains (losses) arising from investment securities	9	192,094	(1,421)
Net exchange losses		(148,509)	(279,690)
Other operating income (expenses), net	10	5,865	(21,239)
		1,002,569	413,950
Operating income		6,277,628	6,493,198
Operating expenses	11	(2,288,980)	(2,319,469)
Impairment losses on assets, net of reversals	14	(3,438,388)	(3,754,524)
Operating profit		550,260	419,205
Share of result of an associate		88	1,322
Profit before tax		550,348	420,527
Income tax credit	15	22,948	141,826
Profit for the year		573,296	562,353

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
Profit for the year		573,296	562,353
Other comprehensive income/(expense) for the year:			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
– Remeasurement of defined benefit obligations		(1,520)	850
– Fair value gain (loss) on investment in equity investments at fair value through other comprehensive income		7,227	(21,681)
– Income tax relating to items that will not be reclassified to profit or loss		(1,427)	5,207
		4,280	(15,624)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Debt instruments at fair value through other comprehensive income			
– Movement of provision for impairment losses	25	(1,480)	(522)
– Change in fair value recognised in investment revaluation reserve		20,787	(87,546)
– Income tax relating to item that may be reclassified subsequently to profit or loss		(4,827)	22,017
		14,480	(66,051)
Other comprehensive income/(expense) for the year, net of income tax		18,760	(81,675)
Total comprehensive income for the year		592,056	480,678
Profit for the year attributable to:			
– Owners of the Bank		570,655	558,159
– Non-controlling interests		2,641	4,194
		573,296	562,353
Total comprehensive income for the year attributable to:			
– Owners of the Bank		589,415	476,484
– Non-controlling interests		2,641	4,194
		592,056	480,678
Earnings per share			
Basic and diluted (RMB cents)	16	3.79	5.52

Consolidated Statement of Financial Position

At December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
Assets			
Cash and deposits with the central bank	17	20,660,560	26,666,680
Deposits with banks	18	4,889,320	3,716,145
Placements with other financial institutions	19	3,890,000	–
Financial assets held under resale agreements	20	13,092,054	19,150,091
Financial assets at amortised cost	21	70,974,947	68,932,101
Interests receivables	22	5,926,927	4,151,959
Loans and advances to customers	23	193,241,097	176,386,767
Financial assets at fair value through profit or loss	24	29,942,944	25,837,489
Financial assets at fair value through other comprehensive income	25	9,675,569	11,213,115
Interest in an associate	26	10,312	10,224
Property and equipment	28	3,043,380	2,959,332
Right-of-use assets	29	244,514	338,438
Deferred tax assets	30	1,862,158	1,833,475
Other assets	31	1,050,820	1,167,972
Total assets		358,504,602	342,363,788
Liabilities and equity			
Liabilities			
Borrowings from the central bank	33	7,055,091	6,620,195
Deposits from banks and other financial institutions	34	17,844,062	11,625,724
Financial assets sold under repurchase agreements	35	6,051,480	8,730,070
Deposits from customers	36	255,987,920	249,677,701
Accrued staff costs	37	504,481	551,265
Taxes payable		2,383	3,662
Interests payables	38	7,457,264	7,629,663
Debts securities issued	39	28,883,313	23,551,545
Deferred tax liabilities	30	32,972	23,698
Lease liabilities	29	197,657	282,817
Other liabilities	40	2,431,588	2,202,702
Total liabilities		326,448,211	310,899,042



Consolidated Statement of Financial Position

At December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
Equity			
Share capital	41	15,069,791	15,069,791
Capital reserve	42	5,956,422	5,955,483
Defined benefit plan reserve		(3,902)	(2,762)
Investment revaluation reserve		157,057	137,157
Surplus reserve	42	1,727,903	1,615,945
General reserve	42	4,955,881	4,538,992
Retained earnings		4,155,725	4,113,917
Total equity attributable to the owners of the Bank		32,018,877	31,428,523
Non-controlling interests		37,514	36,223
Total equity		32,056,391	31,464,746
Total liabilities and equity		358,504,602	342,363,788

The consolidated financial statements on pages 176 to 305 were approved and authorised for issue by the board of directors of the Bank on March 30, 2022 and are signed on its behalf by:

Mr. Liu Qing
Director

Mr. Ma Zhiqiang
Director

Ms. Tang Lan
Supervisor

Mr. Qiu Jinhu
Senior Management

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

	Attributable to the owners of the Bank									
	Share Capital	Capital reserve	Defined benefit plan reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021	15,069,791	5,955,483	(2,762)	137,157	1,615,945	4,538,992	4,113,917	31,428,523	36,223	31,464,746
Profit for the year	-	-	-	-	-	-	570,655	570,655	2,641	573,296
Other comprehensive (expense)/income for the year	-	-	(1,140)	19,900	-	-	-	18,760	-	18,760
Total comprehensive (expense)/income for the year	-	-	(1,140)	19,900	-	-	570,655	589,415	2,641	592,056
Shareholders' injection (Note 42)	-	939	-	-	-	-	-	939	-	939
Appropriation of profits										
- Appropriation to surplus reserve	-	-	-	-	111,958	-	(111,958)	-	-	-
- Appropriation to general reserve	-	-	-	-	-	416,889	(416,889)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(1,350)	(1,350)
At December 31, 2021	15,069,791	5,956,422	(3,902)	157,057	1,727,903	4,955,881	4,155,725	32,018,877	37,514	32,056,391

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

	Attributable to the owners of the Bank							Sub-total RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share Capital RMB'000	Capital reserve RMB'000	Defined benefit plan reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000			
At January 1, 2020	10,069,791	4,660,417	(3,399)	219,469	1,560,835	4,471,044	3,678,816	24,656,973	32,029	24,689,002
Profit for the year	-	-	-	-	-	-	558,159	558,159	4,194	562,353
Other comprehensive income/(expense) for the year	-	-	637	(82,312)	-	-	-	(81,675)	-	(81,675)
Total comprehensive income/(expense) for the year	-	-	637	(82,312)	-	-	558,159	476,484	4,194	480,678
Shareholders' injection (Note 42)	-	904	-	-	-	-	-	904	-	904
Change in share capital (Note 41)										
- Capital contribution by equity shareholders	5,000,000	1,297,209	-	-	-	-	-	6,297,209	-	6,297,209
- Share issue expenses	-	(3,047)	-	-	-	-	-	(3,047)	-	(3,047)
Appropriation of profits										
- Appropriation to surplus reserve	-	-	-	-	55,110	-	(55,110)	-	-	-
- Appropriation to general reserve	-	-	-	-	-	67,948	(67,948)	-	-	-
At December 31, 2020	15,069,791	5,955,483	(2,762)	137,157	1,615,945	4,538,992	4,113,917	31,428,523	36,223	31,464,746

Consolidated Statement of Cash Flows

For the year ended December 31, 2021

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
Profit before tax	550,348	420,527
Adjustments for:		
Depreciation of property and equipment	225,967	372,471
Depreciation of right-of-use assets	157,518	138,348
Amortisation of intangible assets	17,186	6,394
Impairment losses on assets, net of reversals	3,438,388	3,754,524
Interest expense on lease liabilities	4,392	6,310
Interest expense on debts securities issued	868,598	1,219,208
Losses on disposal of repossessed assets	5,500	10,244
Gains on disposal of land use rights	(7,065)	-
Losses on disposal of property and equipment	603	28
Unrealised (gains)/losses from debt securities at fair value through profit or loss	(23,022)	206,633
Net (gains)/losses arising from investment securities	(192,094)	1,421
Government grants	(17,702)	(6,471)
Interest income on investments	(2,561,852)	(3,923,379)
Share of result of an associate	(88)	(1,322)
	2,466,677	2,204,936
Changes in operating assets		
Net decrease/(increase) in deposits with the central bank	5,153,826	(651,349)
Net decrease/(increase) in deposits and placements with other financial institutions	68,131	(68,131)
Net (increase)/decrease in financial assets at fair value through profit or loss	(4,082,433)	10,685,777
Net increase in loans and advances to customers	(18,326,871)	(14,724,834)
Net increase in other operating assets	(3,899,306)	(1,403,172)
	(21,086,653)	(6,161,709)
Changes in operating liabilities		
Net increase in borrowings from central bank	434,896	4,303,842
Net increase/(decrease) in deposits from banks and other financial institutions	6,218,338	(2,886,165)
Net (decrease)/increase in financial assets sold under repurchase agreements	(2,678,590)	3,331,490
Net increase in deposits from customers	6,310,219	12,809,044
Net increase/(decrease) in other operating liabilities	48,990	(931,747)
	10,333,853	16,626,464
Cash (used in)/generated from operations	(8,286,123)	12,669,691
Income tax paid	(3,994)	(94,207)



Consolidated Statement of Cash Flows

For the year ended December 31, 2021

	2021 RMB'000	2020 RMB'000
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(8,290,117)	12,575,484
INVESTING ACTIVITIES		
Proceeds from disposal and redemption of investments	24,163,497	28,580,355
Interest income received from financial investments	2,596,458	2,783,508
Proceeds from disposal of property and equipment	1,614	449
Proceeds from disposal of land use rights	10,900	–
Payments on acquisition of investments	(24,219,024)	(29,295,644)
Payments on acquisition of property and equipment and intangible assets	(322,500)	(263,271)
NET CASH FROM INVESTING ACTIVITIES	2,230,945	1,805,397
FINANCING ACTIVITIES		
Shareholders' injection	939	904
Government grants received	17,702	6,471
Proceeds from capital contribution by equity shareholders	–	6,297,209
Shares issue expenses	–	(3,047)
Net proceeds from issue of new debt securities	62,182,355	31,250,945
Repayment of debt securities issued	(57,640,000)	(48,030,000)
Repayment of lease liabilities	(152,589)	(132,727)
Interest paid on debts securities issued	(123,005)	(454,727)
Interest paid on lease liabilities	(4,392)	(6,310)
Dividends paid	(23)	(1,979)
Dividends paid to non-controlling interests	(840)	–
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	4,280,147	(11,073,261)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,779,025)	3,307,620
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	28,478,667	25,171,047
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 46)	26,699,642	28,478,667
Interest received	12,426,348	13,493,123
Interest paid (excluding interest expense on debts securities issued and lease liabilities)	(8,007,564)	(8,801,805)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

1. GENERAL

Bank of Gansu Co., Ltd (the “Bank”) was established in Lanzhou, Gansu Province, the People’s Republic of China (the “PRC”) on September 27, 2011 with the approval of China Banking and Insurance Regulatory Commission (“CBIRC”). Prior to its establishment, the banking business was carried out by two city commercial banks (the “Predecessor Entities”), each being located in Gansu Province.

Pursuant to reorganisation initiated by the People’s Government of Gansu Province, the Bank was established through the merger and reorganisation of the Predecessor Entities.

The Bank obtained its finance permit No. B1228H262010001 from the CBIRC, and obtained its business license No. 91620000585910383X from the Gansu Administration of Industry and Commerce. The legal representative is Liu Qing and the address of the registered office and principal place of business is 525-1, Donggang West Road, Chengguan District, Lanzhou, Gansu Province.

On January 18, 2018, the Bank’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (Stock code: 2139).

As at December 31, 2021, the Bank has a head office, 12 branches, 182 sub-branches, 5 micro-to-small enterprise sub-branches, 2 community sub-branches and a subsidiary. The principal activities of the Bank and its subsidiary (hereinafter collectively referred to as the “Group”) are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by the CBIRC. The Group operates in Mainland China.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Bank and its subsidiary.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

In the current year, the Group has applied, for the first time, the following amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) which are effective for the Group’s financial year beginning January 1, 2021.

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

COVID-19-Related Rent Concessions
Interest Rate Benchmark Reform – Phase 2

The application of the amendments to IFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and related Amendments ³
Amendments to IFRS 3	Reference to Conceptual Framework ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to IAS 8	Definition of Accounting Estimates ³
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendment to IFRSs	Annual Improvements to IFRSs 2018 – 2020 cycle ²
Initial Application of IFRS 17 and IFRS 9	Comparative Information (Amendment to IFRS 17) ³

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after January 1, 2022.

³ Effective for annual periods beginning on or after January 1, 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

The directors of the Bank anticipate that the application of the new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

Changes of Accounting Estimates

Change of depreciation rate in the year

Classes	Prior to change in depreciation rates Useful lives	Change in depreciation rates effective from January 1, 2021 Useful lives
Premises	20 years	20 to 30 years
Electronic equipment	5 years	3 to 5 years
Motor vehicles	5 years	5 to 8 years
Leasehold improvement	Over the shorter of 5 years, or economic useful lives	Over the shorter of 5 to 10 years, or economic useful lives
Computer software	Over the shorter of 3 years, or economic useful lives	Over the shorter of 5 to 8 years, or economic useful lives
Office equipment	5 years	5 to 8 years

The change of depreciation rates as a result of more reliable estimation to reflect the financial and operation position of the Bank, with an accurate depreciation rates to match with the useful lives of property and equipment of the Bank. These changes in depreciation rates have decreased the depreciation charge for the year ended December 31, 2021 by approximately RMB111,457,000. The changes in useful lives of the Group's property and equipment are considered as changes in accounting estimates and are to be accounted for prospectively without retrospective adjustment. Therefore, such changes will not have any impact on the Group's consolidated financial statements for previous years.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entity controlled by the Bank (i.e. its subsidiary). Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group is an investor of structured entities in which the Group also acts as a manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant structured entities.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the structured entities, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements; and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of the subsidiary are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of the subsidiary is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in a subsidiary is presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiary upon liquidation.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in a subsidiary

Investment in a subsidiary is included in the Bank's statement of financial position at cost less accumulated impairment losses, if any.

Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions.

A spot exchange rate is quoted by The People's Bank of China (the "PBOC"), the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is a rate determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of the reporting period. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated, the exchange differences are recognised in profit or loss, except for exchange differences arising on the translation of non-monetary financial investments in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits with banks and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investment in an associate is accounted for in the consolidated financial statements using the equity method. Under the equity method, investment in an associate is initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associate is recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in an associate (Continued)

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest or dividend income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI"), and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) *Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

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

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "Net interest income" line item (Note 6).



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTOCI (debt instruments)

The Group classifies and measures financial assets subsequently at FVTOCI if both of the following conditions are met:

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

The Group's debt instruments classified at FVTOCI includes investment in debt securities. Fair value is determined in the manner described in Note 50. Debt instruments are initially measured at fair value plus transaction costs. Subsequent changes in the carrying amount for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, impairment gains or loss, and foreign exchange gains and losses are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends from investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Net gains (losses) arising from investment securities" line item in profit or loss.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend and interest earned on the financial assets and is included in the “Net trading gains” line item. Fair value is determined in the manner described in Note 50.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including loans and advances to customers, deposits with the central bank, deposits with banks, placements with other financial institutions, financial assets held under resale agreements, financial assets at amortised cost, debt instruments at FVTOCI, interest receivables, other receivables and credit commitments). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument (for stage 2 and stage 3). In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date (for stage 1). Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions, including time value of money where appropriate.

Stage 1 is where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, entities are required to recognise 12-month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

Stage 2 is where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2 entities are required to recognise lifetime ECL but interest income will continue to be recognised on a gross basis.

Stage 3 is where the financial asset is credit-impaired. For financial assets in stage 3, entities will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. This means that interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

The Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an external credit rating of 'investment grade' as per globally understood definitions of higher than AA.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Significant increase in credit risk (Continued)

For credit commitments, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a credit commitment, the Group considers changes in the risk of a default occurring on the loan to which a credit commitment relates.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for credit commitments, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For undrawn credit commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the credit commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Measurement and recognition of ECL (Continued)

Except for investments in debt instruments that are measured at FVTOCI and credit commitments, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount where the corresponding adjustment is recognised through a loss allowance account.

For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve without reducing the carrying amounts of these debt instruments. Such amount represents the changes in the investment revaluation reserve in relation to accumulated loss allowance.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Credit commitment

Credit commitment is provided by the Group to the customer to extend loans to the customer within the commitment period on the agreed term of the contract. The Group normally does not lend at below-market rate or provide customer with credit commitments to be settled in cash or the Group shows the impairment provision for the credit commitment in provision on a net basis through the delivery or issuance of other financial instruments. Credit commitment recognises impairment losses in accordance with IFRS 9.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Revenue recognition

Revenue is recognised to depict the transfer of promised services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligations is transferred to customers.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

The Group recognised revenue under IFRS 15 from the following major sources:

- Wealth management service fees
- Bank acceptance bills service fees
- Agency services fees
- Settlement and clearing fees
- Letter of guarantee service fees

Fee and commission income is recognised at the specific point of time or for a certain period of time on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

Fee and commission income charged for performance obligations performed at specific point of time are recognised when customer obtains control of relevant services, mainly including bank acceptance bills, settlement and clearing and letter of guarantee.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Fee and commission income charged for performance obligations performed during a certain period of time are recognised according to the progress of the performance during that period, mainly including, wealth management service fees and agency services fees.

In current year, the Group's revenue mainly includes interest income and fee and commission income, among which fee and commission income will be within the scope of IFRS 15, while interest income is within the scope of IFRS 9.

Leasing

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

For contracts entered into or modified on or after the date of initial application of IFRS 16, the Group assesses whether a contract is or contains a lease, at inception of the contract or modification date. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liabilities comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

Lease liabilities (Continued)

The lease liabilities are presented as a separate line in the consolidated statement of financial position.

The lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 "Provision, Contingent Liabilities and Contingent Assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and estimated useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to certain premises. Leases for which the Group is a lessor are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Financial assets held under resale and sold under repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the consolidated statement of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the consolidated statement of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Property and equipment

Property and equipment use in the supply of services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. They are held by the Group for operation and administration purposes with useful lives over one year.

Ownership interests in leasehold land and buildings

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property and equipment.

Depreciation is recognised so as to write off the costs of items of property and equipment, other than construction in progress, less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognised impairment loss in accordance with the Group’s accounting policy. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (Continued)

Ownership interests in leasehold land and buildings (Continued)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment, other than construction in progress, are as follows:

Classes	Estimated residual value rates	Useful lives
Premises	5%	20 to 30 years
Electronic equipment	3%	3 to 5 years
Motor vehicles	3%	5 to 8 years
Leasehold improvement	0%	Over the shorter of 5 to 10 years or economic useful lives
Computer software	0%	Over the shorter of 5 to 8 years or economic useful lives
Office equipment	3%	5 to 8 years

Intangible assets included in “other assets”

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Repossessed assets included in “other assets”

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor’s rights. The repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses on property and equipment, right-of-use assets, intangible assets and repossessed assets

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets, intangible assets with finite useful lives and repossessed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Employee benefits

Payments to defined contribution plan and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognised immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income are not reclassified. Past service cost is recognised in profit or loss when the plan amendment or curtailment occurs, or when the Group recognises related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognised when the settlement occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

Defined benefit costs are categorised as:

- service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- remeasurements.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Salaries and allowances

Salaries and allowances are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Contributions from employees or third parties to defined benefit plans

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (e.g. contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the measurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost in the period in which the related service is rendered.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

Other social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Other long-term employee benefits

The Group's net obligation in respect of other long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in respect of their services in the current and prior periods.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in a subsidiary and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment is only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding ("entrusted funds") to the Group, and the Group grants loans to third parties ("entrusted loans") under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenses recognition

Other expenses

Other expenses are recognised on an accrual basis.

Related parties

If a Group has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the state and that have no other related party relationships are not regarded as related parties of the Group. Related parties of the Group include, but are not limited to:

- (a) the Bank's subsidiary;
- (b) investors that exercise significant influence over the Group;
- (c) key management personnel of the Group and close family members of such individuals;
- (d) other enterprises that are controlled or jointly controlled by principal individual investors, key management personnel of the Group, and close family members of such individuals.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as a subsequent event.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Fair value measurement

When measuring fair value except for the Group's leasing transactions, value in use of property and equipment, right-of-use assets, intangible assets, repossessed assets and interest in an associate for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Bank are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Bank have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgement in applying accounting policies (Continued)

Classification of financial assets

When the Group determines the classification of financial assets, a number of significant judgements in the business model and the contractual cash flow characteristics of the financial assets are required. Factors considered by the Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed. When the Group assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgements are described as whether the principal amount may change over the life of the financial asset (for example, if there are repayments of principal); whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin and cost, associated with holding the financial asset for a particular period of time.

Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

Significant influence over an associate

As per Note 26, the directors of the Bank considered Gansu Jingchuan BOC Fullerton Community Bank Co., Ltd* (“甘肅涇川中銀富登村鎮銀行股份有限公司”, “Gansu Jingchuan”), in which the Group has 16.67% equity interest in, as an associate of the Group.

The Group considered that it has the practical ability to exercise significant influence over Gansu Jingchuan even though it owns less than 20% of the ownership interest and voting control after taking into account 1) the Group's ownership interest is significant relative to other shareholders due to the wide dispersion of shareholding interests; 2) the representation or rights to appoint/nominate directors for the board of directors of the associate; and 3) the rights to participate in the policy-making process, including dividends and other distribution.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgement in applying accounting policies (Continued)

Consolidation of structured entities

Management applies its judgement to determine whether the control indicators indicate that the Group controls a non-principal guaranteed wealth management products and an asset management plans.

The Group acts as manager to a number of non-principal guaranteed wealth management products and asset management plans. Determining whether the Group has controls over such structured entities based on whether the Group has the practical ability to direct the relevant activities of the entity unilaterally, such as the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest in each case is not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

For further disclosure in respect of unconsolidated non-principal guaranteed wealth management products and asset management plans in which the Group has an interest or for which it is a sponsor, see Note 44.

Legal title of premises

As detailed in Note 28, certain of the Group's premises as at December 31, 2021 and 2020 of which the Group had not obtained the relevant legal titles, the premises were recognised in the consolidated statement of financial position as at December 31, 2021 and 2020 based on the legal opinion and management judgement that the Group is in substance controlling these premises.

At December 31, 2021, the premises with carrying values of approximately RMB1,882,372,000 was in the process of obtaining the relevant legal titles (2020: approximately RMB1,879,397,000).

* The English translation is for identification only.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key source of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

ECL on major financial assets

The Bank has adopted IFRS 9 to measure and account for financial instruments. For deposits with banks, placements with other financial institution, financial assets held under resale agreements, loans and advances to customers, financial assets at amortised cost, provision for bank acceptances and letters of guarantees and credit commitments, the measurement of ECL uses complex models and a large number of assumptions. These models and assumptions relate to future macroeconomic conditions and borrowers' credit behavior (e.g. the probability of default and the corresponding losses).

According to the requirements of accounting standards, the measurement of ECL involves many critical judgements. For example:

- Judge the standard of significant increase in credit risk;
- Select proper models and assumptions of measurement of ECL;
- For different types of financial instruments, determine the number and weight of forward-looking scenarios to be used in measuring ECL;
- Divide the measurement of ECL into groups by characteristics of financial instruments, and the items with similar credit risk characteristics are grouped into one combination.

As at December 31, 2021, the carrying amount of deposits with banks, placements with other financial institutions, financial assets held under resale agreements, loans and advances to customers and financial assets at amortised costs were approximately RMB4,889,320,000, RMB3,890,000,000, RMB13,092,054,000, RMB193,241,097,000 and RMB70,974,947,000 respectively (2020: approximately RMB3,716,145,000, nil, RMB19,150,091,000, RMB176,386,767,000 and RMB68,932,101,000 respectively), net of accumulated impairment losses of nil, nil, nil, RMB5,354,206,000 and RMB1,389,700,000 (2020: nil, nil, nil, RMB5,438,890,000 and RMB1,357,230,000 respectively).

As at December 31, 2021, the carrying amount of provision for bank acceptances and letters of guarantees under financial liabilities were approximately RMB37,344,000 (2020: approximately RMB34,818,000).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

ECL on major financial assets (Continued)

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns probabilities of default to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets based on risk characteristics of the customers and by product types when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs over determination of the period over which the entity is exposed to credit risk based on the behavioural life of the credit exposures, loss given default and collateral recovery of the credit exposures
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probabilities of default, exposures at default and losses given default
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Bank considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Valuation of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments and discounted cash flow analysis. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

As at December 31, 2021, the financial assets that are measured at fair value on a recurring basis is approximately RMB39,618,513,000 (2020: approximately RMB37,050,604,000).

Impairment of non-financial assets

Non-financial assets (i.e., property and equipment, repossessed assets, right-of-use assets, intangible assets and interest in an associate) are reviewed when impairment indicators once occurred to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) may not be obtained reliably, the fair value of the asset may not be estimated reliably. In assessing the value in use, significant judgements are exercised over the present value of future cash flows, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

As at December 31, 2021, the carrying amount of non-financial assets was approximately RMB3,851,687,000 (2020: approximately RMB3,483,265,000), net of accumulated impairment loss of nil (2020: nil).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Depreciation and amortisation

Property and equipment are depreciated using the straight-line method over their estimated useful lives after taking into account residual values. Right-of-use assets are depreciated using the straight-line method over the shorter period of lease term and estimated useful life of the underlying assets. Intangible assets are amortised using the straight-line method over their estimated useful lives. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in each of the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

As at December 31, 2021, the carrying amount of property and equipment was approximately RMB3,043,380,000 (2020: approximately RMB2,959,332,000), net of accumulated depreciation of approximately RMB1,820,170,000 (2020: approximately RMB1,618,214,000).

As at December 31, 2021, the carrying amount of right-of-use assets was approximately RMB244,514,000 (2020: approximately RMB338,438,000), net of accumulated depreciation of approximately RMB408,752,000 (2020: approximately RMB251,791,000).

As at December 31, 2021, the carrying amount of intangible assets was approximately RMB11,372,000 (2020: approximately RMB18,520,000), net of accumulated amortisation of approximately RMB32,063,000 (2020: approximately RMB15,434,000).

Impairment of interest in an associate

In determining whether the interest in an associate are impaired, the directors of the Bank assesses the recoverable amount of the interest in an associate which is the higher of its fair value less costs of disposal and its value in use. An impairment loss is made if the carrying amount of interest in an associate exceeds its recoverable amount. In determining the recoverable amount of the interest in an associate, the directors of the Bank require an estimation of the future cash flows expected to arise from the expected dividend yield from the associates in order to determine the value in use of the interests in associates.

As at December 31, 2021, the carrying amount of interest in an associate was approximately RMB10,312,000 (2020: approximately RMB10,224,000). No impairment loss was recognised as at December 31, 2021 and 2020.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

5. TAXATION

The Group's main applicable taxes and tax rates are as follows:

(a) **Urban maintenance and construction tax**

Urban maintenance and construction tax is calculated as 5%-7% of business tax and value added tax.

(b) **Education surcharge**

Education surcharge is calculated as 3% of business tax and value added tax.

(c) **Local education surcharge**

Local education surcharge is calculated as 2% of business tax and value added tax.

(d) **Income tax**

The income tax is calculated on taxable income. The statutory income tax rate is 15%-25%.

(e) **Value added tax**

Pursuant to the "Circular regarding the Pilot Program on Comprehensive Implementation of Value Added Tax Reform" issued by the Ministry of Finance of the PRC (the "MOF") and the State Administration of Taxation, the Group is required to pay value added tax instead of business tax from May 1, 2017. Value added tax and related underlying value of the invoice for value added taxable income and expenses shall be stated and accounted for separately.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

6. NET INTEREST INCOME

	2021 RMB'000	2020 RMB'000
Interest income arising from		
– Deposits with the central bank	328,636	350,623
– Deposits with banks	26,904	40,081
– Placements with other financial institutions	927	696
– Loans and advances to customers:		
Corporate loans and advances	6,988,965	7,017,495
Personal loans and advances	2,709,227	2,242,990
Discounted bills	683,683	827,863
– Financial assets held under resale agreements	376,037	349,760
– Financial assets at fair value through other comprehensive income	363,123	510,605
– Financial assets at amortised cost	2,198,729	3,412,774
	<hr/>	<hr/>
	13,676,231	14,752,887
	<hr/>	<hr/>
Less: Interest expenses arising from		
– Borrowings from the central bank	(129,483)	(61,150)
– Deposits from banks and other financial institutions	(642,199)	(461,746)
– Placements from banks and other financial institutions	–	(15,946)
– Deposits from customers:		
Corporate customers	(2,030,015)	(2,129,576)
Individual customers	(4,973,664)	(5,041,681)
– Financial assets sold under repurchase agreements	(103,624)	(66,859)
– Debts securities issued	(868,598)	(1,219,208)
– Lease liabilities	(4,392)	(6,310)
	<hr/>	<hr/>
	(8,751,975)	(9,002,476)
	<hr/>	<hr/>
	4,924,256	5,750,411
	<hr/>	<hr/>

Note:

All of the interest income and interest expense for the years ended December 31, 2021 and 2020 are calculated using the effective interest method for financial assets and financial liabilities which are not designated at FVTPL.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

7. NET FEE AND COMMISSION INCOME

	2021 RMB'000	2020 RMB'000
Fee and commission income		
– Wealth management service fees	76,303	50,428
– Bank acceptance bills service fees	25,604	41,529
– Agency services fees	70,480	68,182
– Settlement and clearing fees	177,112	190,691
– Letter of guarantee service fees	10,562	2,274
– Others	32,351	26,165
	392,412	379,269
Fee and commission expenses		
– Settlement and clearing fees	(6,927)	(6,912)
– Bank card service fees	(33,684)	(41,320)
– Others	(998)	(2,200)
	(41,609)	(50,432)
	350,803	328,837

All of the fee and commission income and expenses are related to financial assets or financial liabilities which are not designated at FVTPL.

8. NET TRADING GAINS

	2021 RMB'000	2020 RMB'000
Financial assets at FVTPL		
– Realised gains from debt securities	405,012	232,843
– Unrealised gains (losses) from debt securities	23,022	(206,633)
Interest income arising from financial asset at FVTPL	525,085	690,090
	953,119	716,300



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

9. NET GAINS (LOSSES) ARISING FROM INVESTMENT SECURITIES

	2021 RMB'000	2020 RMB'000
Net gains (losses) on disposal of financial assets at fair value through other comprehensive income	192,094	(1,421)

10. OTHER OPERATING INCOME (EXPENSES), NET

	2021 RMB'000	2020 RMB'000
Government grants (Note)	17,702	6,471
Losses on disposal of property and equipment	(603)	(28)
Losses on disposal of repossessed assets	(5,500)	(10,244)
Gains on disposal of land use rights	7,065	–
Rental income	6,311	3,443
Other operating expenses	(19,110)	(20,881)
	5,865	(21,239)

Note: Government grants recognised as other income are awarded to the Group by the PRC government as incentives primarily to encourage the development of the Group and the contribution to the local economic development. The government grants are one-off with no specific condition attached.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

11. OPERATING EXPENSES

	2021 RMB'000	2020 RMB'000
Staff costs (including directors' and supervisors' emoluments)		
– Salaries and bonuses	847,523	899,886
– Staff welfares	68,271	51,993
– Social insurance	212,424	168,208
– Housing allowances	74,849	72,740
– Labor union and staff education expenses	16,861	16,400
– Others	5,971	5,751
	1,225,899	1,214,978
Premises and equipment expenses		
– Depreciation of property and equipment	225,967	372,471
– Depreciation of right-of-use assets	157,518	138,348
– Amortisation of intangible assets	17,186	6,394
– Rental and property management expenses	25,913	45,547
	426,584	562,760
Business tax and surcharges	122,079	92,630
Other general and administrative expenses (Note)	514,418	449,101
	2,288,980	2,319,469

Note: Auditor's remuneration for the year ended December 31, 2021 was approximately RMB3,388,000 (2020: approximately RMB3,388,000).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of directors and supervisors of the Bank paid and/or payable by the Group during the years ended December 31, 2021 and 2020 are set out below:

	For the year ended December 31, 2021				
	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors					
LIU Qing ⁽¹⁾	-	225	144	386	755
WANG Wenyong ^{(1), (8)}	-	214	141	358	713
Non-executive directors					
WU Changhong ⁽²⁾	-	-	-	-	-
GUO Jirong ⁽²⁾	-	-	-	-	-
ZHANG Youda ⁽²⁾	-	-	-	-	-
ZHANG Hongxia ^{(2), (4)}	71	-	-	-	71
LIU Wanxiang ^{(2), (3)}	-	-	-	-	-
SHI Guanglei ⁽⁷⁾	-	-	-	-	-
ZHAO Xingjun ⁽⁷⁾	-	-	-	-	-
YANG Chunmei ⁽⁷⁾	-	-	-	-	-
MA Zhiqiang ⁽⁷⁾	-	-	-	-	-
Independent non-executive directors					
TANG Xiuli ^{(2), (3)}	143	-	-	-	143
LUO Mei ⁽²⁾	143	-	-	-	143
WONG Sincere ⁽²⁾	143	-	-	-	143
DONG Ximiao ⁽²⁾	143	-	-	-	143
WANG Tingting ⁽⁷⁾	-	-	-	-	-
LIU Guanghua ⁽⁷⁾	-	-	-	-	-
Directors' emoluments	643	439	285	744	2,111



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	For the year ended December 31, 2021				
	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Directors' emoluments	643	439	285	744	2,111
Supervisors					
TANG Lan	-	214	141	363	718
XU Yongfeng	-	303	144	521	968
LUO Zhenxia	-	269	141	419	829
LIU Yongchong ⁽⁵⁾	-	-	-	-	-
LI Yongjun ⁽³⁾	-	-	-	-	-
ZENG Lehu ⁽¹⁾	-	-	-	-	-
YANG Zhenjun ⁽⁵⁾	-	-	-	-	-
DONG Ying ⁽³⁾	-	-	-	-	-
LUO Yi	143	-	-	-	143
SUN Yan ^{(6), (3)}	83	-	-	-	83
ZHANG Yanlong ⁽⁷⁾	-	-	-	-	-
HAN Zhenjiang ⁽⁷⁾	-	-	-	-	-
MA Runping ⁽⁷⁾	-	-	-	-	-
LI Zongyi ⁽⁷⁾	-	-	-	-	-
WANG Xiaopei ⁽⁷⁾	-	-	-	-	-
LIU Peixun ⁽⁷⁾	-	-	-	-	-
Supervisors' emoluments	226	786	426	1,303	2,741
Directors' and supervisors' emoluments	869	1,225	711	2,047	4,852

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	For the year ended December 31, 2020				
	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors					
LIU Qing ⁽¹⁾	–	235	155	373	763
WANG Wenyong ^{(1), (8)}	–	225	151	354	730
Non-executive directors					
WU Changhong ⁽²⁾	–	–	–	–	–
GUO Jirong ⁽²⁾	–	–	–	–	–
ZHANG Youda ⁽²⁾	–	–	–	–	–
ZHANG Hongxia ^{(2), (4)}	143	–	–	–	143
LIU Wanxiang ^{(2), (3)}	–	–	–	–	–
Independent non-executive directors					
TANG Xiuli ^{(2), (3)}	143	–	–	–	143
LUO Mei ⁽²⁾	143	–	–	–	143
WONG Sincere ⁽²⁾	143	–	–	–	143
DONG Ximiao ⁽²⁾	143	–	–	–	143
Supervisors					
TANG Lan	–	225	151	354	730
XU Yongfeng ⁽³⁾	–	298	154	475	927
LUO Zhenxia ⁽³⁾	–	283	150	446	879
LIU Yongchong ⁽⁵⁾	–	–	–	–	–
LI Yongjun ⁽³⁾	–	–	–	–	–
ZENG Lehu	–	–	–	–	–
YANG Zhenjun ⁽⁵⁾	–	–	–	–	–
DONG Ying ⁽³⁾	–	–	–	–	–
LUO Yi ⁽³⁾	143	–	–	–	143
	858	1,266	761	2,002	4,887



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Notes:

- (1) The emolument represent the payments to the directors in respect of their service in connection with management affair of the Group.
- (2) The emolument represent the payments to the directors in respect of their service as a director.
- (3) Resigned on December 24, 2021.
- (4) Resigned on June 23, 2021.
- (5) Resigned on May 24, 2021.
- (6) Appointed on May 24, 2021.
- (7) Appointed on December 24, 2021.
- (8) Resigned on December 27, 2021.

Mr. LIU Qing is also the chief executive of the Bank and his emoluments disclosed above include those for services rendered by him as the chief executive.

No directors of the Bank waived or agreed to waive any emolument paid by the Group during the years ended December 31, 2021 and 2020. No emoluments were paid by the Group to the directors of the Bank as an incentive payment for joining the Group or as compensation for loss of office during the years ended December 31, 2021 and 2020.

Discretionary bonus was determined with reference to the Group's operating results, individual performance and comparable market statistics for such financial year.

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

None of the directors or supervisors of the Group whose emolument are disclosed in Note 12 above are the five individuals with the highest emoluments for the years ended December 31, 2021 and 2020.

The emoluments of the five individuals with the highest emoluments in the Group for the years ended December 31, 2021 and 2020 were as follows:

	2021 RMB'000	2020 RMB'000
Salaries and allowances	1,452	1,714
Retirement benefits scheme contributions	709	759
Discretionary bonuses	2,482	2,505
	4,643	4,978

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS (CONTINUED)

Their emoluments were within the following bands:

	2021 No. of employees	2020 No. of employees
HK\$ nil to HK\$1,000,000	–	–
HK\$1,000,001 to HK\$1,500,000	5	5
HK\$1,500,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	–	–

No emoluments were paid by the Group to the five individuals with the highest emoluments of the Bank as an incentive payment for joining the Group or as compensation for loss of office during the year ended December 31, 2021 (2020: nil).

14. IMPAIRMENT LOSSES ON ASSETS, NET OF REVERSALS

	2021 RMB'000	2020 RMB'000
Impairment losses, net of reversals on:		
Financial assets at FVTOCI	(1,480)	(522)
Financial assets at amortised cost	1,969,064	651,042
Other receivables	(4,263)	(9,363)
Loans and advances to customers	1,472,541	3,104,903
Acceptance bills, letters of guarantees and unused credit card commitments	2,526	8,464
	3,438,388	3,754,524



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

15. INCOME TAX CREDIT

(a) Income tax:

	2021 RMB'000	2020 RMB'000
Current tax:		
– PRC Enterprise Income Tax	2,715	94,900
Deferred tax (Note 30)		
– Current year	(25,663)	(236,726)
	(22,948)	(141,826)

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25%. Pingliang Jingning Chengji Rural Bank Co., Ltd.* ("平涼市靜寧成紀村鎮銀行股份有限公司", "Jingning Chengji Rural Bank"), a subsidiary of the Bank, obtained approvals from tax authorities to adopt the preferential income tax rate of 15% for the years ended December 31, 2021 and 2020.

(b) The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 RMB'000	2020 RMB'000
Profit before tax	550,348	420,527
Tax at domestic income tax rate of 25% (2020: 25%)	137,587	105,132
Tax effect of share of result of an associate	(22)	(331)
Tax effect of expenses not deductible for tax purpose (note i)	61,297	33,810
Tax effect of income that are not taxable for tax purpose (note ii)	(220,960)	(279,062)
Income tax on concessionary rate	(850)	(1,375)
Income tax credit	(22,948)	(141,826)

* The English translation is for identification only.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

15. INCOME TAX CREDIT (CONTINUED)

Notes:

- (i) Expenses not deductible for tax purpose consists of a portion of expenditures, such as entertainment expenses, impairment losses on assets (net of reversals), staff costs and donations, which exceed the tax deduction limits in accordance with the PRC tax regulation.
- (ii) Income not taxable for tax purpose consists of interest income from micro loans to farmers and government bonds, which is exempted from income tax under the PRC tax regulation.

Details of the deferred taxation are set out in Note 30.

16. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Bank is based on the following data:

	2021	2020
Profit for the year attributable to owners of the Bank (RMB'000)	570,655	558,159
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	15,069,791	10,110,775

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the years ended December 31, 2021 and 2020.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

17. CASH AND DEPOSITS WITH THE CENTRAL BANK

	2021 RMB'000	2020 RMB'000
Cash on hand	422,799	600,864
Deposits with the central bank		
– Statutory deposit reserve (Note a)	15,789,985	20,947,416
– Surplus deposit reserve (Note b)	4,405,469	5,079,698
– Fiscal deposits	42,307	38,702
	20,237,761	26,065,816
	20,660,560	26,666,680

Notes:

- (a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations in the PRC. As at December 31, 2021 and 2020, the statutory deposit reserve ratios applicable to the Bank were as follows:

	2021	2020
Reserve ratio for RMB deposits	6%	8%
Reserve ratio for foreign currency deposits	9%	5%

The statutory deposit reserves are restricted balances with central bank and are not available for the Group's daily business.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of cash settlement and other kinds of unrestricted deposits.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

18. DEPOSITS WITH BANKS

Analysed by type and location of counterparty

	2021 RMB'000	2020 RMB'000
Deposits in Mainland China – Banks	4,871,470	1,804,589
Deposits outside Mainland China – Banks	17,850	1,911,556
	4,889,320	3,716,145

Notes:

a) Provision for impairment losses:

	At December 31, 2021			Total RMB'000
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit-impaired RMB'000	
Gross deposits with banks	4,889,320	–	–	4,889,320
Less: Provision for impairment losses	–	–	–	–
	4,889,320	–	–	4,889,320

	At December 31, 2020			Total RMB'000
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit-impaired RMB'000	
Gross deposits with banks	3,716,145	–	–	3,716,145
Less: Provision for impairment losses	–	–	–	–
	3,716,145	–	–	3,716,145

b) No movement in provision for impairment losses for the year ended December 31, 2021 and 2020.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

19. PLACEMENTS WITH OTHER FINANCIAL INSTITUTIONS

	2021 RMB'000	2020 RMB'000
Placements in Mainland China		
– Other financial institutions	3,890,000	–

Note:

a) Provision for impairment losses:

	At December 31, 2021			Total RMB'000
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit-impaired RMB'000	
Gross placements with other financial institutions	3,890,000	–	–	3,890,000
Less: Provision for impairment losses	–	–	–	–
	3,890,000	–	–	3,890,000

20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	2021 RMB'000	2020 RMB'000
In Mainland China		
– Banks	284,865	2,230,332
– Other financial institutions	12,807,189	16,919,759
	13,092,054	19,150,091

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (CONTINUED)

(b) Analysed by type of security held

	2021 RMB'000	2020 RMB'000
Debt securities		
– Government	5,124,171	4,111,739
– Banks and other financial institutions	7,967,883	15,038,352
	13,092,054	19,150,091

(c) Provision for impairment losses:

	At December 31, 2021			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit-impaired RMB'000	Total RMB'000
Gross financial assets held under resale agreements	13,092,054	–	–	13,092,054
Less: Provision for impairment losses	–	–	–	–
	13,092,054	–	–	13,092,054

	At December 31, 2020			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit-impaired RMB'000	Total RMB'000
Gross financial assets held under resale agreements	19,150,091	–	–	19,150,091
Less: Provision for impairment losses	–	–	–	–
	19,150,091	–	–	19,150,091

(d) No movement in provision for impairment losses for the year ended December 31, 2021 and 2020.



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For the year ended December 31, 2021

21. FINANCIAL ASSETS AT AMORTISED COST

	2021 RMB'000	2020 RMB'000
Financial asset measured at amortised cost		
Debt securities issued by the following institutions in Mainland China		
China		
– Government	23,014,335	22,687,965
– Banks and other financial institutions	18,299,298	13,905,876
– Corporations	4,092,582	4,647,611
Trust plans	16,184,745	17,490,179
Asset management plans	10,549,687	11,308,700
Asset-backed securities issued by bank and other institutions	224,000	249,000
	<hr/>	<hr/>
	72,364,647	70,289,331
Less: Provision for impairment losses (Note a, b)	(1,389,700)	(1,357,230)
	<hr/>	<hr/>
	70,974,947	68,932,101
Analysed as:		
Listed outside Hong Kong	41,595,755	38,189,110
Unlisted outside Hong Kong	29,379,192	30,742,991
	<hr/>	<hr/>
	70,974,947	68,932,101
Fair value	<hr/>	<hr/>
	71,153,465	68,792,814

At December 31, 2021 and 2020, parts of debt securities were pledged as security for repurchase agreements (Note 32(a) and Note 35(c)).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

21. FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

Notes:

a) Provision for impairment losses of financial assets at amortised cost:

	At December 31, 2021			Total RMB'000
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit-impaired RMB'000	
Gross financial assets at amortised cost	56,854,732	8,863,711	6,646,204	72,364,647
Less: Provision for impairment losses	(241,708)	(181,700)	(966,292)	(1,389,700)
	56,613,024	8,682,011	5,679,912	70,974,947

	At December 31, 2020			Total RMB'000
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit-impaired RMB'000	
Gross financial assets at amortised cost	53,477,364	12,536,688	4,275,279	70,289,331
Less: Provision for impairment losses	(311,381)	(431,761)	(614,088)	(1,357,230)
	53,165,983	12,104,927	3,661,191	68,932,101

b) Movements in provision for impairment losses of financial assets at amortised cost

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit-impaired RMB'000	Total RMB'000
Provision for impairment losses at January 1, 2020	390,005	115,209	821,671	1,326,885
Changes in the provision for impairment losses				
- Transfer to stage 1	18,431	(15,727)	(2,704)	-
- Transfer to stage 2	(80,769)	80,769	-	-
- Transfer to stage 3	-	(19,950)	19,950	-
- Write off and others	-	-	(620,697)	(620,697)
- (Reversal) charge to profit or loss	(16,286)	271,460	395,868	651,042
Provision for impairment losses at December 31, 2020 and January 1, 2021	311,381	431,761	614,088	1,357,230
Changes in the provision for impairment losses				
- Transfer to stage 2	-	70,000	(70,000)	-
- Transfer to stage 3	-	(223,221)	223,221	-
- Write off and others	-	-	(1,936,594)	(1,936,594)
- (Reversal) charge to profit or loss	(69,673)	(96,840)	2,135,577	1,969,064
Provision for impairment losses at December 31, 2021	241,708	181,700	966,292	1,389,700



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

22. INTERESTS RECEIVABLES

	2021 RMB'000	2020 RMB'000
Interests receivables arising from:		
– Investments	2,508,574	2,543,180
– Loans and advances to customers	3,402,956	1,584,369
– Financial assets held under resale agreements	4,233	11,488
– Deposits with banks	1,666	1,829
– Placements with other financial institutions	739	–
– Deposits with the central bank	8,759	11,093
	5,926,927	4,151,959

23. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	2021 RMB'000	2020 RMB'000
Gross loans and advances to customers		
Corporate loans and advances	126,837,440	110,853,360
Personal loans and advances		
– Personal business loans	5,479,122	6,572,616
– Personal consumption loans	18,104,596	13,876,986
– Residential and commercial mortgage loans	24,422,355	20,910,149
	48,006,073	41,359,751
Discounted bills	23,751,790	29,612,546
	198,595,303	181,825,657
Less: Provision for impairment losses	(5,354,206)	(5,438,890)
	193,241,097	176,386,767

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by industry sector

	At December 31, 2021		
	Amount RMB'000	Percentage	Loans and advances secured by collaterals RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
– Manufacturing	28,447,678	14.33%	11,442,341
– Wholesale and retail	12,316,688	6.20%	8,085,139
– Real estate	11,533,091	5.81%	11,477,591
– Construction	11,681,153	5.88%	5,692,347
– Mining	5,381,971	2.71%	2,247,895
– Agriculture, forestry, animal husbandry and fishery	8,513,489	4.29%	3,081,950
– Leasing and business services	18,483,870	9.31%	7,507,456
– Water, environment and public facility management	3,495,837	1.76%	1,946,759
– Cultural, sports and entertainment	4,618,853	2.33%	3,109,858
– Accommodation and catering	2,686,797	1.35%	2,297,783
– Electricity, gas and water production and supply	2,111,298	1.06%	881,958
– Transportation, storage and postal services	7,990,238	4.02%	1,291,842
– Health and social services	2,161,248	1.09%	833,010
– Education	1,602,602	0.81%	435,347
– Finance	4,575,000	2.30%	–
– Scientific research, technical services and geological prospecting	613,820	0.31%	139,391
– Resident and other services	505,342	0.25%	412,760
– Information transmission, computer services and software	116,685	0.06%	47,317
– Public administration, social security and social organisations	1,780	0.00%	–
	126,837,440	63.87%	60,930,744
Personal loans and advances	48,006,073	24.17%	25,768,031
Discounted bills	23,751,790	11.96%	–
	198,595,303	100%	86,698,775
Less: Provision for impairment losses	(5,354,206)		
	193,241,097		



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by industry sector (Continued)

	At December 31, 2020		
	Amount RMB'000	Percentage	Loans and advances secured by collaterals RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
– Manufacturing	21,602,978	11.88%	11,196,411
– Wholesale and retail	15,077,897	8.28%	8,019,318
– Real estate	13,176,743	7.25%	13,138,243
– Construction	12,364,883	6.80%	6,784,252
– Mining	5,186,138	2.85%	2,120,929
– Agriculture, forestry, animal husbandry and fishery	7,955,647	4.38%	2,989,495
– Leasing and business services	10,080,560	5.54%	5,110,420
– Water, environment and public facility management	2,494,199	1.37%	2,134,099
– Cultural, sports and entertainment	3,428,678	1.89%	2,191,453
– Accommodation and catering	2,654,069	1.46%	2,272,769
– Electricity, gas and water production and supply	3,064,596	1.69%	764,990
– Transportation, storage and postal services	5,344,825	2.94%	1,274,334
– Health and social services	2,230,106	1.23%	852,214
– Education	1,585,929	0.87%	401,769
– Finance	1,860,000	1.02%	–
– Scientific research, technical services and geological prospecting	1,315,640	0.72%	868,900
– Resident and other services	1,215,263	0.67%	422,369
– Information transmission, computer services and software	118,529	0.07%	72,473
– Public administration, social security and social organisations	96,680	0.05%	74,700
	110,853,360	60.96%	60,689,138
Personal loans and advances	41,359,751	22.75%	22,431,123
Discounted bills	29,612,546	16.29%	–
	181,825,657	100%	83,120,261
Less: Provision for impairment losses	(5,438,890)		
	176,386,767		

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by industry sector (Continued)

As at December 31, 2021 and 2020, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each industry sector which constitutes 10% or more of gross loans and advances to customers are as follows:

	At December 31, 2021					
	Gross impaired loans and advances	Stage 1	ECL	Stage 3	Charge	Written-off
	RMB'000	RMB'000	Stage 2 RMB'000	RMB'000	for the year RMB'000	during the year RMB'000
- Manufacturing	342,160	447,369	156,371	109,924	340,043	-

	At December 31, 2020					
	Gross impaired loans and advances	Stage 1	ECL	Stage 3	Charge	Written-off
	RMB'000	RMB'000	Stage 2 RMB'000	RMB'000	for the year RMB'000	during the year RMB'000
- Manufacturing	604,462	416,634	171,262	149,861	584,990	3,787

(c) Analysed by type of collateral

	2021 RMB'000	2020 RMB'000
Gross loans and advances to customers		
Unsecured loans	26,633,717	23,176,745
Guaranteed loans	72,524,391	60,822,436
Collateralised loans	86,698,775	83,120,261
Pledged loans	12,738,420	14,706,215
	198,595,303	181,825,657
Less: Provision for impairment losses	(5,354,206)	(5,438,890)
	193,241,097	176,386,767



Notes to the Consolidated Financial Statements

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23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) Overdue loans analysed by overdue year

	At December 31, 2021				
	Overdue within three months (inclusive) RMB'000	Overdue more than three months to one year (inclusive) RMB'000	Overdue more than one year to three years (inclusive) RMB'000	Overdue more than three years RMB'000	Total RMB'000
Unsecured loans	947,578	130,467	183,205	85,093	1,346,343
Guaranteed loans	1,095,216	391,997	591,781	139,413	2,218,407
Collateralised loans	3,300,553	589,519	1,044,582	183,856	5,118,510
Pledged loans	13,509	22,407	6,170	28,732	70,818
	5,356,856	1,134,390	1,835,738	437,094	8,754,078

As a percentage of gross loans and advances to customers

2.70%	0.57%	0.92%	0.22%	4.41%
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	At December 31, 2020				
	Overdue within three months (inclusive) RMB'000	Overdue more than three months to one year (inclusive) RMB'000	Overdue more than one year to three years (inclusive) RMB'000	Overdue more than three years RMB'000	Total RMB'000
Unsecured loans	1,255,003	85,063	481,441	12,792	1,834,299
Guaranteed loans	1,270,223	846,007	461,313	85,277	2,662,820
Collateralised loans	4,030,840	614,955	867,605	84,357	5,597,757
Pledged loans	455,825	61,629	86,676	43,913	648,043
	7,011,891	1,607,654	1,897,035	226,339	10,742,919

As a percentage of gross loans and advances to customers

3.86%	0.88%	1.04%	0.12%	5.90%
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Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.

Notes to the Consolidated Financial Statements

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23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(e) Loans and advances and provision for impairment losses

	At December 31, 2021			Total RMB'000
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit-impaired RMB'000	
Gross loans and advances to customers	186,577,473	7,962,980	4,054,850	198,595,303
Less: Provision for impairment losses	(1,971,530)	(1,594,378)	(1,788,298)	(5,354,206)
	184,605,943	6,368,602	2,266,552	193,241,097

	At December 31, 2020			Total RMB'000
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit-impaired RMB'000	
Gross loans and advances to customers	169,997,089	7,614,898	4,213,670	181,825,657
Less: Provision for impairment losses	(2,213,624)	(1,502,306)	(1,722,960)	(5,438,890)
	167,783,465	6,112,592	2,490,710	176,386,767

The Group conducts internal stratified management of asset risk characteristics according to the quality status of assets. Financial assets included in the ECL are further classified into "Normal", "Special mention", "Substandard", "Doubtful" and "Loss" within each stage according to internal rating scales and overdue days, the results of this layered management are used by the Bank for internal credit risk management purposes.



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23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(e) Loans and advances and provision for impairment losses (Continued)

As at December 31, 2021 and 2020, an analysis of the gross amount of loans and advances to customers with the grading of the loan is as follows:

	At December 31, 2021			Total RMB'000
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit-impaired RMB'000	
Normal	186,402,473	736,529	–	187,139,002
Special mention	175,000	7,226,451	–	7,401,451
Substandard	–	–	1,041,536	1,041,536
Doubtful	–	–	1,820,810	1,820,810
Loss	–	–	1,192,504	1,192,504
Gross carrying amount	186,577,473	7,962,980	4,054,850	198,595,303
Less: Provision for impairment losses	(1,971,530)	(1,594,378)	(1,788,298)	(5,354,206)
Net carrying amount	184,605,943	6,368,602	2,266,552	193,241,097

	At December 31, 2020			Total RMB'000
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit-impaired RMB'000	
Normal	169,997,089	793,175	–	170,790,264
Special mention	–	6,821,723	69,119	6,890,842
Substandard	–	–	1,055,863	1,055,863
Doubtful	–	–	2,553,169	2,553,169
Loss	–	–	535,519	535,519
Gross carrying amount	169,997,089	7,614,898	4,213,670	181,825,657
Less: Provision for impairment losses	(2,213,624)	(1,502,306)	(1,722,960)	(5,438,890)
Net carrying amount	167,783,465	6,112,592	2,490,710	176,386,767

Notes to the Consolidated Financial Statements

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23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses

Provision for impairment losses – Loans and advances to customers	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit-impaired RMB'000	Total RMB'000
Provision for impairment losses at January 1, 2020	1,760,988	2,163,408	1,758,009	5,682,405
Changes in the provision for impairment losses				
– Transfer to stage 1	37,967	(37,881)	(86)	–
– Transfer to stage 2	(404,693)	405,176	(483)	–
– Transfer to stage 3	(259,333)	(298,296)	557,629	–
– Write-offs and others	–	–	(3,463,095)	(3,463,095)
– Charge (reversal) to profit or loss	1,078,695	(730,101)	2,756,309	3,104,903
– Recoveries of loans and advances previously written off	–	–	114,677	114,677
Provision for impairment losses at December 31, 2020 and January 1, 2021	2,213,624	1,502,306	1,722,960	5,438,890
Changes in the provision for impairment losses				
– Transfer to stage 1	307,650	(291,185)	(16,465)	–
– Transfer to stage 2	(78,238)	82,505	(4,267)	–
– Transfer to stage 3	(15,585)	(241,947)	257,532	–
– Write-offs and others	–	–	(1,613,848)	(1,613,848)
– (Reversal) charge to profit or loss	(455,921)	542,699	1,385,763	1,472,541
– Recoveries of loans and advances previously written off	–	–	56,623	56,623
Provision for impairment losses at December 31, 2021	1,971,530	1,594,378	1,788,298	5,354,206

(g) Analysed by geographical sector

Geographically, the Group mainly conduct their businesses and most of their customers and assets are located in Gansu Province of the PRC.



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For the year ended December 31, 2021

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Financial assets held for trading (Note (i))	4,707,959	2,351,893
Trust plans	1,426,344	1,635,851
Asset management plans	8,667,227	14,363,297
Investment funds	15,141,414	7,486,448
	29,942,944	25,837,489
Analysed as:		
Listed outside Hong Kong	4,707,959	2,351,893
Unlisted outside Hong Kong	25,234,985	23,485,596
	29,942,944	25,837,489

Notes:

(i) Financial assets held for trading:

	2021 RMB'000	2020 RMB'000
Debt securities issued by the following institutions in Mainland China:		
– Banks	3,637,047	1,970,881
– Other financial institutions	1,070,912	381,012
	4,707,959	2,351,893

As at December 31, 2021, no financial assets at FVTPL were subject to material restrictions on the realisation (2020: nil).

The above debt securities traded on the China Interbank Bond Market are included in "Listed outside Hong Kong".

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25. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 RMB'000	2020 RMB'000
Debt instruments classified at FVTOCI		
Debt securities issued by the following institutions in Mainland China		
– Government	4,397,478	3,645,248
– Banks and other financial institutions	4,949,286	6,920,507
– Corporations	–	325,782
	9,346,764	10,891,537
Unlisted equity investments designated at FVTOCI	328,805	321,578
	9,675,569	11,213,115
Analysed as:		
Listed in Hong Kong	–	382,564
Listed outside Hong Kong	9,346,764	10,508,973
Unlisted outside Hong Kong	328,805	321,578
	9,675,569	11,213,115

At December 31, 2021 and 2020, parts of debt securities were pledged as security for repurchase agreements (Note 32(a) and Note 35(c)).

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities established in the PRC. These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Bank have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Notes:

Movement of provision for impairment losses:

Provision for impairment losses – Debt instruments at fair value through other comprehensive income	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit-impaired RMB'000	Total RMB'000
Provision for impairment losses at January 1, 2020	3,125	–	–	3,125
– Movement during the year	(522)	–	–	(522)
Provision for impairment losses at December 31, 2020 and January 1, 2021	2,603	–	–	2,603
– Movement during the year	(1,480)	–	–	(1,480)
Provision for impairment losses at December 31, 2021	1,123	–	–	1,123



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26. INTEREST IN AN ASSOCIATE

	2021 RMB'000	2020 RMB'000
Cost of investment in an associate, unlisted	3,000	3,000
Share of post-acquisition profits	7,312	7,224
	10,312	10,224

As at December 31, 2021 and 2020, the Group had interests in the following associate:

Name of the bank	Form of entity	Country of establishment/ operation	Class of shares held	Proportion of ownerships interests or participating shares held by the Group		Proportion of voting power held		Principal activity
				2020	2021	2020	2021	
Gansu Jingchuan	Limited liability	The PRC	Ordinary shares	16.67%	16.67%	16.67%	16.67%	Corporate and retail bank

Note: This associate is directly held by the Bank. The Group considered that it has the practical ability to exercise significant influence over Gansu Jingchuan even though it owns less than 20% of the ownership interest and voting control after taking into account 1) the Group's ownership interest is significant relative to other shareholders due to the wide dispersion of shareholding interests; 2) the representation or rights to appoint/nominate directors for the board of directors of the associate; and 3) the rights to participate in the policy-making process, including dividends and other distribution.

The financial information and carrying amount of the Group's interest in an associate that is not material and is accounted for using the equity method are set out below:

	2021 RMB'000	2020 RMB'000
The Group's share of profit and total comprehensive income for the year	88	1,322

	2021 RMB'000	2020 RMB'000
Carrying amount of the Group's interest in the immaterial associate	10,312	10,224



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27. PARTICULARS OF A SUBSIDIARY

Name of subsidiary	Place of establishment/ operation	Class of shares held	Kind of legal entity	Registered and fully paid capital (RMB'000)		Proportion of ownership interest held by the Bank		Proportion of voting power held by the Bank		Principal activity
				At December 31,		At December 31,		At December 31,		
				2020	2021	2020	2021	2020	2021	
Jingning Chengji Rural Bank	The PRC	Ordinary	Joint stock company with limited liability	40,250	40,250	62.73%	62.73%	62.73%	62.73%	Corporate and retail banking

The subsidiary is directly held by the Bank and has no material non-controlling interests to the Group for the years ended December 31, 2021 and 2020.

None of the subsidiaries had issued any debt securities during both years and at the years ended December 31, 2021 and 2020.

28. PROPERTY AND EQUIPMENT

	Construction in progress	Premises (Buildings)	Electronic equipment	Motor vehicles	Leasehold improvement	Computer software	Office equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost								
At January 1, 2020	238,838	2,338,159	568,523	49,781	419,969	353,723	106,588	4,075,581
Additions	282,274	25,220	42,685	248	84,048	66,666	5,882	507,023
Transfers in/(out) from construction in progress	(80,254)	80,254	-	-	-	-	-	-
Disposals	-	-	(3,761)	(107)	-	-	(1,190)	(5,058)
At December 31, 2020 and January 1, 2021	440,858	2,443,633	607,447	49,922	504,017	420,389	111,280	4,577,546
Additions	100,366	20,454	25,090	927	49,363	80,600	35,432	312,232
Transfers in/(out) from construction in progress	(136,599)	136,599	-	-	-	-	-	-
Disposals	-	(42)	(18,918)	(2,284)	-	-	(4,984)	(26,228)
At December 31, 2021	404,625	2,600,644	613,619	48,565	553,380	500,989	141,728	4,863,550



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28. PROPERTY AND EQUIPMENT (CONTINUED)

	Construction in progress RMB'000	Premises (Buildings) RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Computer software RMB'000	Office equipment RMB'000	Total RMB'000
Accumulated depreciation and impairment								
At January 1, 2020	-	343,313	422,846	43,914	247,609	122,809	69,833	1,250,324
Provided for the year	-	123,165	95,718	1,523	72,689	67,062	12,314	372,471
Eliminated on disposals	-	-	(3,345)	(104)	-	-	(1,132)	(4,581)
At December 31, 2020 and January 1, 2021								
At January 1, 2021	-	466,478	515,219	45,333	320,298	189,871	81,015	1,618,214
Provided for the year	-	72,921	10,736	896	37,320	68,187	35,907	225,967
Eliminated on disposals	-	(21)	(17,474)	(2,171)	-	-	(4,345)	(24,011)
At December 31, 2021	-	539,378	508,481	44,058	357,618	258,058	112,577	1,820,170
Carrying value								
At December 31, 2021	404,625	2,061,266	105,138	4,507	195,762	242,931	29,151	3,043,380
At December 31, 2020	440,858	1,977,155	92,228	4,589	183,719	230,518	30,265	2,959,332

At December 31, 2021, the premises with carrying values of approximately RMB1,882,372,000 was in the process of obtaining the relevant legal titles (2020: approximately RMB1,879,397,000). Among them, the carrying values of premises that the Group has obtained housing property title certificates issued by the authorities but no land use rights certificates were approximately RMB158,089,000 (2020: approximately RMB113,324,000).

The aforementioned premises are located in the PRC with medium term leases (10 – 50 years).

Notes to the Consolidated Financial Statements

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29. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

i) Right-of-use assets

	2021 RMB'000	2020 RMB'000
Premises	223,771	313,196
Land use rights in the PRC	20,743	25,242
	244,514	338,438

Additions to the right-of-use assets for the year ended December 31, 2021 amounted to approximately RMB67,429,000 (2020: approximately RMB131,613,000), due to new leases of office premises.

ii) Lease liabilities

As at December 31, 2021, the carrying amount of lease liabilities was approximately RMB197,657,000 (2020: approximately RMB282,817,000).

For the year ended December 31, 2021, the Group entered into a number of new lease agreements for office premises and recognised lease liabilities of approximately RMB67,429,000 (2020: approximately RMB131,613,000).

Amounts payable under lease liabilities	2021 RMB'000	2020 RMB'000
Within one year	85,410	113,227
After one year but within two years	57,841	75,985
After two years but within five years	53,239	90,500
After five years	1,167	3,105
	197,657	282,817



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29. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

iii) Amount recognised in profit or loss

	2021 RMB'000	2020 RMB'000
Depreciation expense of premises	156,854	137,268
Depreciation expense of land use rights	664	1,080
Interest expense on lease liabilities	4,392	6,310
Expense relating to short-term leases	10,807	31,952

iv) Others

For the year ended December 31, 2021, the total cash outflow for leases amount to approximately RMB167,788,000 (2020: approximately RMB170,989,000).

Restrictions or covenants on leases

As at December 31, 2021, lease liabilities of RMB197,657,000 are recognised with related right-of-use assets of RMB244,514,000 (2020: lease liabilities of RMB282,817,000 and related right-of-use assets of RMB338,438,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

30. DEFERRED TAX ASSETS

The following is an analysis of the deferred tax balances for financial reporting purposes:

	2021 RMB'000	2020 RMB'000
Deferred tax assets	1,862,158	1,833,475
Deferred tax liabilities	(32,972)	(23,698)
	<u>1,829,186</u>	<u>1,809,777</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

30. DEFERRED TAX ASSETS (CONTINUED)

The following are the major deferred tax assets/(liabilities) recognised and movements thereon in the years ended December 31, 2021 and 2020:

	Provision for impairment losses on assets RMB'000 Note (i)	Net (gains)/ losses from fair value changes of financial instruments RMB'000 Note (ii)	Salaries, bonuses and allowances payable RMB'000	Tax losses RMB'000 Note (iii)	Net balance of deferred tax assets RMB'000
At January 1, 2020	1,349,731	(97,243)	33,270	260,069	1,545,827
Credit(charge) to profit or loss	159,761	51,658	(6,194)	31,501	236,726
Credit/(charge) to other comprehensive income	130	27,307	(213)	–	27,224
At December 31, 2020 and January 1, 2021	1,509,622	(18,278)	26,863	291,570	1,809,777
(Charge)/credit to profit or loss	(79,500)	(5,756)	2,942	107,977	25,663
Credit/(charge) to other comprehensive income	370	(7,004)	380	–	(6,254)
At December 31, 2021	1,430,492	(31,038)	30,185	399,547	1,829,186

Notes:

- (i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets as at December 31, 2021 and 2020. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets as at December 31, 2021 and 2020, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.
- (ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.
- (iii) At December 31, 2021, the Group has unused tax losses of approximately RMB1,598,188,000 (2020: approximately RMB1,166,280,000), available for offset against future profits. A deferred tax asset has been recognised in respect of such losses. Such tax losses can be carried forward for five years from the year in which the respective loss arose.



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31. OTHER ASSETS

	2021 RMB'000	2020 RMB'000
Other receivables and prepayments (Note (i))	497,299	992,377
Intangible assets (Note (ii))	11,372	18,520
Reposessed assets (Note (iii))	542,109	156,751
Other	40	324
	1,050,820	1,167,972

Notes:

(i) Other receivables and prepayments:

	2021 RMB'000	2020 RMB'000
Other receivables and prepayments	584,333	1,083,674
Less: Provision for impairment losses	(87,034)	(91,297)
	497,299	992,377

Movements of provision for impairment losses:

	2021 RMB'000	2020 RMB'000
At the beginning of the year	91,297	100,660
Reversal of impairment losses recognised	(4,263)	(9,363)
	87,034	91,297

At December 31, 2021 and 2020, the Group classifies all other receivables in Stage 1, and measures the loss allowance equal to 12-month ECL.

Notes to the Consolidated Financial Statements

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31. OTHER ASSETS (CONTINUED)

Notes: (Continued)

(ii) Movements of intangible assets:

	2021 RMB'000	2020 RMB'000
Cost		
At the beginning of the year	33,954	31,930
Additions	10,268	2,024
Disposals	(787)	–
At the end of the year	43,435	33,954
Accumulated amortisation		
At the beginning of the year	15,434	9,040
Amortisation for the year	17,186	6,394
Eliminated on disposals	(557)	–
At the end of the year	32,063	15,434
Carrying amounts		
At the end of the year	11,372	18,520

These intangible assets mainly included software which are amortised over 1 – 5 years.

(iii) Repossessed assets

No impairment loss has been recognised for repossessed assets for the year ended December 31, 2021 and 2020.

32. PLEDGED ASSETS

(a) Assets pledged as collaterals

Financial assets pledged by the Group as collaterals for liabilities or contingent liabilities mainly include debt securities, which is for repurchase agreements. The carrying amounts of the financial assets pledged as collaterals as at December 31, 2021 are approximately RMB18,528,195,000 (2020: approximately RMB19,802,025,000).

(b) Received pledged assets

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions.



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33. BORROWINGS FROM THE CENTRAL BANK

	2021 RMB'000	2020 RMB'000
Borrowings	2,112,862	1,684,364
Re-discounted bills	4,942,229	4,935,831
	7,055,091	6,620,195

34. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	2021 RMB'000	2020 RMB'000
Deposits from the following institutions operating in Mainland China		
– Banks	10,257,480	6,103,280
– Other financial institutions	6,817,319	4,751,700
	17,074,799	10,854,980
Deposits from the following institutions operating outside Mainland China		
– Banks	769,263	770,744
	17,844,062	11,625,724

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35. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	2021 RMB'000	2020 RMB'000
In Mainland China		
– Banks	5,194,480	6,837,518
– Other financial institutions	857,000	1,892,552
	<hr/> 6,051,480	<hr/> 8,730,070

(b) Analysed by collateral

	2021 RMB'000	2020 RMB'000
Debt securities	<hr/> 6,051,480	<hr/> 8,730,070

(c) Transfer of financial assets

In daily operating activities, the Group entered into repurchase agreements with certain counterparties. As at December 31, 2021, there are debt securities measured at amortised cost and at FVTOCI with carrying amount of approximately RMB5,433,512,000 and RMB1,451,199,000 respectively (2020: approximately RMB7,356,059,000 and 1,424,424,000), are under these agreements measured at amortised cost. The proceeds from selling such debt securities totalling RMB6,051,480,000 as at December 31, 2021 (2020: approximately RMB8,730,070,000).

As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these debt securities to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these securities during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these debt securities and therefore has not derecognised from the consolidated financial statements but regarded as “collateral” for the secured lending from the counterparties.



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36. DEPOSITS FROM CUSTOMERS

	2021 RMB'000	2020 RMB'000
Demand deposits		
– Corporate customers	57,145,270	60,133,866
– Individual customers	35,183,894	31,259,494
	92,329,164	91,393,360
Time deposits		
– Corporate customers	20,101,565	22,260,582
– Individual customers	129,059,471	117,781,557
	149,161,036	140,042,139
Pledged deposits		
– Acceptances	7,576,598	8,163,377
– Guarantees and letters of guarantees	210,112	197,905
– Others	2,321,526	3,484,391
	10,108,236	11,845,673
Others	4,389,484	6,396,529
	255,987,920	249,677,701

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37. ACCRUED STAFF COSTS

	2021 RMB'000	2020 RMB'000
Salary and bonus payable	448,543	495,102
Social pension schemes payable (Note (i))	6,917	8,086
Other social insurances payable	25,821	25,587
Supplementary retirement benefits payable ("SRB") (Note (ii))	19,730	17,310
Other long-term staff welfare payable (Note (iii))	3,470	5,180
	504,481	551,265

Notes:

(i) Social pension schemes payable

Pursuant to the relevant laws and regulations in the PRC, the Group has joined a defined contribution plan for the employees arranged by local government labor and social security organisations. The Group makes contributions to the retirement plan at the applicable rates based on the amounts stipulated by the relevant government organisations. The contributions by the Group for the defined contribution plan above are charged to the statement of profit or loss as they become payable in accordance with the rules of the respective defined contribution plan. The only obligation of the Group with respect to such defined contribution plan is to make the specified contributions. During the year ended December 31, 2021 and 2020, there was no forfeited contributions under the defined contribution plan. Accordingly, no forfeited contribution was utilised during the year, and there was no forfeited contribution available as at December 31, 2021 and 2020 to reduce level of contributions.

(ii) SRB payable:

The Group pays SRB for eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting year. The Group's obligations in respect of the SRB were assessed using projected unit credit actuarial cost method by an external independent actuary, Willis Towers Watson (a member of Society of Actuaries in America). There was no assets under the defined benefit plans as at December 31, 2021 and 2020.

The balances of SRB of the Group are as follows:

	2021 RMB'000	2020 RMB'000
Present value of SRB obligation	19,730	17,310

Movements of SRB of the Group are as follows:

	2021 RMB'000	2020 RMB'000
At the beginning of the year	17,310	36,470
Service cost	1,010	1,840
Interest cost	540	870
Past service cost	1,040	(19,550)
Actuarial gain (losses)	1,520	(850)
Payment made	(1,690)	(1,470)
At the end of the year	19,730	17,310



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37. ACCRUED STAFF COSTS (CONTINUED)

Notes: (Continued)

(ii) SRB payable: (Continued)

Principal actuarial assumptions of the Group are as follow:

	2021	2020
Discount rate	3.00%	3.25%
Mortality	CL5/CL6	CL5/CL6
Early retirement wage growth rate	6%	6%

Sensitivity analysis:

	Effect on SRB 2021 RMB'000	2020 RMB'000
Discount rate (increase by 1%)	(2,340)	(1,640)
Discount rate (decrease by 1%)	3,400	2,310

Although the analysis does not take account of the full distribution of cash flows expected under the SRB, it does provide an approximation of the sensitivity of the assumptions shown.

(iii) Other long-term staff welfare payable

The Group pays compensation for termination benefits of eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting year. The Group's obligations in respect of other long-term staff welfare payable were assessed using projected unit credit actuarial cost method by an external independent actuary (a member of Society of Actuaries in America) of Wills Towers Watson. There was no assets under the defined benefit plans as at December 31, 2021 and 2020.

The balances of other long-term staff welfare payable of the Group are as follows:

	2021 RMB'000	2020 RMB'000
Present value of other long-term staff welfare payable obligation	3,470	5,180

Movements of other long-term staff welfare payable of the Group are as follows:

	2021 RMB'000	2020 RMB'000
At the beginning of the year	5,180	6,870
Service cost	(370)	(170)
Payment made	(1,340)	(1,520)
At the end of the year	3,470	5,180

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37. ACCRUED STAFF COSTS (CONTINUED)

Notes: (Continued)

(iii) Other long-term staff welfare payable (Continued)

Principal actuarial assumptions of the Group are as follow:

	2021	2020
Discount rate	2.5%	2.8%
Mortality	CL5/CL6	CL5/CL6
Early retirement wage growth rate	6%	6%

Sensitivity analysis:

	Effect on long-term staff welfare payable	
	2021	2020
	RMB'000	RMB'000
Discount rate (increase by 1%)	(70)	(110)
Discount rate (decrease by 1%)	70	120

Although the analysis does not take account of the full distribution of cash flows expected under other long-term staff welfare payable, it does provide an approximation of the sensitivity of the assumptions shown.

38. INTERESTS PAYABLES

	2021	2020
	RMB'000	RMB'000
Deposits from customers	7,245,517	7,441,618
Deposits from banks and other financial institutions	151,674	79,757
Borrowings from the central bank	20,776	22,607
Debts securities issued	35,616	79,436
Others	3,681	6,245
	7,457,264	7,629,663



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39. DEBT SECURITIES ISSUED

	2021 RMB'000	2020 RMB'000
Fixed rates financial bonds (Note (i))	999,913	2,499,512
Interbank deposits (Note (ii))	27,883,400	21,052,033
	28,883,313	23,551,545

Notes:

- (i) Fixed rates financial bonds
- (a) Fixed rate financial bonds at a face value of RMB1,000,000,000 with a term of five years were issued on April 19, 2017. The coupon rate is 5.00%. The effective interest rate per annum on the Group's fixed rate financial bonds issued is 5.02%. As at December 31, 2021, the outstanding balance of this fixed rate financial bonds issued is approximately RMB999,913,000 (2020: approximately RMB999,750,000).
- (b) Fixed rate financial bonds for the "three rurals" (the first tranche) at a face value of RMB1,500,000,000 with a term of three years were issued on May 25, 2018. The coupon rate is 4.87%. The effective interest rate per annum on the Group's fixed rate financial bonds issued is 4.88%. As at December 31, 2020, the outstanding balance of this fixed rate financial bonds issued was approximately RMB1,499,762,000. The fixed rate financial bonds for the "three rurals" (the first tranche) were fully settled during the year ended December 31, 2021.
- (ii) Interbank deposits
- (a) During the year ended December 31, 2021, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB63,040,000 and duration between 1 month to 1 year. As at December 31, 2021, the outstanding balance of interbank deposits issued is approximately RMB27,883,400,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 2.40% to 3.60%.
- (b) During the year ended December 31, 2020, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB31,910,000,000 and duration between 1 month to 1 year. As at December 31, 2020, the outstanding balance of interbank deposits issued was approximately RMB21,052,033,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued were 1.40% to 3.80%. The balance was fully settled in 2021.

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40. OTHER LIABILITIES

	2021 RMB'000	2020 RMB'000
Other payables and accrued expenses	516,841	317,549
Clearance of inter-bank accounts	1,669,904	1,635,427
Agency business liabilities	37,130	60,729
Dividend payable	24,158	23,716
Other tax payables	101,927	107,375
Fiscal deposits	10,116	6,166
Provision for bank acceptances and letters of guarantees (note)	37,344	34,818
Others	34,168	16,922
	2,431,588	2,202,702

Note:

Movement of provision for bank acceptances and letters of guarantees:

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit-impaired RMB'000	Total RMB'000
Provision for bank acceptances and letters of guarantees at January 1, 2020	26,354	–	–	26,354
Changes in the provision for impairment losses – Charge to profit or loss	8,464	–	–	8,464
Provision for bank acceptances and letters of guarantees at December 31, 2020 and January 1, 2021	34,818	–	–	34,818
Changes in the provision for impairment losses – Charge to profit or loss	2,526	–	–	2,526
Provision for bank acceptances and letters of guarantees at December 31, 2021	37,344	–	–	37,344



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

41. SHARE CAPITAL

Share capital as at December 31, 2021 and 2020 are as follows:

	2021 RMB'000	2020 RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each:		
– Ordinary shares	15,069,791	15,069,791
At the beginning of the year	15,069,791	10,069,791
Issue of shares (Note)	–	5,000,000
At the end of the year	15,069,791	15,069,791

Note:

On December 29, 2020, the Bank has completed the issuance of domestic shares and the issuance of H shares. A total of 3.75 billion domestic shares were issued to the existing substantial shareholder while 1.25 billion H shares were issued to a new shareholder. After the completion of the issuance of domestic shares and the issuance of H shares, the registered capital of the Bank was increased to approximately RMB15,069,791,000, and the total number of the Bank's Shares was increased to 15,069,791,000 shares. Total gross proceeds from the share issuance amounted to approximately RMB6,297,209,000 (equivalent to HK\$7,460,629,000) giving rise to share premium approximately RMB1,297,209,000 credit to capital reserve. Share issuance expenses approximately RMB3,047,000 was debited to capital reserve.

A summary of movements of the Bank's issued shares (in thousands of shares) during the year is as follows:

	Domestic shareholders	H shareholders	Total
As at January 1, 2020	7,525,991	2,543,800	10,069,791
Issuance	3,750,000	1,250,000	5,000,000
At December 31, 2020, January 1, 2021 and December 31, 2021	11,275,991	3,793,800	15,069,791

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For the year ended December 31, 2021

42. RESERVES

(a) Capital reserve

	2021 RMB'000	2020 RMB'000
Share premium	5,633,746	5,633,746
Shareholders' injection (Note)	322,122	321,183
Changes in ownership in a subsidiary without change in control	554	554
	<u>5,956,422</u>	<u>5,955,483</u>

Note:

The promoters of the additional shares issued during the Bank's restructuring injected the Bank's net proceeds received from the disposal of non-performing assets which were entrusted to be managed by the Bank. During the year, net proceed of approximately RMB939,000 (2020: approximately RMB904,000) were received as shareholders' injection. As at December 31, 2021, approximately RMB322,122,000 has been recorded as capital reserve (2020: approximately RMB321,183,000).

(b) Surplus reserve

The surplus reserve at December 31, 2021 and 2020 represented statutory surplus reserve fund and other surplus reserve. The statutory surplus reserve fund of the Group as at December 31, 2021 were approximately RMB1,337,505,000 (2020: approximately RMB1,280,657,000). The other surplus reserve fund of the Group as at December 31, 2021 were approximately RMB390,398,000 (2020: approximately RMB335,288,000).

The Bank and its subsidiary are required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

(c) General reserve

With effect from July 1, 2012, pursuant to the "Administrative Measures on Accrual of Provisions by Financial Institutions" issued by the MOF in March 2012, the Group is required, in principle, to set aside a general reserve not lower than 1.5% of the balance of its gross risk-bearing assets at each year end.



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For the year ended December 31, 2021

43. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Bank during 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

44. STRUCTURED ENTITIES

Unconsolidated structured entities

(i) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include trust fund plans, asset management plans, asset-back securities and wealth management products issued by other financial institutions and investment funds.

The following table set out an analysis of the gross carrying amounts of interests held by the Group as at December 31, 2021 and 2020:

	As at December 31, 2021			
	Financial assets at FVTPL RMB'000	Financial assets at amortised cost RMB'000	Carrying amount RMB'000	Maximum exposure RMB'000
Trust plans	1,426,344	16,184,745	17,611,089	17,611,089
Asset management plans	8,667,227	10,549,687	19,216,914	19,216,914
Asset-backed securities issued by bank and other financial institutions	–	224,000	224,000	224,000
Investment funds	15,141,414	–	15,141,414	15,141,414
	25,234,985	26,958,432	52,193,417	52,193,417

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

44. STRUCTURED ENTITIES (CONTINUED)

Unconsolidated structured entities (Continued)

(i) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)

	Financial assets at FVTPL RMB'000	As at December 31, 2020		Maximum exposure RMB'000
		Financial assets at amortised cost RMB'000	Carrying amount RMB'000	
Trust plans	1,635,851	17,490,179	19,126,030	19,126,030
Asset management plans	14,363,297	11,308,700	25,671,997	25,671,997
Asset-backed securities issued by bank and other financial institutions	–	249,000	249,000	249,000
Investment funds	7,486,448	–	7,486,448	7,486,448
	23,485,596	29,047,879	52,533,475	52,533,475

(ii) Structured entities sponsored by the Group which the Group do not consolidate but holds an interest in as at December 31, 2021 and 2020:

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at December 31, 2021 and 2020, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised are not material in the consolidated statements of financial positions.

As at December 31, 2021, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are approximately RMB24,299,993,000 (2020: approximately RMB22,722,790,000).



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44. STRUCTURED ENTITIES (CONTINUED)

Unconsolidated structured entities (Continued)

- (iii) Unconsolidated structured entities sponsored by the Group during the year in which the Group do not have an interest in as at December 31, 2021 and 2020:

During the year ended December 31, 2021, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, but matured before December 31 amounted to RMB21,511,538,000.

During the year ended December 31, 2020, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, but matured before December 31 amounted to RMB24,797,249,000.

45. CAPITAL MANAGEMENT

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the CBIRC. The capital of the Group is divided into core tier-one capital, other core tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

Since January 1, 2013, the Group started computing its capital adequacy ratios in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the CBIRC.

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2021 and 2020 in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50% for the years ended December 31, 2021 and 2020, respectively.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

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For the year ended December 31, 2021

45. CAPITAL MANAGEMENT (CONTINUED)

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP. During the years ended December 31, 2021 and 2020 the Group has complied with all its externally imposed capital requirements.

The Group's overall strategies towards the capital management remain unchanged from prior years.

The Group's capital adequacy ratios as at December 31, 2021 and 2020 calculated in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the CBIRC are as follows:

	2021 RMB'000	2020 RMB'000
Total core tier-one capital		
Share capital	15,069,791	15,069,791
Qualifying portion of capital reserve	5,956,422	5,955,483
Defined benefit plan reserve	(3,902)	(2,762)
Investment revaluation reserve	157,057	137,157
Surplus reserve	1,727,903	1,615,945
General reserve	4,955,881	4,538,992
Retained earnings	4,155,725	4,113,917
Qualifying portions of non-controlling interests	23,394	20,517
Core tier-one capital deductions (Note)	(254,303)	(249,038)
Net core tier-one capital	31,787,968	31,200,002
Eligible portion of non-controlling interests	3,119	2,736
Net tier-one capital	31,791,087	31,202,738
Tier-two capital		
Surplus provision for loan impairment	1,299,356	1,294,339
Eligible portion of non-controlling interests	6,238	5,472
Net capital base	33,096,681	32,502,549
Total risk weighted assets	266,085,134	242,733,465
Core tier-one capital adequacy ratio	11.95%	12.85%
Tier-one capital adequacy ratio	11.95%	12.85%
Capital adequacy ratio	12.44%	13.39%

Note: Core tier-one capital deductions primarily include computer software included in line item "property and equipment" and intangible assets included in line item "other assets".



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46. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following balances with an original maturity of less than three months:

	2021 RMB'000	2020 RMB'000
Cash on hand (Note 17)	422,799	600,864
Deposits with the central bank (Note 17)	4,405,469	5,079,698
Deposits with banks (Note 18)	4,889,320	3,648,014
Placements with other financial institutions (Note 19)	3,890,000	–
Financial assets held under resale agreements (Note 20)	13,092,054	19,150,091
Total	26,699,642	28,478,667

47. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS

(a) Related parties

(i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above shareholding, or with the right to appoint a director in the Bank.

Shareholding in the Bank:

	2021	2020
Gansu Province Highway Aviation Tourism Investment Group Co., Ltd.	17.63%	17.63%
Gansu State-owned Assets Investment Co., Ltd.	12.67%	12.67%
Gansu Financial Holding Group Co., Ltd.	8.29%	8.29%
Mengshang Bank Co., Ltd.	5.61%	5.61%
Jiuquan Iron & Steel (Group) Co., Ltd.	6.53%	6.53%
Jinchuan Group Co., Ltd.	6.53%	6.53%

(ii) Other related parties

Other related parties can be individuals or enterprises, which include members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 47(a)(i) or their controlling shareholders. Transactions with other related parties were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

47. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Transactions with related parties other than key management personnel

(i) Transactions between the Bank and its subsidiary

The subsidiary of the Bank is its related party. The transactions between the Bank and its subsidiary and among the subsidiary are eliminated on consolidation and therefore are not disclosed in this note.

(ii) Transactions between the Group and major shareholders

	2021 RMB'000	2020 RMB'000
Transactions during the year		
Interest income	201,023	42,084
Interest expense	114,898	93,471

	2021 RMB'000	2020 RMB'000
Balances at end of the year		
Loans and advances to customers	5,173,000	1,500,000
Deposits from customers	2,947,761	2,778,450
Financial assets at FVTOCI	–	325,782
Interests payables	10,875	6,122

(iii) Transactions between the Group and other related parties:

	2021 RMB'000	2020 RMB'000
Transactions during the year		
Interest income	378,656	276,415
Interest expense	209,348	173,177

	2021 RMB'000	2020 RMB'000
Balances at end of the year		
Loans and advances to customers	10,110,603	6,724,440
Deposits from customers	9,618,753	6,643,703
Deposits from banks and other financial institutions	141,363	494,978
Interests payables	12,253	19,078



Notes to the Consolidated Financial Statements

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47. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Key management personnel

The key management personnel are those people who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, board of directors, the supervisory board and executive officers.

The remuneration of directors of the Company and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(i) Transactions between the Group and key management personnel

	2021 RMB'000	2020 RMB'000
Transactions during the year		
Interest expense	65	62

	2021 RMB'000	2020 RMB'000
Balances at end of the year		
Loans and advances to customers	1,651	1,845
Deposits from customers	4,370	6,953
Interests payables	61	19

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	2021 RMB'000	2020 RMB'000
Salaries and allowances	2,207	2,240
Retirement benefits scheme contributions	1,404	1,471
Discretionary bonuses	3,716	3,514
	7,327	7,225

(d) Loans and advances to directors, supervisors and officers

During the year ended December 31, 2021, there are loans and advances to directors, supervisors and officers of the Group amounting to RMB1,657,000 (2020: 500,000).



Notes to the Consolidated Financial Statements

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48. SEGMENT REPORTING

The Group manages its business by business lines and geographical areas. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations and government agencies. These products and services include corporate loans and advances, deposit taking activities, agency services, consulting and advisory services, remittance and settlement services and guarantee services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services and remittance services.

Financial market operations

This segment covers the Group's financial market operations. The financial market operations enters into inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities. The financial market segment also covers management of the Group's overall liquidity position, including the issuance of debts.

Others

These represent assets, liabilities, income and expenses which cannot directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/(expense)". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/(expense)".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, with the exception of deferred tax assets and liabilities and dividend payable. Segment income and expenses, assets and liabilities are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment and intangible assets.



Notes to the Consolidated Financial Statements

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48. SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities

	Year ended December 31, 2021				
	Corporate banking RMB'000	Retail banking RMB'000	Financial market operations RMB'000	Others RMB'000	Total RMB'000
Operating income					
External net interest income/(expense)	4,958,949	(2,264,437)	2,229,744	-	4,924,256
Internal net interest (expense)/income	(2,544,484)	4,581,934	(2,037,450)	-	-
Net interest income	2,414,465	2,317,497	192,294	-	4,924,256
Net fee and commission income	136,979	31,010	116,316	66,498	350,803
Net trading gains	-	-	953,119	-	953,119
Net losses arising from investment securities	-	-	192,094	-	192,094
Net exchange losses	-	-	-	(148,509)	(148,509)
Other operating income, net	-	-	-	5,865	5,865
Operating income/(expense)	2,551,444	2,348,507	1,453,823	(76,146)	6,277,628
Operating expenses	(930,321)	(856,324)	(530,100)	27,765	(2,288,980)
Impairment losses on assets, net of reversals	(810,730)	(661,236)	(1,968,159)	1,737	(3,438,388)
Operating profit/(loss)	810,393	830,947	(1,044,436)	(46,644)	550,260
Share of result of an associate	-	-	-	88	88
Profit/(loss) before tax	810,393	830,947	(1,044,436)	(46,556)	550,348
Segment assets	131,424,492	48,567,636	175,970,305	680,011	356,642,444
Deferred tax assets	-	-	-	1,862,158	1,862,158
Total assets	131,424,492	48,567,636	175,970,305	2,542,169	358,504,602
Segment liabilities	83,565,419	171,409,808	71,171,347	244,507	326,391,081
Deferred tax liabilities	-	-	-	32,972	32,972
Dividend payable	-	-	-	24,158	24,158
Total liabilities	83,565,419	171,409,808	71,171,347	301,637	326,448,211
Other segment information					
- Depreciation and amortisation	146,882	54,280	196,668	2,841	400,671
- Capital expenditure	118,225	43,690	158,298	2,287	322,500

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48. SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (Continued)

	Year ended December 31, 2020				
	Corporate banking RMB'000	Retail banking RMB'000	Financial market operations RMB'000	Others RMB'000	Total RMB'000
Operating income					
External net interest income/(expense)	4,887,919	(2,798,691)	3,661,183	-	5,750,411
Internal net interest (expense)/income	(2,588,562)	4,763,515	(2,174,953)	-	-
Net interest income	2,299,357	1,964,824	1,486,230	-	5,750,411
Net fee and commission income	210,715	50,428	41,529	26,165	328,837
Net trading gains	-	-	716,300	-	716,300
Net losses arising from investment securities	-	-	(1,421)	-	(1,421)
Net exchange losses	-	-	-	(279,690)	(279,690)
Other operating expenses, net	-	-	-	(21,239)	(21,239)
Operating income/(expense)	2,510,072	2,015,252	2,242,638	(274,764)	6,493,198
Operating expenses	(896,636)	(719,879)	(801,105)	98,151	(2,319,469)
Impairment losses on assets, net of reversals	(2,736,092)	(389,162)	(630,169)	899	(3,754,524)
Operating (loss)/profit	(1,122,656)	906,211	811,364	(175,714)	419,205
Share of result of an associate	-	-	-	1,322	1,322
(Loss)/profit before tax	(1,122,656)	906,211	811,364	(174,392)	420,527
Segment assets	109,721,562	41,564,659	188,696,218	547,874	340,530,313
Deferred tax assets	-	-	-	1,833,475	1,833,475
Total assets	109,721,562	41,564,659	188,696,218	2,381,349	342,363,788
Segment liabilities	90,430,662	156,258,449	64,023,809	138,708	310,851,628
Deferred tax liabilities	-	-	-	23,698	23,698
Dividend payable	-	-	-	23,716	23,716
Total liabilities	90,430,662	156,258,449	64,023,809	186,122	310,899,042
Other segment information					
- Depreciation and amortisation	165,757	62,792	285,066	3,598	517,213
- Capital expenditure	163,140	61,801	280,565	3,541	509,047



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48. SEGMENT REPORTING (CONTINUED)

(b) Geographical information

No geographical information is presented as most of the Group's operations are conducted in Gansu Province of the PRC and all non-current assets are located in the PRC and therefore revenue is derived from activities in Gansu Province of the PRC.

(c) Information about major customers

During the years ended December 31, 2021 and 2020, no operating income from a customer contributes over 10% of the total operating income of the Group.

49. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

The Group's risk management policies were established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Internal Audit Department of the Group undertakes both regular and ad hoc reviews of the compliance of internal control implementation with risk management policies.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios.

As at December 31, 2021 and 2020, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL.

Loans and advances to customers and financial assets at amortised cost

The Group has applied the general approach in IFRS 9 to measure ECL. The Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.



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49. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Debt instruments at FVTOCI

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of investment securities measured at FVTOCI is at Stage 1 of which the loss allowance is measured at 12-month ECL.

Deposits with banks

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of deposits with banks is at Stage 1 of which the loss allowance is measured at 12-month ECL.

Deposits with the central bank

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of deposits with central banks is at Stage 1 of which the loss allowance is measured at 12-month ECL.

Financial assets held under resale agreements

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of financial assets held under resale agreements is at Stage 1 of which the loss allowance is measured at 12-month ECL.

Placements with other financial institutions

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of placements with other financial institutions is at Stage 1 of which the loss allowance is measured at 12-month ECL.

Credit commitments

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of credit commitments is at Stage 1 of which the loss allowance is measured at 12-month ECL.

Other financial assets

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of other financial assets is at Stage 1 of which the loss allowance is measured at 12-month ECL.



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49. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Other financial assets (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements
- significant increase in credit risk on other financial instruments of the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

In order to minimise credit risk, the Group has tasked to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit grading information is based on a range of data provided by the major rating agencies that is determined to be predictive of the risk of default and applying experienced credit judgment. The nature of the exposure and the type of counterparty are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

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49. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

The five categories classifications in which the Group classifies major financial assets, including loans and advances to customers at amortised cost and trust beneficiary rights and asset management plans measured at amortised cost are set out below:

Category	Description	Basis for recognising ECL
Normal	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.	12-month ECL Lifetime ECL – not credit-impaired (Only if more than 30 days past due)
Special mention	Borrowers are able to repay their loans currently, although repayment may be adversely affected by specific factors.	12-month ECL Lifetime ECL – not credit-impaired (Only if more than 30 days past due) Lifetime ECL – credit-impaired (Only if more than 90 days past due)
Substandard	Borrowers' ability to repay their loans is in question and they cannot rely entirely on normal operational revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.	Lifetime ECL – credit-impaired
Doubtful	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.	Lifetime ECL – credit-impaired
Loss	Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.	Lifetime ECL – credit-impaired

The internal credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases, the difference in risk of default between grades changes. Each exposure is allocated to a credit's risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The Group uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative information that are indicative of risk of default.

The carrying amount of the Group's financial assets at FVTPL as disclosed in Note 24 best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.



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For the year ended December 31, 2021

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Credit business

The board of directors is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies. The board gives advice on internal controls relating to risk management. The Group established a credit risk management structure which includes the president, chief officers and the risk management committee of the head office, persons-in-charge and risk officers of branches and sub-branches, credit approval committees or groups and the risk management, business, marketing and internal audit departments. The Risk Management Department is responsible for implementing the Group's overall risk management system. Besides risk monitoring and control, the Risk Management Department is also responsible for formulating risk management policies and authorisation proposals for credit business. Legal and Compliance Department is responsible for formulating the authorisation proposals for credit business. To ensure the independence of credit approval, the Credit Approval Department is independent from customer relationship and product management departments. Front office departments such as the Corporate Business Department carry out credit businesses according to the Group's risk management policies and procedures.

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

For corporate and institutional businesses, the Group has established industry-specific limits for credit approval. It has put in place continuous monitoring mechanism, with regular reporting of credit exposures to the board. The Group's credit risk management covers key operational phases, including pre-lending evaluations, credit approval, and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks. Customer relationship managers and risk managers work independently to manage the key risk points throughout the process of credit business.

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and their recommendations to the loan-approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process according to overdue loan recovery procedures.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss is assessed collectively or individually as appropriate.



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For the year ended December 31, 2021

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Credit rating

The Group adopts a credit rating approach in managing the credit risk of the listed debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analysed by the rating agency designations as at December 31, 2021 and 2020 are as follows:

	2021 RMB'000	2020 RMB'000
Neither overdue nor impaired		
Ratings		
– AAA- to AAA+	25,301,568	13,709,341
– AA- to AA+	1,704,552	1,104,897
– Lower than A-	–	8,539,104
– Unrated (Note)	32,395,113	31,085,396
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	59,401,233	54,438,738



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For the year ended December 31, 2021

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Credit rating (Continued)

The following tables represent an analysis of the carrying value of listed debt securities by credit or issuer rating and credit risk characteristic:

	As at December 31, 2021			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	
Ratings				
– AAA- to AAA+	25,309,222	–	–	25,309,222
– AA- to AA+	1,705,741	–	–	1,705,741
– Unrated (Note)	30,799,692	1,466,411	179,872	32,445,975
	57,814,655	1,466,411	179,872	59,460,938
Provision for impairment loss	(9,964)	(24,917)	(24,824)	(59,705)
	57,804,691	1,441,494	155,048	59,401,233

	As at December 31, 2020			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	
Ratings				
– AAA- to AAA+	13,712,843	–	–	13,712,843
– AA- to AA+	1,105,643	–	–	1,105,643
– Lower than A-	8,539,104	–	–	8,539,104
– Unrated (Note)	29,441,404	1,685,888	–	31,127,292
	52,798,994	1,685,888	–	54,484,882
Provision for impairment loss	(7,809)	(38,335)	–	(46,144)
	52,791,185	1,647,553	–	54,438,738

Note: Debt securities held by the Group mainly issued by the Mainland China government and policy banks and corporations issuers in the market, but not rated by independent rating agencies.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorised by the board of directors, which include review and approval of market risk management strategies, policies and procedures. The Group is primarily exposed to market risk in its financial market operations. The board assumes ultimate responsibility for management of market risk. The senior management implements market risk management strategies and policies as approved by the board of the Bank. The Group's business departments implement market risk management measures in their daily operations.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile for each period with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.



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For the year ended December 31, 2021

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

Repricing risk

Repricing risk, which is also known as “maturity mismatch risk”, is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group’s income or its inherent economic value to vary with the movement in interest rates.

The planning and finance department is responsible for measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

Trading interest rate risk

Trading interest rate risk mainly arises from the treasury’s investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios’ fair value given a 100 basis points (1%) movement in the interest rates.

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For the year ended December 31, 2021

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

Interest rate risk (Continued)

Trading interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities as at December 31, 2021 and 2020 by the expected next repricing dates or by maturity dates, depending on which is earlier:

	At December 31, 2021					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
Cash and deposits with the central bank	20,660,560	422,799	20,237,761	-	-	-
Deposits with banks	4,889,320	-	4,889,320	-	-	-
Placements with other financial institutions	3,890,000	-	3,890,000	-	-	-
Financial assets held under resale agreement	13,092,054	-	13,092,054	-	-	-
Interests receivables	5,926,927	5,926,927	-	-	-	-
Loans and advances to customers	193,241,097	3,451,410	55,410,465	61,208,122	50,470,959	22,700,141
Investments (Note)	110,593,460	9,462,834	25,231,508	12,716,288	30,754,045	32,428,785
Others	6,211,184	6,211,184	-	-	-	-
	358,504,602	25,475,154	122,751,108	73,924,410	81,225,004	55,128,926
Liabilities						
Borrowings from the central bank	7,055,091	-	2,433,244	4,621,847	-	-
Deposits from banks and other financial institutions	17,844,062	50,233	11,503,829	6,290,000	-	-
Financial assets sold under repurchase agreements	6,051,480	-	6,051,480	-	-	-
Deposits from customers	255,987,920	-	124,609,228	38,468,566	92,910,126	-
Interests payables	7,457,264	7,457,264	-	-	-	-
Debt securities issued	28,883,313	-	13,145,896	14,523,917	1,213,500	-
Others	3,169,081	2,971,424	-	85,410	111,080	1,167
	326,448,211	10,478,921	157,743,677	63,989,740	94,234,706	1,167
Asset-liability gap	32,056,391	14,996,233	(34,992,569)	9,934,670	(13,009,702)	55,127,759



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For the year ended December 31, 2021

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

Interest rate risk (Continued)

Trading interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities as at December 31, 2021 and 2020 by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)

	At December 31, 2020					
	Total RMB'000	Non-interest bearing RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Assets						
Cash and deposits with the central bank	26,666,680	600,864	26,065,816	-	-	-
Deposits with banks	3,716,145	-	3,648,014	68,131	-	-
Financial assets held under resale agreement	19,150,091	-	19,150,091	-	-	-
Interests receivables	4,151,959	4,151,959	-	-	-	-
Loans and advances to customers	176,386,767	4,824,088	50,309,432	66,543,813	43,633,673	11,075,761
Investments (Note)	105,982,705	2,790,494	18,325,964	23,288,702	48,047,750	13,529,795
Others	6,309,441	6,309,441	-	-	-	-
	342,363,788	18,676,846	117,499,317	89,900,646	91,681,423	24,605,556
Liabilities						
Borrowings from the central bank	6,620,195	-	2,517,259	4,102,936	-	-
Deposits from banks and other financial institutions	11,625,724	55,864	1,974,860	9,595,000	-	-
Financial assets sold under repurchase agreements	8,730,070	-	8,730,070	-	-	-
Deposits from customers	249,677,701	-	121,398,511	33,593,796	94,685,394	-
Interests payables	7,629,663	7,629,663	-	-	-	-
Debt securities issued	23,551,545	-	13,949,352	8,102,681	1,499,512	-
Others	3,064,144	2,781,327	-	113,227	166,485	3,105
	310,899,042	10,466,854	148,570,052	55,507,640	96,351,391	3,105
Asset-liability gap	31,464,746	8,209,992	(31,070,735)	34,393,006	(4,669,968)	24,602,451

Note:

Investments include financial assets at fair value through profit or loss, financial assets at amortised cost, financial assets at fair value through other comprehensive income.

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49. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

Interest rate risk (Continued)

Trading interest rate risk (Continued)

(ii) *Interest rate sensitivity analysis*

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity.

The following tables demonstrate the sensitivity as at December 31, 2021 and 2020, assuming other variables remain unchanged, an increase in estimated interest rate, of the Group's net profit and equity.

	Effect on net profit	
	2021	2020
	RMB'000	RMB'000
Change in basis points		
Increase 100 basis points	(80,174)	143,929
Decrease 100 basis points	80,174	(143,929)

	Effect on equity	
	2021	2020
	RMB'000	RMB'000
Change in basis points		
Increase 100 basis points	(2,170,568)	(617,926)
Decrease 100 basis points	2,170,568	617,926



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

Interest rate risk (Continued)

Trading interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at December 31, 2021 and 2020 apply to non-derivative financial instruments of the Group.
- At December 31, 2021 and 2020, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next 12 months.
- There is a parallel shift in the yield curve with the changes in interest rates.
- There are no other changes to the assets and liabilities portfolio.
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

Foreign currency risk

The Group's foreign currency risk mainly arises from exchange rate fluctuation on its foreign exchange exposures. The Group manages foreign currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies and monitoring its foreign currency exposures on daily basis.

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For the year ended December 31, 2021

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's currency exposures as at December 31, 2021 and 2020 are as follows:

	RMB'000	At December 31, 2021		Total (RMB'000 equivalent)
		USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	
Assets				
Cash and deposits with the central bank	20,660,553	-	7	20,660,560
Deposits with banks	1,266,637	99,566	3,523,117	4,889,320
Placements with other financial institutions	3,890,000	-	-	3,890,000
Financial assets held under resale agreements	13,092,054	-	-	13,092,054
Financial assets at fair value through profit or loss	29,942,944	-	-	29,942,944
Interests receivables	5,926,927	-	-	5,926,927
Loans and advances to customers	193,240,074	1,023	-	193,241,097
Financial assets at fair value through other comprehensive income	9,675,569	-	-	9,675,569
Financial assets at amortised cost	70,202,522	672,508	99,917	70,974,947
Others	6,211,184	-	-	6,211,184
	354,108,464	773,097	3,623,041	358,504,602
Liabilities				
Borrowing from the central bank	7,055,091	-	-	7,055,091
Deposits from banks and other financial institutions	17,793,829	-	50,233	17,844,062
Financial assets sold under repurchase agreements	6,051,480	-	-	6,051,480
Deposits from customers	255,983,920	3,998	2	255,987,920
Interests payables	7,457,264	-	-	7,457,264
Debt securities issued	28,883,313	-	-	28,883,313
Others	3,168,475	606	-	3,169,081
	326,393,372	4,604	50,235	326,448,211
Net position	27,715,092	768,493	3,572,806	32,056,391
Off-balance sheet credit commitments	27,177,523	326,415	-	27,503,938



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For the year ended December 31, 2021

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's currency exposures as at December 31, 2021 and 2020 are as follows: (Continued)

	RMB'000	At December 31, 2020		Total (RMB'000 equivalent)
		USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	
Assets				
Cash and deposits with the central bank	26,666,672	–	8	26,666,680
Deposits with banks	1,726,892	369,909	1,619,344	3,716,145
Financial assets held under resale agreements	19,150,091	–	–	19,150,091
Financial assets at fair value through profit or loss	25,837,489	–	–	25,837,489
Interests receivables	4,151,959	–	–	4,151,959
Loans and advances to customers	176,386,767	–	–	176,386,767
Financial assets at fair value through other comprehensive income	10,887,333	325,782	–	11,213,115
Financial assets at amortised cost	67,845,350	986,781	99,970	68,932,101
Others	6,309,441	–	–	6,309,441
	338,961,994	1,682,472	1,719,322	342,363,788
Liabilities				
Borrowing from the central bank	6,620,195	–	–	6,620,195
Deposits from banks and other financial institutions	11,569,860	–	55,864	11,625,724
Financial assets sold under repurchase agreements	8,730,070	–	–	8,730,070
Deposits from customers	249,668,775	8,924	2	249,677,701
Interests payables	7,629,663	–	–	7,629,663
Debt securities issued	23,551,545	–	–	23,551,545
Others	3,064,020	124	–	3,064,144
	310,834,128	9,048	55,866	310,899,042
Net position	28,127,866	1,673,424	1,663,456	31,464,746
Off-balance sheet credit commitments	26,885,307	51,146	–	26,936,453

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49. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The table below indicates the potential effect of 100 basis points appreciation or depreciation of RMB spot and forward exchange rates against all other currencies on net profit based on the assumption of foreign currency exchange rate movements over the next 12 months.

	Effect on net profit	
	2021	2020
	RMB'000	RMB'000
Change in basis points		
Increase 100 basis points	32,560	25,028
Decrease 100 basis points	(32,560)	(25,028)

The impact on net profit arises from the effects of movement in RMB exchange rate on the net positions of foreign currency monetary assets and monetary liabilities. Changes in foreign currency exchange rate will not affect other comprehensive income.

The effect on net profit is calculated based on the assumption that the Group's net foreign currency exposure at the end of each reporting period remains unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ from the actual situation.

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet repayment obligations. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and



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49. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

- Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximisation and cost minimisation to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Bank's funds.

The planning and finance department is responsible for the development of liquidity risk management strategies, policies, procedures and limits, and routine supervision and monitoring of liquidity risks. It establishes and implements internal control systems relating to liquidity risk management, such as Liquidity Risk Management Measures (流動性風險管理辦法) and Contingency Plan for Liquidity Risks (流動性風險應急預案). The planning and finance department is also responsible for setting annual liquidity management objectives and liquidity management profile plans. It also monitors and adjusts these plans on a quarterly basis in order to maintain a reasonable assets and liabilities structure.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a stable source of funds.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.

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49. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at December 31, 2021 and 2020:

	At December 31, 2021						Total RMB'000
	Indefinite (Note) RMB'000	Repayable on demand RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000	
Assets							
Cash and deposits with the central bank	15,832,292	4,828,268	-	-	-	-	20,660,560
Deposits with banks	-	4,700,561	188,759	-	-	-	4,889,320
Placements with other financial institutions	-	3,890,000	-	-	-	-	3,890,000
Financial assets held under resale agreements	-	-	13,092,054	-	-	-	13,092,054
Financial assets at fair value through profit or loss	9,134,029	1,123,824	2,676,672	2,429,972	1,726,285	12,852,162	29,942,944
Interests receivables	-	95,827	2,290,395	1,763,980	821,786	954,939	5,926,927
Loans and advances to customers	3,344,703	1,039,837	28,128,613	62,121,018	53,664,038	44,942,888	193,241,097
Financial assets at fair value through other comprehensive income	-	-	200,408	897,258	6,115,324	2,462,579	9,675,569
Financial assets at amortised cost	2,649,453	15,256,956	4,448,018	9,389,058	22,912,436	16,319,026	70,974,947
Others	5,655,022	140,612	-	-	415,550	-	6,211,184
	36,615,499	31,075,885	51,024,919	76,601,286	85,655,419	77,531,594	358,504,602
Liabilities							
Borrowings from the central bank	-	-	2,433,245	4,621,846	-	-	7,055,091
Deposits from banks and other financial institutions	-	1,649,916	9,904,146	6,290,000	-	-	17,844,062
Financial assets sold under repurchase agreements	-	-	6,051,480	-	-	-	6,051,480
Deposits from customers	-	95,528,644	29,080,584	38,468,566	92,910,126	-	255,987,920
Interests payables	-	3,538,818	1,513,735	841,932	1,562,779	-	7,457,264
Debt securities issued	-	-	13,145,896	14,523,917	1,213,500	-	28,883,313
Others	-	2,362,634	608,790	85,410	111,080	1,167	3,169,081
	-	103,080,012	62,737,876	64,831,671	95,797,485	1,167	326,448,211
Long/(short) position	36,615,499	(72,004,127)	(11,712,957)	11,769,615	(10,142,066)	77,530,427	32,056,391



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For the year ended December 31, 2021

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at December 31, 2021 and 2020: (Continued)

	Indefinite (Note) RMB'000	Repayable on demand RMB'000	At December 31, 2020				Total RMB'000
			Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000	
Assets							
Cash and deposits with the central bank	20,986,118	5,680,562	-	-	-	-	26,666,680
Deposits with banks	-	3,648,014	-	68,131	-	-	3,716,145
Financial assets held under resale agreements	-	-	19,150,091	-	-	-	19,150,091
Financial assets at fair value through profit or loss	-	2,468,915	2,111,171	1,160,779	19,262,696	833,928	25,837,489
Interests receivables	-	632,724	1,661,148	1,581,833	250,598	25,656	4,151,959
Loans and advances to customers	3,783,511	1,040,478	24,474,296	69,452,666	47,725,093	29,910,723	176,386,767
Financial assets at fair value through other comprehensive income	-	-	360,111	2,274,424	6,624,152	1,954,428	11,213,115
Financial assets at amortised cost	2,687,430	7,451,486	5,715,766	19,853,499	22,160,902	11,063,018	68,932,101
Others	5,668,464	-	-	-	640,977	-	6,309,441
	33,125,523	20,922,179	53,472,583	94,391,332	96,664,418	43,787,753	342,363,788
Liabilities							
Borrowings from the central bank	-	-	2,517,259	4,102,936	-	-	6,620,195
Deposits from banks and other financial institutions	-	950,724	1,080,000	9,595,000	-	-	11,625,724
Financial assets sold under repurchase agreements	-	-	8,730,070	-	-	-	8,730,070
Deposits from customers	-	93,738,891	27,659,620	33,593,796	94,685,394	-	249,677,701
Interests payables	-	3,013,571	1,749,495	1,251,203	1,615,394	-	7,629,663
Debt securities issued	-	-	13,949,351	8,102,681	1,499,513	-	23,551,545
Others	23,698	2,095,328	662,301	113,227	166,485	3,105	3,064,144
	23,698	99,798,514	56,348,096	56,758,843	97,966,786	3,105	310,899,042
Long/(short) position	33,101,825	(78,876,335)	(2,875,513)	37,632,489	(1,302,368)	43,784,648	31,464,746

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For the year ended December 31, 2021

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at December 31, 2021 and 2020: (Continued)

Note: Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand. Indefinite amount of financial assets at amortised cost represents impaired investments or those overdue more than one month. Indefinite amount of financial assets at fair value through profit or loss represents net-asset-value wealth management products without fixed maturity date.

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments at December 31, 2021 and 2020:

	At December 31, 2021						
	Contractual	Repayable on	Less than	Between three	Between one	More than	
	Carrying amount	undiscounted	demand	months and	year and	five years and	
RMB'000	cash flow	RMB'000	three months	one year	five years	indefinite	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Borrowings from the central bank	7,055,091	7,133,186	-	2,456,815	4,676,371	-	-
Deposits from banks and other financial institutions	17,844,062	18,131,047	1,649,916	10,035,631	6,445,500	-	-
Financial assets sold under repurchase agreements	6,051,480	6,051,480	-	6,051,480	-	-	-
Deposits from customers	255,987,920	264,412,057	99,050,059	30,467,388	39,388,818	95,505,792	-
Debts securities issued	28,883,313	28,883,313	-	13,145,896	14,523,917	1,213,500	-
Other liabilities	3,114,205	3,122,562	2,306,571	605,406	86,841	122,558	1,186
	318,936,071	327,733,645	103,006,546	62,762,616	65,121,447	96,841,850	1,186
Off-balance sheet credit commitments	27,503,938	27,503,938	8,305,407	5,727,030	12,190,425	993,918	287,158



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49. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments at December 31, 2021 and 2020: (Continued)

	Carrying amount RMB'000	Contractual undiscounted cash flow RMB'000	At December 31, 2020				
			Repayable on demand RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years and indefinite RMB'000
Non-derivative financial liabilities							
Borrowings from the central bank	6,620,195	6,928,402	-	2,584,083	4,344,319	-	-
Deposits from banks and other financial institutions	11,625,724	11,911,794	950,724	1,103,038	9,858,032	-	-
Financial assets sold under repurchase agreements	8,730,070	8,736,316	-	8,736,316	-	-	-
Deposits from customers	249,677,701	259,174,221	96,751,798	19,267,557	44,801,932	98,352,934	-
Debts securities issued	23,551,545	23,940,393	-	13,980,114	8,222,645	1,737,634	-
Other liabilities	3,029,326	3,044,815	2,084,150	662,302	117,093	177,698	3,572
	303,234,561	313,735,941	99,786,672	46,333,410	67,344,021	100,268,266	3,572
Off-balance sheet credit commitments	26,936,452	26,936,452	5,908,470	8,922,627	11,057,848	760,349	287,158

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.



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49. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, settlement, intermediary business and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

- A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;
- A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;
- An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;
- An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and
- An independent risk assessment framework based on the internal audit and the compliance review.



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50. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities investments

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of policy models or discounted cash flows.

(ii) Unlisted equity investments

Fair values of unlisted equity investments are determined with reference to the present value of the discounted cash flows model to be derived from the ownership of the investee, based on an appropriate discount rate.

(iii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at December 31, 2021 and December 31, 2020.

(iv) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on the present value of estimated future cash flows at December 31, 2021 and December 31, 2020. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at December 31, 2021 and December 31, 2020.

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, deposits with banks, placements with other financial institutions, financial assets held under resale agreements, interest receivables, loans and advances to customers, financial assets at amortised cost, financial assets at FVTPL and financial assets at FVTOCI.

Deposits with the central bank, deposits with banks, placements with other financial institutions and financial assets held under resale agreement are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

The carrying amount and fair value of financial assets at amortised cost is disclosed in Note 21.

The fair value of financial assets at FVTPL and FVTOCI are disclosed in Note 24 and Note 25 respectively.

Notes to the Consolidated Financial Statements

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50. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value measurement (Continued)

(ii) Financial liabilities

The Group's financial liabilities mainly include borrowings from the central banks, deposits from banks and other financial institutions, financial assets sold under repurchase agreements, deposits from customers, accrued staff costs, interest payables and debts securities issued.

The financial liabilities recorded at amortised cost are disclosed in Note 33, Note 34, Note 35, Note 36, Note 37, Note 38 and Note 39 respectively. Accordingly, the carrying amounts approximate the fair values.

(c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the consolidated statement of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. These three types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.



Notes to the Consolidated Financial Statements

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50. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (Continued)

	At December 31, 2021			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
– debt securities held for trading	–	4,707,959	–	4,707,959
– trust plans	–	1,426,344	–	1,426,344
– asset management plans	–	8,667,227	–	8,667,227
– investment funds	–	15,141,414	–	15,141,414
Financial assets at FVTOCI				
– Debt instruments at FVTOCI	–	9,346,764	–	9,346,764
– Unlisted equity investments measured at FVTOCI	–	–	328,805	328,805
	–	39,289,708	328,805	39,618,513
Assets				
Financial assets at FVTPL				
– debt securities held for trading	–	2,351,893	–	2,351,893
– trust plans	–	1,635,851	–	1,635,851
– asset management plans	–	14,363,297	–	14,363,297
– investment funds	–	7,486,448	–	7,486,448
Financial assets at FVTOCI				
– Debt instruments at FVTOCI	–	10,891,537	–	10,891,537
– Unlisted equity investments measured at FVTOCI	–	–	321,578	321,578
	–	36,729,026	321,578	37,050,604

During the year ended December 31, 2021, there were no significant transfers among each level (2020: nil).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

50. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (Continued)

- (i) The Group uses valuation techniques to determine the fair value of financial instruments when open quotation in active markets is not available. The main parameters used in valuation techniques for financial instruments held by the Bank include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are basically observable and obtainable from open market.
- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below:

Financial assets	Fair value as at,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)		Relationship of key inputs and significant unobservable inputs to fair value
	December 31, 2021 RMB'000	December 31, 2020 RMB'000			Range		
Financial assets at FVTPL							
Debt securities – listed	4,707,959	2,351,893	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model	N/A	N/A	N/A
Trust plans	1,426,344	1,635,851	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A	N/A
Asset management plans	8,667,227	14,363,297	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A	N/A
Investment funds	15,141,414	7,486,448	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A	N/A



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For the year ended December 31, 2021

50. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy (Continued)

- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below: (Continued)

Financial assets	Fair value as at ,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of key inputs and significant unobservable inputs to fair value
	December 31, 2021 RMB'000	December 31, 2020 RMB'000				
Financial assets at FVTOCI						
Debt securities – listed	9,346,764	10,891,537	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model	N/A	N/A
Unlisted equity investments measured at FVTOCI	328,805	321,578	Level 3	Income approach – By reference to the present value of the discounted cash flows model to be derived from the ownership of the investee, based on an appropriate discount rate	The Weighted average cost of capital ("WACC") 5.05% (2020: 5.05%).	The higher the weighted average cost of capital, the lower the fair value (Note)

Note:

A 5% increase in weighted average cost of capital used in isolation would result in a decrease in fair value measurement of unlisted equity investments at FVTOCI by approximately RMB10,604,000 and vice versa (2020: RMB3,332,000 and vice versa).

(c) Fair value hierarchy (Continued)

Reconciliation of Level 3 fair value measurements of financial assets:

	Unlisted equity investments designated at financial assets at FVTOCI RMB'000
At January 1, 2020	315,094
Additions	28,165
Change in fair value recognised in investment revaluation reserve	(21,681)
At December 31, 2020 and January 1, 2021	321,578
Change in fair value recognised in investment revaluation reserve	7,227
At December 31, 2021	328,805

The above fair value gains of approximately RMB7,227,000(2020: fair value losses of approximately RMB21,681,000) respectively are included in investment revaluation reserve for the year ended December 31, 2021.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

51. ENTRUSTED LENDING BUSINESS

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the consolidated statement of financial position. Surplus funding is accounted for as deposits from customers.

	2021 RMB'000	2020 RMB'000
Entrusted loans	5,407,069	3,620,685
Entrusted funds	5,407,069	3,620,685

52. COMMITMENTS

(a) Credit commitments

The Group's credit commitments take the form of bank acceptances, letters of credit and guarantees and unused credit card commitment.

The Group provides letters of guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. The amounts disclosed in respect of unused credit card commitments are under the assumption that the amounts will be fully advanced.

	2021 RMB'000	2020 RMB'000
Bank acceptances	16,140,969	18,488,830
Letters of guarantees	1,926,096	1,686,482
Unused credit card commitment	7,978,992	5,857,325
Letters of credit	1,457,881	903,816
	27,503,938	26,936,453

The Group may be exposed to credit risk in all the above credit businesses. Group management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

52. COMMITMENTS (CONTINUED)

(b) Capital commitments

At December 31, 2021 and 2020, the Group's authorised capital commitments are as follows:

The Group

	2021 RMB'000	2020 RMB'000
Purchase of property and equipment – Contracted for but not provided	61,071	30,248

53. CONTINGENT LIABILITIES

The Bank and its subsidiary are involved as defendants in certain lawsuits arising from their normal business operations. As at December 31, 2021, in light of court decisions or advice from legal counsels, the directors of the Bank considered it not necessary to provide for potential losses from these claims. The directors of the Bank believe, based on legal advices, the final result of the lawsuits will not have any material impact on the financial position or operations of the Group.

54. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's consolidated statement of cash flows from financing activities.

	January 1, 2021 RMB'000	Financing cash flows RMB'000	Non-cash changes			December 31, 2021 RMB'000
			New lease arrangement entered (Note 56(i)) RMB'000	Finance cost incurred RMB'000	Dividend declared to non- controlling interests RMB'000	
Liabilities						
Debts securities issued (Note 39)	23,551,545	4,542,355	–	789,413	–	28,883,313
Interests payables on debts securities issued (Note 38)	79,436	(123,005)	–	79,185	–	35,616
Lease liabilities (Note 29)	282,817	(156,981)	67,429	4,392	–	197,657
Dividend payable (Note 40)	23,716	(863)	–	–	1,305	24,158
	23,937,514	4,261,506	67,429	872,990	1,305	29,140,744

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54. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	January 1, 2020 RMB'000	Financing cash flows RMB'000	Non-cash changes		December 31, 2020 RMB'000
			New lease arrangement entered (Note 56(i)) RMB'000	Finance cost incurred RMB'000	
Liabilities					
Debts securities issued (Note 39)	39,459,173	(16,779,055)	-	871,427	23,551,545
Interests payables on debts securities issued (Note 38)	186,382	(454,727)	-	347,781	79,436
Lease liabilities (Note 29)	283,931	(139,037)	131,613	6,310	282,817
Dividend payable (Note 40)	25,695	(1,979)	-	-	23,716
	39,955,181	(17,374,798)	131,613	1,225,518	23,937,514

55. STATEMENTS OF FINANCIAL POSITION OF THE BANK

	Note	2021 RMB'000	2020 RMB'000
Assets			
Cash and deposits with the central bank		20,555,603	26,514,693
Deposits with banks		4,700,561	3,715,647
Placements with other financial institutions		3,890,000	-
Financial assets held under resale agreements		13,092,054	19,150,091
Financial assets at amortised cost		70,974,947	68,932,101
Interests receivables		5,916,630	4,145,935
Loans and advances to customers		192,300,887	175,516,238
Financial assets at fair value through profit or loss		29,942,944	25,837,489
Financial assets at fair value through other comprehensive income		9,675,569	11,213,115
Interest in an associate		10,312	10,224
Investment in a subsidiary	27	29,250	29,250
Property and equipment		3,036,728	2,952,453
Right-of-use assets		244,514	313,196
Deferred tax assets		1,855,111	1,827,734
Other assets		1,047,331	1,187,048
Total assets		357,272,441	341,345,214



Notes to the Consolidated Financial Statements

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55. STATEMENTS OF FINANCIAL POSITION OF THE BANK (CONTINUED)

	Note	2021 RMB'000	2020 RMB'000
Liabilities and equity			
Liabilities			
Borrowings from the central bank		6,975,491	6,564,244
Deposits from banks and other financial institutions		18,232,985	12,121,266
Financial assets sold under repurchase agreements		6,051,480	8,730,070
Deposits from customers		254,558,306	248,316,576
Accrued staff costs		503,759	550,922
Interests payables		7,421,674	7,606,534
Debts securities issued		28,883,313	23,551,545
Deferred tax liabilities		32,972	23,698
Lease liabilities		197,657	282,817
Other liabilities		2,430,124	2,201,043
Total liabilities		325,287,761	309,948,715
Equity			
Share capital		15,069,791	15,069,791
Capital reserve	(i)	5,955,868	5,954,929
Defined benefit plan reserve	(i)	(3,902)	(2,762)
Investment revaluation reserve	(i)	157,057	137,157
Surplus reserve	(i)	1,727,903	1,615,945
General reserve	(i)	4,922,134	4,511,832
Retained earnings	(i)	4,155,829	4,109,607
Total equity		31,984,680	31,396,499
Total liabilities and equity		357,272,441	341,345,214

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55. STATEMENTS OF FINANCIAL POSITION OF THE BANK (CONTINUED)

(i) Reserve of the Bank

	Capital reserve (Note) RMB'000	Defined benefit plan reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At January 1, 2021	5,954,929	(2,762)	137,157	1,615,945	4,511,832	4,109,607	16,326,708
Profit for the year	-	-	-	-	-	568,482	568,482
Other comprehensive (expense)/income for the year	-	(1,140)	19,900	-	-	-	18,760
Total comprehensive (expense)/income for the year	-	(1,140)	19,900	-	-	568,482	587,242
Shareholders' injection (Note 42)	939	-	-	-	-	-	939
Appropriation of profits							
- Appropriation to surplus reserve	-	-	-	111,958	-	(111,958)	-
- Appropriation to general reserve	-	-	-	-	410,302	(410,302)	-
At December 31, 2021	5,955,868	(3,902)	157,057	1,727,903	4,922,134	4,155,829	16,914,889

Note:

The amount represented share premium and shareholders' injection included in Note 42.

	Capital reserve (Note) RMB'000	Defined benefit plan reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At January 1, 2020	4,659,863	(3,399)	219,469	1,560,835	4,446,325	3,679,122	14,562,215
Profit for the year	-	-	-	-	-	551,102	551,102
Other comprehensive income/(expense) for the year	-	637	(82,312)	-	-	-	(81,675)
Total comprehensive income/(expense) for the year	-	637	(82,312)	-	-	551,102	469,427
Shareholders' injection (Note 42)	904	-	-	-	-	-	904
Change in share capital (Note 41)							
- Capital contribution by equity shareholders	1,297,209	-	-	-	-	-	1,297,209
- Share issue expenses	(3,047)	-	-	-	-	-	(3,047)
Appropriation of profits							
- Appropriation to surplus reserve	-	-	-	55,110	-	(55,110)	-
- Appropriation to general reserve	-	-	-	-	65,507	(65,507)	-
At December 31, 2020	5,954,929	(2,762)	137,157	1,615,945	4,511,832	4,109,607	16,326,708

56. MAJOR NON-CASH TRANSACTIONS

- (i) During the year ended December 31, 2021, the Group entered into new arrangements in respect of office premises. Right-of-use assets and lease liabilities of approximately RMB67,429,000 were recognised at the commencement of the leases (2020: RMB131,613,000).
- (ii) During the year ended December 31, 2020, amount of approximately RMB28,165,000 of unlisted equity investment designated at FVTOCI was arising from financing restructuring of financial assets at amortised cost.

Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purpose only.

1. LIQUIDITY COVERAGE RATIO AND LEVERAGE RATIO (%)

	At December 31, 2021	Average for the year ended December 31, 2021
Liquidity coverage ratio (RMB and foreign currency)	215.95%	254.92%

	At December 31, 2020	Average for the year ended December 31, 2020
Liquidity coverage ratio (RMB and foreign currency)	268.73%	226.57%

Leverage Ratio

	At December 31, 2021
Leverage Ratio (RMB and foreign currency)	8.43%

Pursuant to the Measures for the Administration of the Leverage Ratio of Commercial Banks issued by the China Banking Regulatory Commission ("CBRC") with effect from April 1, 2015, a minimum leverage ratio of 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the requirements promulgated by the CBIRC and based on the financial information prepared in accordance with the Generally Accepted Accounting Principles of the People's Republic of China (the "PRC GAAP"), with the specific computational formulas as follows:

- (1) Liquidity coverage ratio = high-quality liquid assets/net capital outflow in the next 30 days × 100%
- (2) Leverage ratio = (core tier 1 capital — corresponding capital deductions)/on and off-balance sheet assets after adjustment × 100%

Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

2. CURRENCY CONCENTRATIONS

	At December 31, 2021		
	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	2,061,783.7	669,098.6	2,730,882.3
Spot liabilities	(28,574.6)	(50,234.9)	(78,809.5)
Net position	2,033,209.1	618,863.7	2,652,072.8

	At December 31, 2020		
	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	1,682,471.4	1,719,322.1	3,401,793.5
Spot liabilities	(9,048.3)	(55,866.5)	(64,914.8)
Net position	1,673,423.1	1,663,455.6	3,336,878.7

The above information is computed in accordance with the provisions of the CBIRC. The Group has no structured position as at December 31, 2021 and 2020.

3. INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within People's Republic of China (the "PRC"), and regards all claims on third parties outside the PRC as international claims.

International claims include loans and advances to customers, deposits with the central bank, amounts due from banks and other financial institutions.

A country or geographical area is reported where it accounts for 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer occurs only if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	At December 31,	
	2021	2020
Deposits with banks		
Asia Pacific excluding mainland China	17,850	1,911,556
Europe	—	—
	17,850	1,911,556



Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

4. LOANS AND ADVANCES OVERDUE FOR MORE THAN 90 DAYS BY GEOGRAPHICAL SEGMENT

	At December 31,	
	2021	2020
Gansu Region	3,096,521	3,203,558
Mainland China excluding Gansu Region	300,701	527,469
Total	3,397,222	3,731,027

5. GROSS AMOUNT OF LOANS AND ADVANCES OVERDUE FOR MORE THAN 90 DAYS

	At December 31,	
	2021	2020
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– Between three months and six months (inclusive)	423,548	654,093
– Between six months and one year (inclusive)	710,842	953,560
– Between one year and three years	1,825,738	1,897,035
– Over three years	437,094	226,339
Total	3,397,222	3,731,027
As a percentage of total loans and advances		
– Between three months and six months (inclusive)	0.21%	0.36%
– Between six months and one year (inclusive)	0.36%	0.52%
– Between one year and three years	0.92%	1.04%
– Over three years	0.22%	0.13%
Total	1.71%	2.05%

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

6. NON-BANK MAINLAND CHINA EXPOSURE

The Bank is a commercial bank incorporated in mainland China with its banking business conducted in mainland China. At December 31, 2021 and 2020, substantial amounts of the Bank's exposures arose from businesses with mainland China entities or individuals.



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