晋商银行
Jinshang Bank

JINSHANG BANK CO., LTD.*
晉商銀行股份有限公司*

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

(Stock code: 2558)

2021 ANNUAL RESULTS ANNOUNCEMENT

The board (the "**Board**") of directors (the "**Directors**") of Jinshang Bank Co., Ltd.* (the "**Bank**") is pleased to announce the audited consolidated annual results of the Bank and its subsidiary (the "**Group**") for the year ended December 31, 2021 (the "**Reporting Period**"). The content of this results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**") in relation to preliminary announcements of annual results and the International Financial Reporting Standards (the "**IFRSs**") promulgated by the International Accounting Standards Board (the "**IASB**"). Such annual results have also been reviewed and confirmed by the Board and the audit committee of the Board. Unless otherwise indicated, the financial information set out in this announcement is on a consolidated basis and presented in Renminbi.

1. CORPORATE INFORMATION

1.1 Basic Information

Legal Chinese Name	晉商銀行股份有限公司
Abbreviation in Chinese	晉商銀行
Legal English Name	Jinshang Bank Co., Ltd.
Abbreviation in English	Jinshang Bank
Legal Representative	HAO Qiang(1)
Authorized Representatives	LI Shishan, WONG Wai Chiu
Listing Place of H shares	The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**")
Stock Name	JINSHANG BANK
Stock Code	2558

(1) Pursuant to the Articles of Association of the Bank, the chairman of the Board of the Bank is the legal representative of the Bank. Ms. HAO Qiang's qualification as the chairwoman of the Board was approved by the regulatory authority on July 16, 2021. On September 1, 2021, the Bank completed changes of its legal representative to the industrial and commercial registration.

1.2 Contact Persons and Contact Details

Secretary to the Board of Directors	LI Weiqiang
Joint Company Secretaries	LI Weiqiang, WONG Wai Chiu
Registered Address and Address of Head Office	No. 59 Changfeng Street, Xiaodian District, Taiyuan City, Shanxi Province, the PRC
Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong
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* JINSHANG BANK CO., LTD. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking/deposit-taking business in Hong Kong.

2. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

	For the year ended December 31,		
	2021	2020	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Results of operations			
Interest income	**10,358.5**	9,429.4	9.9
Interest expense	**(6,804.5)**	(5,988.7)	13.6
Net interest income	**3,554.0**	3,440.7	3.3
Fee and commission income	**937.6**	890.7	5.3
Fee and commission expense	**(172.2)**	(178.2)	(3.4)
Net fee and commission income	**765.4**	712.5	7.4
Net trading gains	**301.5**	(119.5)	N/A
Net gains arising from investment securities	**757.8**	819.8	(7.6)
Other operating income [(1)]	**12.0**	14.5	(17.2)
Operating income	**5,390.7**	4,868.0	10.7
Operating expenses	**(2,070.5)**	(1,824.3)	13.5
Impairment losses on credit	**(1,652.9)**	(1,452.9)	13.8
Share of profits of associate	**24.5**	21.5	14.0

	For the year ended December 31, 2021	2020	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Profit before tax	**1,691.8**	1,612.3	4.9
Income tax	**(12.4)**	(41.4)	(70.0)
Net profit	**1,679.4**	1,570.9	6.9
Net profit attributable to:			
Equity shareholders of the Bank	**1,685.6**	1,566.7	7.6
Non-controlling interests	**(6.2)**	4.2	(247.6)
Earnings per share attributable to equity shareholders of the Bank (RMB per share)			
－Basic	**0.29**	0.27	7.4
－Diluted	**0.29**	0.27	7.4

Note:

(1) Consists primarily of non-operating income from government grants, revenue from disposals of dormant accounts for deposits and operating government grants.

	As of December 31, 2021	As of December 31, 2020	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Key indicators for assets/liabilities			
Total assets	**303,291.5**	270,943.6	11.9
Of which: net loans and advances to customers	**151,007.4**	131,836.5	14.5
Total liabilities	**281,133.9**	249,902.2	12.5
Of which: deposits from customers	**199,207.2**	176,781.7	12.7
Total equity	**22,157.6**	21,041.4	5.3
Of which: share capital	**5,838.7**	5,838.7	–
Equity attributable to equity shareholders of the Bank	**22,136.0**	21,013.6	5.3

	For the year ended December 31,		
	2021	2020	Change
Profitability indicators (%)			
Return on average total assets [(1)]	**0.58**	0.61	**(0.03)**
Return on average equity [(2)]	**7.77**	7.63	**0.14**
Net interest spread [(3)]	**1.47**	1.59	**(0.12)**
Net interest margin [(4)]	**1.43**	1.54	**(0.11)**
Net fee and commission income to operating income	**14.20**	14.64	**(0.44)**
Cost-to-income ratio [(5)]	**36.84**	36.01	**0.83**

	As of December 31,		
	2021	2020	Change
Asset quality indicators (%)			
NPL ratio [(6)]	**1.84**	1.84	0.00
Allowance coverage ratio [(7)]	**184.77**	194.06	(9.29)
Allowance to gross loan ratio [(8)]	**3.39**	3.58	(0.19)

	As of December 31,		
	2021	2020	Change
Capital adequacy indicators (%) [(9)]			
Core tier-one capital adequacy ratio [(10)]	**10.10**	10.72	(0.62)
Tier-one capital adequacy ratio [(11)]	**10.10**	10.72	(0.62)
Capital adequacy ratio [(12)]	**12.02**	11.72	0.30
Total equity to total assets	**7.31**	7.77	(0.46)

	As of December 31,		
	2021	2020	Change
Other indicators (%)			
Loan-to-deposit ratio [(13)]	**78.18**	78.49	(0.31)
Liquidity coverage ratio [(14)]	**322.30**	327.19	(4.89)
Liquidity ratio [(15)]	**122.42**	102.62	19.80

	As of December 31,	
	2021	2020
	(Expressed in millions of RMB, unless otherwise stated)	
Net stable funding ratio [16]		
Total available stable funding	**183,776.0**	164,644.8
Total required stable funding	**132,859.6**	116,608.1
Net stable funding ratio (%)	**138.32**	141.19

Notes:

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

(2) Calculated by dividing net profit by the average balance of total equity at the beginning and the end of the period.

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

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

(5) Calculated by dividing total operating expenses (net of tax and surcharges) by total operating income.

(6) Calculated by dividing total NPLs by gross loans and advances to customers. Except as otherwise stated, the "gross loans and advances" referred to in this announcement exclude interest accrued.

(7) Calculated by dividing total allowance for impairment losses on loans to customers (including the provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income) by total NPLs.

(8) Calculated by dividing total allowance for impairment losses on loans to customers (including the provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income) by gross loans and advances to customers.

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

(10) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets.

(11) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets.

(12) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets.

(13) Calculated by dividing gross loans and advances to customers by total deposits from customers (excluding interest accrued).

(14) Liquidity coverage ratio is calculated in accordance with the formula promulgated by the China Banking and Insurance Regulatory Commission. Liquidity coverage ratio = eligible high-quality liquid assets/net cash outflows for the next 30 days × 100%.

(15) Liquidity ratio is calculated in accordance with the formula promulgated by the China Banking and Insurance Regulatory Commission. Liquidity ratio = balance of current assets/balance of current liabilities × 100%.

(16) Net stable funding ratio is calculated in accordance with the formula stipulated in the Measures for Disclosure of Information on the Proportion of Net Stable Capital by Commercial Banks (Yin Bao Jian Fa [2019] No. 11) (《商業銀行淨穩定資金比例信息披露辦法》(銀保監發〔2019〕11號)) promulgated by the China Banking and Insurance Regulatory Commission. Net stable funding ratio = available stable funding/required stable funding × 100%.

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Review of the Economic, Financial and Policy Environment

In 2021, facing with the complicated and severe international landscape, the spread of domestic epidemic and other challenges, China adhered to the general principle of seeking progress while ensuring stability, coordinated the epidemic prevention and control and the economic and social development in a scientific manner, maintained the continuity, stability and sustainability of the macroscopic policies, which led to the sustained and steady recovery of national economy and new achievement in high quality development, and served as a good start of "14th Five-Year Plan". In 2021, the gross domestic product (GDP) was RMB114.37 trillion in China, representing an increase of 8.1% over the previous year. Due to the constantly resumption of industrial production, the industrial added value increased by 9.6% over the previous year, driving the economy increase by 3.0 percentage points; thanks to the unremitting efforts in the policy of expanding domestic demand and promoting consumption, the final consumption expenditure contributed 65.4% to economic growth in 2021, driving the economy increase by 5.3 percentage points; as the significant projects under "14th Five-Year Plan" commenced gradually, the infrastructure constructions under the "New Infrastructure and New Urbanization Initiatives and Major projects" progressed steadily, the gross capital formation contributed 13.7% to economic growth in 2021, driving the economy increase by 1.1 percentage points; with the ongoing pursuit of high-level opening up to the outside world and remarkable results in the efforts of steady foreign trade and foreign investment, the net exports of goods and services contributed 20.9% to economic growth in 2021, driving the economy increase by 1.7 percentage points. With the deep implementations of supply-side structural reform and innovation-driven development strategies, a new step has been taken towards the building of new development landscape. In 2021, and the investments in high-tech manufacturing industry increased by 22.2% over the previous year, 17.3 percentage points higher than the growth rate of fixed assets investment nationwide; the competitiveness of the manufacturing industry was further enhanced, the added value of above-scale high-tech manufacturing industry increased by 18.2% over the previous year, significantly higher than the added value growth rate of all above-scale industries; the structure of the resident consumption was further improved, and the per capita consumer expenditure nationwide increased by 13.6% over the previous year.

Shanxi Province dealt with severe floods effectively and resolutely shouldered the duties of ensuring energy supply and maintaining stable price, therefore the economy of the whole province continued to recover steadily and the economic aggregate achieved new high. The regional GDP amounted to RMB2,259.016 billion in the province throughout the year, making new breakthrough of “two trillion”, representing an increase of 9.1% over the previous year and 1 percentage point higher than the whole nation. The growth trend of new driving forces for industry was significant, the added value of provincial above-scale industries increased by 12.7% in the whole year over the previous year, representing 3.1 percentage points faster than the whole nation, the added value of provincial above-scale high-tech manufacturing industry increased by 34.2%, of which the equipment manufacturing industry increased by 24.4%, and the industrial strategic emerging industries increased by 19.5%, significantly faster than the growth rate of provincial above-scale industries. The energy production was guaranteed powerfully. In 2021, the efforts in production were intensified in the whole province, and coal, electricity and coal gas were supplied constantly, safely and steadily. Benefiting from the substantial increase in prices of the leading products such as coal and steel, the enterprises profit increased exponentially. The scale of service industry continued to enlarge, the added value of provincial service industry reached RMB1,009.016 billion throughout the year, representing an increase of 8.3% over the previous year and 6.6 percentage points higher than the growth rate in the previous year. Due to the significant restoring of the three key demands and the releasing of development vitality, the investments in provincial fixed assets increased by 8.7% in the whole year over the previous year, representing an increase of 3.8 percentage points over the whole nation; the aggregate retail amount of social consumer goods was RMB774.73 billion, representing an increase of 14.8% over the previous year and 2.3 percentage points over the whole nation; the aggregate amount of import and export was RMB223.03 billion, representing an increase of 48.3% over the previous year, which was significantly faster than the national growth rate of 21.4%.

3.2 Business Overview and Development Strategies

The Bank centers on the strategic vision of “pursuing safe development, and building an excellent listed Bank in the region”, and based on our market positioning of “serving the local economy, serving micro and small and medium enterprises, and serving urban and rural residents” and our business positioning of “strengthening corporate business, refining retails, specializing in the financial market, optimizing businesses for micro and small enterprises”, and aligned with the two core tasks of development and safety, the Bank’s stable and sound development has been strengthened and improved.

Firstly, our operation indicators were improved and realized stable and sound development. As of the end of 2021, the total assets of the Group exceeded RMB300 billion, elevating to the middle-class rank of the national commercial banks, and the total amount of various deposit was RMB195.3 billion, representing an increase of 12.6%; the total amount of various loan was RMB155.7 billion, representing an increase of 14.4%. The Bank realized the net profit of RMB1,679 million, representing an increase of RMB109 million year-on-year; the Bank’s net income from intermediary business was RMB765 million, representing an increase of RMB53 million year-on-year. The non-performing loan ratio was 1.84%, remaining the same as compared to that at the beginning of this year; the capital adequacy ratio was 12.02%, representing an increase of 0.30 percentage point as compared to that at the beginning of this year, and the provision coverage ratio was 184.77%.

Secondly, the Bank fulfilled its duties and missions and served the real economy with all its strength. The Bank actively participated in the regional development, vigorously deepened the partnership with governments and functions, was selected as a member for underwriting of governmental bond syndicate of Shanxi province, account opening for provincial housing fund management center and other institutions, that docked with the system of provincial departments of human resources and social security, departments of land and resources and other institutions systems; we supported the stable operation and broad prospect of all enterprises in the province through merger and acquisition, issuance of bonds, syndicate loans and other financing methods; we continued to conduct activities of "Smart Hospitals" and "Smart Schools" with hospitals and schools, and consistently promoted inclusive finance. We developed and launched the "Credit Loans for Core Upstream and Downstream Enterprises", "Credit Loans" and "Pledged Note Loans for Small and Micro Enterprises" and other products to meet the various financing demands of small and micro enterprises. As of the end of December 2021, the balances of inclusive loan for small and micro enterprises throughout the Bank was RMB5,746 million, representing an increase of RMB1,247 million as compared to that at the beginning of the year, an increase of 27.72% in growth rate year-on-year, and an increase of 10.28 percentage points over the growth rate of various loans (excluding bill financing); we formulated and issued the Implementation Plan on Serving Rural Revitalization of Jinshang Bank, and provided financial support for key projects of rural revitalization and leading enterprises in the country. We strengthened and expanded the green finance and insisted in integrating the concept of the green finance into the development strategy, credit culture, credit policies, management process and other steps; we actively innovated the green finance products, launched the pollutant discharge right mortgage, intellectual property mortgage and other products successively, and successfully promoted the issuance of the first carbon neutrality bond in the province. We officially joined the Green Finance Committee of China Society for Finance and Banking and actively participated in the pilot work of the People's Bank of China on environmental information disclosure of financial institutions, which significantly improved the brand impact of the Bank in the field of green finance.

Thirdly, we insisted on the innovation and changes, and continued to promote the transformation of business. We deeply cultivated the market of the retail business, and strengthened the management of customers values. The Asset Under Management ("**AUM**") of individual customers of the Bank achieved RMB148.978 billion at the end of 2021, representing an increase of RMB24.325 billion as compared to that at the beginning of the year. We further enriched the products lines, and researched and developed to launch "Housing e Loan ", "Credit e Loan" and other personal loan products with continuously extension of wealth management, insurance, funds, private banks, family trust etc., and we ranked first for comprehensive ability of wealth management in the province. We consolidated the business base of the Company and established the access system for the customers and management mechanism of comprehensive contribution, and excavated to improve the value of customers in all respects; we formulated the business development plan for the branches and started a series of "positional campaigns" against the public; we continuously expanded the new routes for development of the trade finance business. We took advantage of the strength of the featuring business and innovated to launch the staging products of credit cards, and gradually built the ecosphere of credit cards. The accumulated amounts of credit cards issued was 1.15 million; we accelerated the layout of scene finance, and promoted the functional construction for the convenient payment and cloud payment to promote the finance services to the directions of mobility, intelligence and scenario; we led to issue the first directional debt financing instrument and successfully published the tier II capital bond of the Bank in 2021, and forged the professional abilities of the investment banks teams; we deepened the partnerships of the interbank, and entered into comprehensive cooperation agreement with ICBC Shanxi Branch to jointly support the economic development of the province.

Fourthly, we intensified the lead of technology and promoted the digital transformation. We strengthened the digital governance, unified the digital standards and formulated the plan of implementing digital transformation. We also enhanced the construction of the integration ability of business and technology. The new core systems operated steadily and efficiently. We launched a batch of new projects, including supply chain finance service platform, green finance management system, credit risk evaluation management system and remote video banking, fostering the high-quality development in the Bank.

Fifthly, we consolidated the security line of defense to prevent and defuse major risks. We established and implemented "Party's management risk long-term mechanism", and started and implemented the three-year action of security development, truly translating the Party's will into practical actions to prevent and defuse major risks. We carried out special activities of "overcoming the difficulties in asset quality improvement" and the activity of "construction year of self-examination and self-rectification, internal control and compliance management of the Bank" and achieved staged effects. We carried out special examination of security production of the Bank, and deepened the investigation and governance of risks and hidden dangers to ensure a safe development of the Bank without incident.

In 2022, the Bank will firmly uphold the overall keynote of seeking progress while ensuring stability, give priority to comprehensively promoting the high-quality development, seek progress while ensuring stability, strive for success in difficulty, endeavor to realize innovation and make breakthroughs, improve quality and efficiency, facilitate the Bank to develop in a more correct, higher-quality, more synergetic, more efficient, safer and more sustainable manner.

3.3 Income Statement Analysis

	For the year ended December 31,		
	2021	2020	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Interest income	**10,358.5**	9,429.4	9.9
Interest expense	**(6,804.5)**	(5,988.7)	13.6
Net interest income	**3,554.0**	3,440.7	3.3
Fee and commission income	**937.6**	890.7	5.3
Fee and commission expense	**(172.2)**	(178.2)	(3.4)
Net fee and commission income	**765.4**	712.5	7.4
Net trading gains	**301.5**	(119.5)	N/A
Net gains arising from investment securities	**757.8**	819.8	(7.6)
Other operating income [(1)]	**12.0**	14.5	(17.2)
Operating income	**5,390.7**	4,868.0	10.7
Operating expenses	**(2,070.5)**	(1,824.3)	13.5
Impairment losses on credit	**(1,652.9)**	(1,452.9)	13.8
Share of profits of associate	**24.5**	21.5	14.0
Profit before tax	**1,691.8**	1,612.3	4.9
Income tax	**(12.4)**	(41.4)	(70.0)
Net profit	**1,679.4**	1,570.9	6.9

Note:

(1) Consists primarily of non-operating income from government grants, revenue from disposals of dormant accounts for deposits and operating government grants.

For the year ended December 31, 2021, the profit before tax of the Group increased by 4.9% to RMB1,691.8 million from RMB1,612.3 million for the year ended December 31, 2020, and net profit for the same period increased to RMB1,679.4 million from RMB1,570.9 million for the year ended December 31, 2020, representing a year-on-year growth of 6.9%.

3.3.1 Net interest income, net interest spread and net interest margin

For the year ended December 31, 2021, the net interest income of the Group increased by 3.3% to RMB3,554.0 million from RMB3,440.7 million for the year ended December 31, 2020, mainly due to an increase by 9.9% in interest income for the current period, which was partially offset by an increase in deposit interest expenses.

The net interest spread of the Group decreased from 1.59% for the year ended December 31, 2020 to 1.47% for the year ended December 31, 2021. The net interest margin of the Group decreased from 1.54% for the year ended December 31, 2020 to 1.43% for the year ended December 31, 2021. The decrease in the net interest spread and the net interest margin was because: firstly, the Bank complied with risk management policies and investment strategies and reduced the scale of debt investment such as asset management plans, the proportion of which decreased in financial investment; secondly, affected by asset quality, the corresponding interest income from some trust schemes decreased; thirdly, the increase in the interest-paying ratio of liabilities resulted from a considerable increase of absorption of time deposits with relatively high interest-paying rate.

The following table sets forth the average balances of the Group's interest-earning assets and interest-bearing liabilities, the related interest income or expense, and the related average yield on assets or related average cost on liabilities for the years ended December 31, 2020 and 2021.

	For the year ended December 31,					
	2021			2020		
	Average balance	**Interest income/ expense**	**Average yield/cost (%)** [(1)]	Average balance	Interest income/ expense	Average yield/cost (%) [(1)]
	(in millions of RMB, except percentages)					
Interest-earning assets						
Loans and advances to customers	**147,887.6**	**7,164.6**	**4.84%**	129,018.3	6,201.4	4.81%
Financial investments [(2)]	**60,638.8**	**2,304.8**	**3.80%**	62,689.3	2,597.6	4.14%
Placements with banks and other financial institutions	**3,586.9**	**99.8**	**2.78%**	2,412.7	44.9	1.86%
Financial assets held under resale agreement	**18,479.4**	**497.1**	**2.69%**	11,475.8	302.6	2.64%
Deposits with the central bank [(3)]	**17,136.0**	**238.2**	**1.39%**	16,289.3	228.2	1.40%
Deposits with banks and other financial institutions	**1,660.9**	**54.0**	**3.25%**	2,034.7	54.7	2.69%
Total interest-earning assets	**249,389.6**	**10,358.5**	**4.15%**	223,920.1	9,429.4	4.21%
Interest-bearing liabilities						
Deposits from customers	**180,865.8**	**4,658.1**	**2.58%**	160,756.2	3,993.0	2.48%
Deposits from banks and other financial institutions	**1,653.0**	**62.2**	**3.76%**	3,456.2	105.9	3.06%
Placements from banks and other financial institutions	**810.9**	**23.8**	**2.94%**	1,389.8	40.9	2.94%
Financial assets sold under repurchase agreements	**15,237.2**	**324.5**	**2.13%**	12,316.8	238.3	1.93%
Debt securities issued [(4)]	**53,538.5**	**1,686.6**	**3.15%**	49,174.5	1,578.6	3.21%
Borrowing from the central bank	**2,206.2**	**49.3**	**2.23%**	1,226.7	32.0	2.61%
Total interest-bearing liabilities	**254,311.6**	**6,804.5**	**2.68%**	228,320.2	5,988.7	2.62%
Net interest income		**3,554.0**			3,440.7	
Net interest spread [(5)]			**1.47%**			1.59%
Net interest margin [(6)]			**1.43%**			1.54%

Notes:

(1) Calculated by dividing interest income/expense by average balance.

(2) Consist of financial investments measured at amortized costs and financial investments measured at fair value through other comprehensive income.

(3) Consists primarily of statutory deposit reserves and surplus deposit reserves.

(4) Consists of certificates of interbank deposit, financial bonds and tier-two capital debts.

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

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

3.3.2 Interest income

For the year ended December 31, 2021, the Bank's interest income increased by 9.9% to RMB10,358.5 million from RMB9,429.4 million for the year ended December 31, 2020, primarily due to an increase in the average balance of interest-earning assets from RMB223,920.1 million for the year ended December 31, 2020 to RMB249,389.6 million for the year ended December 31, 2021, which was partially offset by a decrease in the average yield on interest-earning assets from 4.21% for the year ended December 31, 2020 to 4.15% for the year ended December 31, 2021.

Interest income from loans and advances to customers

For the year ended December 31, 2021, interest income from loans and advances to customers increased by 15.5% from RMB6,201.4 million for the year ended December 31, 2020 to RMB7,164.6 million for the year ended December 31, 2021, primarily because an increase of 14.60% in the average balance of loans and advances to customers from RMB129,018.3 million for the year ended December 31, 2020 to RMB147,887.6 million for the year ended December 31, 2021. The increase in the average balance of loans and advances to customers was primarily due to the fact that the Bank enhanced the efforts in granting of credit loans in energy revolution, green finance, and transition industry such as in the field of "Six New" and advanced manufacturing industry and livelihood services.

Interest income from financial investments

For the year ended December 31, 2021, interest income from financial investments decreased by 11.3% to RMB2,304.8 million for the year ended December 31, 2021 from RMB2,597.6 million for the year ended December 31, 2020, primarily due to the average balance of financial investments decreased by 3.3% from RMB62,689.3 million for the year ended December 31, 2020 to RMB60,638.8 million for the year ended December 31, 2021, and a decrease in the average yield from 4.14% for the year ended December 31, 2020 to 3.80% for the year ended December 31, 2021. The decrease in the average balance of financial investments was primarily because the Bank reduced the size of asset management plans and other debt investments according to the risk management policies and investment policies. The decrease in the yield on financial investments was primarily because of the decrease in the proportion of asset management plans with higher yield rate and other investments, and the decrease in the interest income from some trust schemes affected by the asset quality, respectively.

Interest income from placements with banks and other financial institutions

For the year ended December 31, 2021, interest income from placements with banks and other financial institutions increased to RMB99.8 million from RMB44.9 million for the year ended December 31, 2020, primarily because the average balance of placements with banks and other financial institutions increased to RMB3,586.9 million for the year ended December 31, 2021 from RMB2,412.7 million for the year ended December 31, 2020, and the yield for placements with banks and other financial institutions increased from 1.86% for 2020 to 2.78% for 2021. The increase in the average balance and the yield was primarily because the Bank entered into fund lending business with relatively longer and higher yield due to the business requirements.

Interest income from financial assets held under resale agreements

For the year ended December 31, 2021, interest income from financial assets held under resale agreements increased to RMB497.1 million from RMB302.6 million for the year ended December 31, 2020, primarily because the average balance of financial assets held under resale agreements increased from RMB11,475.8 million for the year ended December 31, 2020 to RMB18,479.4 million for the year ended December 31, 2021, while the yield increased from 2.64% to 2.69%. The increase in the average balances was because the Bank enhanced the funds management, improved the utilization efficiency of funds and increased the financial assets held under resale agreements which was of strong liquidity and high security. The increase in the yield rate was mainly affected by the fluctuations of the market interest rate.

Interest income from deposits with the central bank

Interest income from deposits with the central bank increased by 4.4% from RMB228.2 million for the year ended December 31, 2020 to RMB238.2 million for the year ended December 31, 2021, primarily because the average balance of deposits with the central bank increased by 5.2% from RMB16,289.3 million for the year ended December 31, 2020 to RMB17,136.0 million for the year ended December 31, 2021.

Interest income from deposits with banks and other financial institutions

Interest income from deposits with banks and other financial institutions decreased by 1.3% from RMB54.7 million for the year ended December 31, 2020 to RMB54.0 million for the year ended December 31, 2021, primarily because the average balance for deposits with banks and other financial institutions decreased by 18.4% from RMB2,034.7 million for the year ended December 31, 2020 to RMB1,660.9 million for the year ended December 31, 2021.

3.3.3 Interest expense

The Group's interest expense increased by 13.6% from RMB5,988.7 million for the year ended December 31, 2020 to RMB6,804.5 million for the year ended December 31, 2021, primarily due to a 11.4% increase in the average balance of interest-bearing liabilities from RMB228,320.2 million for the year ended December 31, 2020 to RMB254,311.6 million for the year ended December 31, 2021, and an increase of 6 basis points in the average cost of interest-bearing liabilities from 2.62% for the year ended December 31, 2020 to 2.68% for the year ended December 31, 2021.

Interest expense on deposits from customers

Interest expense on deposits from customers increased by 16.7% from RMB3,993.0 million for the year ended December 31, 2020 to RMB4,658.1 million for the year ended December 31, 2021, primarily due to the expanding deposits business, which resulted in a 12.5% increase in average balance of deposits from customers from RMB160,756.2 million for the year ended December 31, 2020 to RMB180,865.8 million for the year ended December 31, 2021. Meanwhile, due to the increase in average daily percentage of time deposits, the average cost on deposits from customers increased from 2.48% to 2.58%.

Interest expense on deposits from banks and other financial institutions

Interest expense on deposits from banks and other financial institutions decreased by 41.3% from RMB105.9 million for the year ended December 31, 2020 to RMB62.2 million for the year ended December 31, 2021, primarily due to the average balance of deposits from banks and other financial institutions decreased by 52.2% from RMB3,456.2 million for the year ended December 31, 2020 to RMB1,653.0 million for the year ended December 31, 2021. The decrease in the average balance was mainly because the Bank reduced the funds inflow from banks according to the liquidity and liability management of the Bank.

Interest expense on placements from banks and other financial institutions

Interest expense on placements from banks and other financial institutions decreased from RMB40.9 million for the year ended December 31, 2020 to RMB23.8 million for the year ended December 31, 2021, primarily due to the average balance of placements from banks and other financial institutions decreased by 41.7% from RMB1,389.8 million for the year ended December 31, 2020 to RMB810.9 million for the year ended December 31, 2021. The decrease in the average balance was primarily due to the decrease in the placements from banks in accordance with the liquidity and liability management of the Bank.

Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements increased by 36.2% from RMB238.3 million for the year ended December 31, 2020 to RMB324.5 million for the year ended December 31, 2021, mainly because the average balance of financial assets sold under repurchase agreements increased by 23.7% from RMB12,316.8 million for the year ended December 31, 2020 to RMB15,237.2 million for the year ended December 31, 2021, and the average cost of financial assets sold under repurchase agreements increased by 20 basis points from 1.93% to 2.13%. The increase in the average balance of financial assets sold under repurchase agreements was primarily due to an increase in the number of repurchase transaction contracts the Bank entered into in order to reduce its financing costs. The increase in the average cost was mainly attributable to the effects of fluctuation of currency market interest rates.

Interest expense on debt securities issued

Interest expense on debt securities issued increased by 6.8% from RMB1,578.6 million for the year ended December 31, 2020 to RMB1,686.6 million for the year ended December 31, 2021, primarily due to the average balance of debt securities payable increased by 8.9% from RMB49,174.5 million for the year ended December 31, 2020 to RMB53,538.5 million for the year ended December 31, 2021. The increase in the average balance of debt securities issued of the Bank was mainly due to an increase in the issuance of interbank deposit for the working capital for business development. The average cost of debt securities payable decreased from 3.21% to 3.15%, which was mainly due to the decrease in the interest rate of interbank deposit and tier-two capital debts.

Interest expense on borrowing from the central bank

Interest expense on borrowing from the central bank increased by 54.1% from RMB32.0 million for the year ended December 31, 2020 to RMB49.3 million for the year ended December 31, 2021, primarily due to a 79.8% increase in the average balance of borrowing from the central bank from RMB1,226.7 million for the year ended December 31, 2020 to RMB2,206.2 million for the year ended December 31, 2021, which was partially offset by a decrease in the average cost of borrowing from the central bank from 2.61% to 2.23%. The increase in the average balance was primarily because of an increase in the amount of relending loans to small and micro enterprises for which the Bank applied to the central bank.

3.3.4 Net fee and commission income

The following table sets forth, for the year ended December 31, 2020 and 2021, the principal components of net fee and commission income of the Group.

	For the year ended December 31,			
	2021	2020	Amount change	Change (%)
	(in millions of RMB, except percentages)			
Fee and commission income				
Agency service fees and others	**307.2**	344.8	(37.6)	(10.9)
Acceptance and guarantee business fees	**208.4**	195.4	13.0	6.7
Wealth management service fees	**178.1**	148.5	29.6	19.9
Bank card service fees	**145.1**	122.2	22.9	18.7
Settlement and clearing fees	**98.8**	79.8	19.0	23.8
Subtotal	**937.6**	890.7	46.9	5.3
Fee and commission expenses				
Settlement and clearing fees	**(48.3)**	(125.9)	77.6	(61.6)
Agency service fees and others	**(55.9)**	(23.3)	(32.6)	139.9
Bank card service fees	**(68.0)**	(29.0)	(39.0)	134.5
Subtotal	**(172.2)**	(178.2)	6.0	(3.4)
Net fee and commission income	**765.4**	712.5	52.9	7.4

The net fee and commission income increased by 7.4% from RMB712.5 million for the year ended December 31, 2020 to RMB765.4 million for the year ended December 31, 2021. Fee and commission income increased by 5.3% from RMB890.7 million for the year ended December 31, 2020 to RMB937.6 million for the year ended December 31, 2021, which was mainly due to the significant growth of our wealth management business and bank card business.

3.3.5 Net trading gains

The net trading gains of the Group increased from RMB(119.5) million for the year ended December 31, 2020 to RMB301.5 million for the year ended December 31, 2021, mainly due to the increase in the gains on the fair value changes of debt securities and funds held affected by the fluctuations of the market interest rates.

3.3.6 Net gains arising from investment securities

Net gains from investment securities of the Group decreased by 7.6% from RMB819.8 million for the year ended December 31, 2020 to RMB757.8 million for the year ended December 31, 2021, mainly due to the decrease in the dividends from the funds as compared to the last year.

3.3.7 Operating expenses

The following table sets forth, for the years ended December 31, 2020 and 2021, the principal components of operating expenses of the Group.

	For the year ended December 31,			
	2021	2020	Amount change	Change (%)
	(in millions of RMB, except percentages)			
Staff costs	**1,282.7**	1,085.3	197.4	18.2
Rental and property management expenses	**46.7**	48.4	(1.7)	(3.5)
Depreciation and amortization	**320.4**	278.3	42.1	15.1
Taxes and surcharges	**84.5**	71.3	13.2	18.5
Other general and administrative expenses (1)	**336.2**	341.0	(4.8)	(1.4)
Total operating expenses	**2,070.5**	1,824.3	246.2	13.5
Cost-to-income ratio (2)	**36.84%**	36.01%		

Notes:

(1) Consist primarily of insurance premiums, electronic equipment operating cost, business marketing expenses, banknote shipping fee and security expenses.

(2) Calculated by dividing total operating expenses (net of taxes and surcharges) by total operating income.

Operating expenses increased by 13.5% from RMB1,824.3 million for the year ended December 31, 2020 to RMB2,070.5 million for the year ended December 31, 2021, mainly because the Bank has enjoyed the policy of reduction and exemption of social insurance cost at the specific stage which was issued by the government to respond to the pandemic in 2020 and expired as at the end of the 2020, and besides, the depreciation and amortization expenses and salaries also increased.

The Group's cost-to-income ratio for the years ended December 31, 2020 and 2021 (excluding taxes and surcharges) were 36.01% and 36.84%, respectively. The increase in cost-to-income ratio was primarily because the increase in operating expenses is higher than the increase in the operating income.

Staff Costs

Staff costs were the largest component of the Group's operating expenses. Staff costs increased by 18.2% from RMB1,085.3 million for the year ended December 31, 2020 to RMB1,282.7 million for the year ended December 31, 2021, mainly because the policy of reduction and exemption of social insurance cost at the specific stage which was issued by the government to respond to the pandemic in 2020 was applicable to the Bank and expired as at the end of the 2020, and besides, the salaries also increased. The following table sets forth the main components of staff costs for the periods indicated.

	For the year ended December 31,			
	2021	2020	Amount change	Change (%)
	(in millions of RMB, except percentages)			
Salaries, bonuses and allowances	**874.4**	829.3	45.1	5.4
Social insurance and annuity	**214.2**	97.0	117.2	120.8
Housing allowances	**69.4**	66.8	2.6	3.9
Staff welfare	**58.9**	51.7	7.2	13.9
Employee education expenses and labour union expenses	**28.0**	27.5	0.5	1.8
Supplementary retirement benefits	**15.8**	5.3	10.5	198.1
Others	**22.0**	7.7	14.3	185.7
Total staff costs	**1,282.7**	1,085.3	197.4	18.2

Rental and Property Management Expenses

Rental and property management expenses decreased by 3.5% from RMB48.4 million for the year ended December 31, 2020 to RMB46.7 million for the year ended December 31, 2021, mainly because the Bank reduced the lease of some business offices with shorter term according to the needs.

Depreciation and Amortization

Depreciation and amortization increased by 15.1% from RMB278.3 million for the year ended December 31, 2020 to RMB320.4 million for the year ended December 31, 2021, mainly because of the increase in capital expenses related to the financial technology and business offices of the Bank.

Taxes and Surcharges

Taxes and surcharges increased by 18.5% from RMB71.3 million for the year ended December 31, 2020 to RMB84.5 million for the year ended December 31, 2021, mainly due to the Bank's business development and expansion, resulting in an increase in taxable income.

Other General and Administrative Expenses

Other general and administrative expenses primarily consist of insurance premiums, electronic equipment operating expenses, business marketing expenses, banknote shipping fee and security expenses. The Group's other general and administrative expenses decreased by 1.4% from RMB341.0 million for the year ended December 31, 2020 to RMB336.2 million for the year ended December 31, 2021.

3.3.8 Impairment losses on credit

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

	For the year ended December 31,			
	2021	2020	Amount change	Change (%)
	(in millions of RMB, except percentages)			
Impairment losses on credit				
Loans and advances to customers	**1,487.1**	992.5	494.6	49.8
Financial investments	**167.3**	90.6	76.7	84.7
Deposits with banks and other financial institutions	**0.7**	0.5	0.2	40.0
Impairment loss in placements with banks and other financial institutions	**0.4**	–	0.4	N/A
Credit commitments	**(13.4)**	345.4	(358.8)	(103.9)
Others	**10.8**	23.9	(13.1)	(54.8)
Total	**1,652.9**	1,452.9	200.0	13.8

The Group's impairment losses on credit was RMB1,652.9 million for the year ended December 31, 2021, representing an increase of 13.8% from RMB1,452.9 million for the year ended December 31, 2020, mainly due to the fact that the Bank correspondingly increased provisions of the allowance for impairment in accordance with the loan scale and asset quality.

3.3.9 Income tax

The following table sets forth the reconciliation between the income tax calculated at the statutory income tax rate applicable to the Group's profit before tax and the Group's actual income tax for the periods indicated.

	For the year ended December 31,			
	2021	2020	Amount change	Change (%)
	(in millions of RMB, except percentages)			
Profit before tax	**1,691.8**	1,612.3	79.5	4.9
Income tax calculated at applicable statutory tax rate of 25%	**423.0**	403.1	19.9	4.9
Non-deductible expenses	**27.1**	21.8	5.3	24.3
Non-taxable income [(1)]	**(437.7)**	(383.5)	(54.2)	14.1
Income tax	**12.4**	41.4	(29.0)	(70.0)

Note:

(1) Non-taxable income mainly represents the interest income arising from the PRC government bonds and dividends from domestic funds.

Income tax decreased by 70.0% from RMB41.4 million for the year ended December 31, 2020 to RMB12.4 million for the year ended December 31, 2021, mainly attributable to the increase of the interest income arising from the PRC government bonds of the Bank in 2021, such income is tax free according to relevant PRC laws and regulations.

3.4 Financial Statement Analysis

3.4.1 Assets

The following table sets forth the components of the Group's total assets as of the dates indicated.

	As of December 31, 2021		As of December 31, 2020	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Net loans and advances to customers	**151,007.4**	**49.8**	131,836.5	48.7
Net financial investments	**92,566.7**	**30.5**	91,659.9	33.9
Financial assets held under resale agreements	**26,352.0**	**8.7**	18,915.3	7.0
Cash and deposits with the central bank	**24,042.2**	**7.9**	20,535.8	7.6
Placements with banks and other financial institutions	**2,700.3**	**0.9**	1,100.5	0.4
Deposits with banks and other financial institutions	**1,914.9**	**0.6**	2,244.0	0.8
Deferred tax assets	**1,710.6**	**0.6**	1,695.6	0.6
Property and equipment	**1,394.7**	**0.5**	1,478.9	0.5
Investment in associate	**318.6**	**0.1**	294.1	0.1
Derivative financial assets	**0.2**	**0.0**	0.1	0.0
Other assets [(1)]	**1,283.9**	**0.4**	1,182.9	0.4
Total assets	**303,291.5**	**100.0**	270,943.6	100.0

Note:

(1) Consist primarily of right-to-use assets, intangible assets and other receivables and temporary payment.

The Group's total assets increased by 11.9% from RMB270,943.6 million as of December 31, 2020 to RMB303,291.5 million as of December 31, 2021, mainly due to the fact that the Group supported the development of the real economy and increased efforts on granting of credit loans, and the net loans and advances increased from RMB131,836.5 million as of December 31, 2020 to RMB151,007.4 million as of December 31, 2021.

Loans and Advances to Customers

The following table sets forth the breakdown of the Group's loans by business line as of the dates indicated.

	As of December 31, 2021		As of December 31, 2020	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Corporate loans	**97,971.9**	**62.9**	84,459.5	62.1
Personal loans	**26,872.0**	**17.3**	22,044.9	16.2
Discounted bills	**30,896.6**	**19.8**	29,600.4	21.7
Gross loans and advances to customers	**155,740.5**	**100.0**	136,104.8	100.0
Accrued interest	**544.0**		585.9	
Less: Provision for impairment of loans and advances to customers measured at amortised cost	**(5,277.1)**		(4,854.2)	
Net loans and advances to customers	**151,007.4**		131,836.5	

Corporate Loans

As of December 31, 2021, the Group's corporate loans amounted to RMB97,971.9 million, representing an increase of 16.0% from RMB84,459.5 million as of December 31, 2020, mainly because the Group insisted on the fulfillment of duties and missions, tried its best to serve the real economy, actively participated in the regional development, continued to promote inclusive finance, strengthened and expanded green finance, increased efforts on granting of credit loans in order to support the development of the economic society in Shanxi Province with all its strength.

The following table sets forth the breakdown of the Group's corporate loans by contract maturity as of the dates indicated.

	As of December 31, 2021		As of December 31, 2020	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Short-term loans and advances (one year or less)	**37,469.8**	**38.2**	28,077.7	33.2
Medium- and long-term loans (one year above)	**60,502.1**	**61.8**	56,381.8	66.8
Total corporate loans	**97,971.9**	**100.0**	84,459.5	100.0

Short-term loans and advances as a percentage of total corporate loans increased from 33.2% as of December 31, 2020 to 38.2% as of December 31, 2021, while medium- and long-term loans as a percentage of total corporate loans decreased from 66.8% as of December 31, 2020 to 61.8% as of December 31, 2021. The percentage change of the above-mentioned corporate loan portfolio was mainly because the Group developed the inclusive finance vigorously, optimized and deepened the relationship with small and micro customers, and actively supported strategic emerging industries, mainly in the form of short-term loans.

The following table sets forth the distribution of the Group's corporate loans by product type as of the dates indicated.

	As of December 31, 2021		As of December 31, 2020	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Working capital loans	**61,020.3**	**62.3**	55,820.2	66.1
Fixed asset loans	**32,057.0**	**32.7**	26,893.7	31.8
Others [(1)]	**4,894.6**	**5.0**	1,745.6	2.1
Total corporate loans	**97,971.9**	**100.0**	84,459.5	100.0

Note:

(1) Consist primarily of syndicated loans.

As of December 31, 2021, working capital loans amounted to RMB61,020.3 million, representing an increase of 9.3% from RMB55,820.2 million as of December 31, 2020, primarily because the Group adhered to the developmental concept of serving the real economy, promoting green finance and inclusive finance, which efficiently increased the granting of credit loans.

As of December 31, 2021, fixed asset loans amounted to RMB32,057.0 million, representing an increase of 19.2% from RMB26,893.7 million as of December 31, 2020, primarily because the Group supported the transformational development of energy in Shanxi province, increased the efforts on granting of credit loans to the reform of state-owned assets and state-owned enterprises, the governmental major projects, and the parks construction.

As of December 31, 2021, other corporate loans of the Group amounted to RMB4,894.6 million, representing an increase of 180.4% from RMB1,745.6 million as of December 31, 2020, mainly because the Group expanded the scale of syndicate loans, merger and acquisition loans and other businesses in order to adjust the structure of credit loans and reduce risks.

Personal Loans

As of December 31, 2021, the Group's personal loans amounted to RMB26,872.0 million, which increased by 21.9% as compared with RMB22,044.9 million as of December 31, 2020. The increase was primarily because the Group steadily advanced the business of residential mortgage loans to meet local residents' rigid demand for housing. Meanwhile, the Bank constantly innovated the development of credit card business.

	As of December 31, 2021		As of December 31, 2020	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Residential mortgage loans	**18,687.9**	**69.6**	14,340.6	65.1
Personal consumption loans	**1,614.5**	**6.0**	1,705.3	7.7
Personal business loans	**2,126.3**	**7.9**	2,140.6	9.7
Credit card balances	**4,443.3**	**16.5**	3,858.4	17.5
Total personal loans	**26,872.0**	**100.0**	22,044.9	100.0

As of December 31, 2021, residential mortgage loans were RMB18,687.9 million, representing an increase of 30.3% from RMB14,340.6 million as of December 31, 2020. The increase was mainly because the Bank further optimized operational management mechanism of personal loans, increased the service efficiency and stepped-up efforts to expand second-hand property mortgage market.

As of December 31, 2021, personal consumption loans amounted to RMB1,614.5 million, representing an a decrease of 5.3% from RMB1,705.3 million as of December 31, 2020. The decrease was primarily because the Bank is in the upgrading and transformation period of consumption loans products with further reduction in the size of traditional consumption loans, personal consumption finance is more inclined to expand consumption demand for credit cards.

As of December 31, 2021, personal business loans amounted to RMB2,126.3 million, representing a decrease of 0.7% from RMB2,140.6 million as of December 31, 2020. The decrease was mainly attributable to the successive expiry of micro loans of the Bank for people who had been lifted out of poverty with the realization of China's overall building of a moderately prosperous society.

As of December 31, 2021, credit card balances amounted to RMB4,443.3 million, representing an increase of 15.2% from RMB3,858.4 million as of December 31, 2020. The increase was mainly attributable to the continuous growth in the size of credit cards and continuous increased effort of brand building. In 2021, the Bank adhered to customer-centric and technology-enabled business as the operation systems. The Bank continuously improved the ability of refined management of customers, and the scale of credit card issuance and consumption scale increased steadily. On the one hand, the Bank broadened the channels for customer acquisition of credit cards and expanded the scale of credit card issuance by improving the online application channels and optimizing offline access channels. On the other hand, the Bank created rights and interests system of preferential merchants covering the whole province to enrich the rights and interests of cardholders by strengthening brand building. The Bank conducted a series of highly representative and attractive online and offline activities with high level of participation, which greatly promoted the enthusiasm of customers in card application and the uses of the cards and increased consumption scale of credit cards.

Discounted Bills

The balance of discounted bills increased by 4.4% from RMB29,600.4 million as of December 31, 2020 to RMB30,896.6 million as of December 31, 2021, mainly due to the fact that the Bank expanded the scale of the discounted bills business according to the market needs and business strategies.

Financial Investments

As of December 31, 2021, the Group's net financial investments (consisting primarily of debt securities investment and SPV investment) amounted to RMB92,566.7 million, representing an increase of 1.0% from RMB91,659.9 million as of December 31, 2020.

The following table sets forth the classification of the Group's financial investments, based on its business model and cash flow characteristics, as of December 31, 2020 and December 31, 2021.

	As of December 31, 2021		As of December 31, 2020	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Financial investments measured at amortized cost	**52,113.7**	**55.9**	53,680.5	58.2
Financial investments measured at fair value through other comprehensive income	**5,346.9**	**5.7**	8,770.7	9.5
Financial investments measured at fair value through profit or loss	**35,783.1**	**38.4**	29,775.1	32.3
Total financial investments	**93,243.7**	**100.0**	92,226.3	100.0
Interest accrued	**653.6**		984.5	
Less: allowance for impairment losses	**(1,330.6)**		(1,550.9)	
Net financial investments	**92,566.7**		91,659.9	

Debt Securities Investment

The following table sets forth the components of the Group's debt securities investments by issuer as of December 31, 2020 and December 31, 2021.

	As of December 31, 2021		As of December 31, 2020	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Debt securities issued by the PRC government	**36,330.2**	**87.8**	35,940.4	84.5
Debt securities issued by policy banks	**2,279.1**	**5.5**	3,756.2	8.8
Debt securities issued by commercial banks and other financial institutions	**1,222.2**	**3.0**	1,238.8	2.9
Debt securities issued by corporate issuers	**1,531.0**	**3.7**	1,620.0	3.8
Total debt securities investment	**41,362.5**	**100.0**	42,555.4	100.0

The Group's investment in debt securities issued by PRC government increased by 1.1% from RMB35,940.4 million as of December 31, 2020 to RMB36,330.2 million as of December 31, 2021, primarily because of an appropriate increase of asset allocation in government bonds after comprehensive consideration of certain factors, such as cost income and taxation.

The Group's investment in debt securities issued by policy banks decreased by 39.3% from RMB3,756.2 million as of December 31, 2020 to RMB2,279.1 million as of December 31, 2021, primarily because of the successive expiry of some legacy debt securities issued by the policy banks during the Reporting Period.

As of December 31, 2021, the Group's investment in debt securities issued by commercial banks and other financial institutions decreased by 1.3% from RMB1,238.8 million as of December 31, 2020 to RMB1,222.2 million as of December 31, 2021. The debt securities issued by corporate issuers decreased by 5.5% from RMB1,620.0 million as of December 31, 2020 to RMB1,531.0 million as of December 31, 2021, which was mainly due to the Group's asset allocation strategy without allocating some matured legacy debt securities issued by commercial banks and corporate issuers under the same category.

SPV Investment

The following table sets forth the distribution of the Group's SPV investment by product type as of December 31, 2020 and December 31, 2021.

	As of December 31, 2021		As of December 31, 2020	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Trust plans	**1,976.2**	**5.9**	7,447.9	19.7
Asset management plans	**1,610.6**	**4.8**	4,906.5	13.0
Wealth management products	**–**	**–**	50.1	0.1
Funds	**30,012.4**	**89.3**	25,376.0	67.2
Total SPV investment	**33,599.2**	**100.0**	37,780.5	100.0

As of December 31, 2021, total SPV investment decreased to RMB33,599.2 million from RMB37,780.5 million as of December 31, 2020, because the Group reduced its investment in trust plans and asset management plans, and appropriately increased its investment in funds with strong liquidity based on the changes in the market environment.

Other Components of the Group's Assets

The following table sets forth the composition of other components of the Group's assets as of December 31, 2020 and December 31, 2021:

	As of December 31, 2021		As of December 31, 2020	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Cash and deposits with the central bank	**24,042.2**	**40.3**	20,535.8	43.3
Deposits with banks and other financial institutions	**1,914.9**	**3.2**	2,244.0	4.7
Placements with banks and other financial institutions	**2,700.3**	**4.5**	1,100.5	2.3
Derivative financial assets	**0.2**	**0.0**	0.1	0.0
Financial assets held under resale agreements	**26,352.0**	**44.1**	18,915.3	39.9
Interest in associates	**318.6**	**0.5**	294.1	0.6
Property and equipment	**1,394.7**	**2.3**	1,478.9	3.1
Deferred tax assets	**1,710.6**	**2.9**	1,695.6	3.6
Other assets [(1)]	**1,283.9**	**2.2**	1,182.9	2.5
Total other components of assets	**59,717.4**	**100.0**	47,447.2	100.0

Note:

(1) Consists primarily of right-of-use assets, intangible assets and other receivables and temporary payment.

As of December 31, 2021, total other components of assets increased by 25.9% to RMB59,717.4 million from RMB47,447.2 million as of December 31, 2020, mainly due to the fact that financial assets held under resale agreements increased from RMB18,915.3 million as of December 31, 2020 to RMB26,352.0 million as of December 31, 2021, primarily because the Bank increased short-term financial assets held under resale agreements to improve the utilization efficiency of funds. Cash and deposits with the central bank increased by 17.1% to RMB24,042.2 million from RMB20,535.8 million as of December 31, 2020, mainly due to the appropriate increase in excess reserves according to the liquidity management.

3.4.2 Liabilities

The following table sets forth the components of the Group's total liabilities as of the dates indicated.

	As of December 31, 2021		As of December 31, 2020	
	Amount	**% of total (%)**	Amount	% of total (%)
	(in millions of RMB, except percentages)			
Borrowing from the central bank	**2,799.2**	**1.0**	1,893.5	0.7
Deposits from banks and other financial institutions	**1,297.2**	**0.5**	1,905.8	0.8
Placements from banks and other financial institutions	**210.2**	**0.1**	800.7	0.3
Derivative financial liabilities	**0.4**	**0.0**	–	N/A
Financial assets sold under repurchase agreements	**15,345.7**	**5.5**	13,430.5	5.4
Deposits from customers	**199,207.2**	**70.8**	176,781.7	70.7
Income tax payable	**67.7**	**0.0**	274.5	0.1
Debt securities issued[(1)]	**58,967.2**	**21.0**	52,176.6	20.9
Other liabilities [(2)]	**3,239.1**	**1.1**	2,638.9	1.1
Total liabilities	**281,133.9**	**100.0**	249,902.2	100.0

Notes:

(1) Consists of certificates of interbank deposit, financial bonds and tier-two capital bonds.

(2) Consists primarily of accrued staff cost, lease liabilities, estimated liabilities and other financial payables.

As of December 31, 2021, the Group's total liabilities amounted to RMB281,133.9 million, representing an increase of 12.5% from RMB249,902.2 million as of December 31, 2020, mainly due to the increase in the size of deposits from customers and debt securities issued.

Deposits from Customers

As of December 31, 2021, the Group's deposits from customers amounted to RMB199,207.2 million, representing an increase of 12.7% from RMB176,781.7 million as of December 31, 2020. The increase in deposits from customers was mainly due to the increase in corporate deposits and personal deposits.

The following table sets forth the distribution of the Group's deposits from customers by product type and term structure of deposits as of December 31, 2020 and December 31, 2021.

	As of December 31, 2021		As of December 31, 2020	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Corporate deposits				
Demand	**42,270.4**	**21.7**	46,339.2	26.7
Time	**39,670.8**	**20.3**	26,882.0	15.5
Subtotal	**81,941.2**	**42.0**	73,221.2	42.2
Personal deposits				
Demand	**10,988.3**	**5.6**	9,783.5	5.6
Time	**83,271.6**	**42.6**	72,330.4	41.7
Subtotal	**94,259.9**	**48.2**	82,113.9	47.3
Others[1]	**19,064.9**	**9.8**	18,058.3	10.5
Total	**195,266.0**	**100.0**	173,393.4	100.0
Interests accrued	**3,941.2**		3,388.3	
Deposits from customers	**199,207.2**		176,781.7	

Note:

(1) Consists primarily of pledged deposits, inward and outward remittances and fiscal deposits.

The amount of corporate deposits increased by 11.9% from RMB73,221.2 million as of December 31, 2020 to RMB81,941.2 million as of December 31, 2021, mainly due to the Bank continued to expand the cooperate and institutional customers base, provided customers with quality financial services, and increased capital settlement retained by customers, thereby achieving an increase in corporate deposits.

The amount of personal deposits increased by 14.8% from RMB82,113.9 million as of December 31, 2020 to RMB94,259.9 million as of December 31, 2021, mainly due to the constant improvement of the Bank's personal customer services and product system, the enhancement of professional skills of retail lines team, the promotion of client's asset allocation and various types of marketing campaigns and labor competitions.

Debt Securities Issued

As of December 31, 2021, debt securities issued amounted to RMB58,967.2 million, representing an increase of 13.0% from RMB52,176.6 million as of December 31, 2020. The increase in debt securities issued was mainly due to an increase in the issuance of interbank deposit to meet working capital required for business development and the issuance of the tier-two capital bonds in order to replenish the Bank's capital.

Financial Assets Sold under Repurchase Agreements

As of December 31, 2021, financial assets sold under repurchase agreements amounted to RMB15,345.7 million, representing an increase of 14.3% from RMB13,430.5 million as of December 31, 2020, primarily due to an increase in the number of repurchase transaction contracts the Bank entered into in order to reduce its financing costs.

3.4.3 Equity

The following table sets forth the components of the Group' equity as of the dates indicated.

	As of December 31, 2021		As of December 31, 2020	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Share capital	**5,838.7**	**26.4**	5,838.7	27.7
Capital reserve	**6,627.6**	**29.9**	6,627.6	31.5
Surplus reserve	**3,792.5**	**17.1**	3,623.3	17.2
General reserve	**3,161.1**	**14.3**	2,809.4	13.4
Fair value reserve	**(30.6)**	**(0.1)**	(64.3)	(0.3)
Impairment reserve	**3.5**	**0.0**	12.9	0.1
(Deficit)/surplus on remeasurement of net defined benefit liability	**(4.4)**	**0.0**	(0.8)	0.0
Retained earnings	**2,747.6**	**12.4**	2,166.8	10.3
Equity attributable to equity holders of the Bank	**22,136.0**	**99.9**	21,013.6	99.9
Non-controlling interest	**21.6**	**0.1**	27.8	0.1
Total equity	**22,157.6**	**100.0**	21,041.4	100.0

As of December 31, 2021, the total equity of the Group amounted to RMB22,157.6 million, representing an increase of 5.3% from RMB21,041.4 million as of December 31, 2020. As of the same date, the equity attributable to equity holders of the Bank amounted to RMB22,136.0 million, representing an increase of 5.3% from RMB21,013.6 million as of December 31, 2020. The increase in equity was mainly attributable to an increase in retained earnings from realization of net profit, which was partially offset by the distribution of dividends during the period. For the year ended December 31, 2021, the Group realized a net profit of RMB1,679.4 million; according to the 2020 profit appropriation plan approved at the general meeting, cash dividends of RMB583.9 million were distributed to all shareholders.

3.5 Off-balance Sheet Items Analysis

The following table sets forth the contractual amounts of the Group's off-balance sheet commitments as of December 31, 2020 and 2021.

	As of December 31, 2021	As of December 31, 2020
	(in millions of RMB)	
Loan commitment	**14,765.0**	9,767.4
Credit card commitment	**6,557.8**	6,677.5
Bank acceptances	**43,989.9**	42,685.9
Letter of credit	**5,797.7**	4,348.1
Letter of guarantee	**201.8**	709.8
Capital commitment	**117.8**	129.3
Total off-balance sheet commitments	**71,430.0**	64,318.0

As of December 31, 2021, the Group's total off-balance sheet commitments amounted to RMB71,430.0 million, representing an increase of 11.1% from RMB64,318.0 million as of December 31, 2020, mainly because of the increase in the balances of loan commitment, bank acceptances and letter of credit and others as compared with the balance at the end of the last year .

3.6 Asset Quality Analysis

Distribution of Loans by Five-Category Loan Classification

The following table sets forth the distribution of the Group's loans by the five-category loan classification as of December 31, 2020 and 2021. According to the current guidelines of risk-based classification of loans, non-performing loans ("**NPL**") are classified as substandard, doubtful and loss.

	As of December 31, 2021		As of December 31, 2020	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Normal	**144,285.5**	**92.7**	130,705.1	96.0
Special Mention	**8,596.5**	**5.5**	2,891.0	2.2
Subtotal	**152,882.0**	**98.2**	133,596.1	98.2
Substandard	**2,277.4**	**1.4**	1,925.2	1.4
Doubtful	**108.2**	**0.1**	328.1	0.2
Loss	**472.9**	**0.3**	255.4	0.2
Subtotal	**2,858.5**	**1.8**	2,508.7	1.8
Total loans and advances to customers	**155,740.5**	**100.0**	136,104.8	100.0
NPL ratio [(1)]		**1.84**		1.84

Note:

(1) Calculated by dividing the total NPLs by the total loans and advances to customers.

As of December 31, 2021, according to the five-category loan classification, the Group's normal loans amounted to RMB144,285.5 million, representing an increase of RMB13,580.4 million from that as of December 31, 2020, accounting for 92.7% of the total loans and advances to customers. Special mention loans amounted to RMB8,596.5 million, representing an increase of RMB5,705.5 million from that as of December 31, 2020, accounting for 5.5% of total loans and advances to customers, which were mainly because part of the real estate loan classification went downward as affected by the policies of the real estate industry, and the operation conditions of some enterprises in wholesale, retail and manufacturing deteriorated as affected by the epidemic and economic environment, leading the loan classification went downward. NPLs amounted to RMB2,858.5 million, representing an increase of RMB349.8 million from that as of December 31, 2020. The NPL ratio was 1.84%, which was consistent with that as of December 31, 2020. The increase in the total amount of NPLs and unchanged NPL ratio were mainly because certain real estate loan customers of the Bank defaulted in 2021 due to the influence of policy adjustment of the real estate industry, which resulted in the increase in the total amount of NPLs. Meanwhile, ongoing enhancement was made in the collection of non-performing assets, the supervision on key regions and key projects was reinforced, and the quality and efficiency of disposal was improved constantly by combining repayment collection, transfer, repossession, litigation, writing-off and other means.

Distribution of Loans by Collateral

The following table sets forth the distribution of the Group's loans and advances to customers by types of collateral as of December 31, 2020 and 2021.

	As of December 31, 2021		As of December 31, 2020	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Pledged loans [1]	**37,208.5**	**23.9**	34,407.9	25.3
Collateralized loans [1]	**25,549.7**	**16.4**	20,277.7	14.9
Guaranteed loans [1]	**79,439.7**	**51.0**	69,195.1	50.8
Unsecured loans	**13,542.6**	**8.7**	12,224.1	9.0
Total loans and advances to customers	**155,740.5**	**100.0**	136,104.8	100.0

Note:

(1) Represent the total amount of loans fully or partially secured by collateral, pledges or guarantees in each category. If a loan is secured by more than one form of security interest, the categorization is based on the primary form of security interest.

Distribution of Corporate Loans by Industry

The following table sets forth the distribution of the Group's corporate loans by industry as of the dates indicated.

	As of December 31, 2021		As of December 31, 2020	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Manufacturing	**33,809.1**	**34.5**	28,018.4	33.2
Mining	**19,170.9**	**19.6**	19,032.8	22.5
Wholesale and retail	**11,490.1**	**11.7**	5,868.1	6.9
Real estate	**8,936.0**	**9.1**	10,416.0	12.3
Leasing and business services	**5,398.0**	**5.5**	5,812.2	6.9
Finance[(1)]	**3,905.1**	**4.0**	3,594.2	4.2
Construction	**3,846.0**	**3.9**	4,964.0	5.9
Water, environment and public utility management[(1)]	**2,904.8**	**2.9**	1,660.7	2.0
Electricity, gas and water production and supply	**1,551.3**	**1.6**	1,361.8	1.6
Transportation, warehousing and postal services	**1,089.4**	**1.1**	858.2	1.0
Lodging and catering[(1)]	**706.5**	**0.7**	761.3	0.9
Agriculture, forestry, animal husbandry and fishery	**270.0**	**0.3**	558.4	0.7
Education	**28.6**	**0.1**	38.2	0.1
Others [(2)]	**4,866.1**	**5.0**	1,515.2	1.8
Total corporate loans	**97,971.9**	**100.0**	84,459.5	100.0

Notes:

(1) The finance, water, environment and public utility management, and lodging and catering were presented as public administration, social security and social organization in the prior periods.

(2) Consist primarily of the following industries: (i) information transmission, software and information technology services, (ii) health and social works, (iii) resident services, maintenance and other services, (iv) culture, sports and entertainment, and (v) scientific research and technical services.

For the year ended December 31, 2021, the Group further optimized its credit structure and actively supported the development of the real economy. As of December 31, 2021, the Group's five major components of corporate loans were offered to customers in the following industries: manufacturing, mining, wholesale and retail, real estate and leasing and business services, the balance of loans to corporate customers in the top five industries amounted to RMB78,804.1 million, accounting for 80.4% of the total corporate loans and advances to customers issued by the Group.

Distribution of Non-Performing Corporate Loans by Industry

The following table sets forth the distribution of the Group's NPLs to corporate customers by industry as of the dates indicated.

	As of December 31, 2021			As of December 31, 2020		
	Amount	**% of total**	**NPL ratio(1) (%)**	Amount	% of total	NPL ratio(1) (%)
	(in millions of RMB, except percentages)					
Real estate	**919.2**	**37.4**	**10.29**	29.0	1.3	0.28
Manufacturing	**836.0**	**34.1**	**2.47**	760.3	33.9	2.71
Construction	**366.0**	**14.9**	**9.52**	23.6	1.1	0.48
Wholesale and retail	**245.8**	**10.0**	**2.14**	596.6	26.6	10.17
Leasing and business services	**34.3**	**1.4**	**0.64**	63.5	2.8	1.09
Lodging and catering(2)	**18.0**	**0.7**	**2.55**	19.3	0.9	2.54
Agriculture, forestry, animal husbandry and fishery	**10.0**	**0.4**	**3.70**	17.7	0.8	3.17
Electricity, gas and water production and supply	**8.7**	**0.4**	**0.56**	1.4	0.1	0.10
Transportation, warehousing and postal services	**6.6**	**0.3**	**0.61**	6.5	0.3	0.76
Education	**5.6**	**0.2**	**19.58**	5.6	0.3	14.66
Water, environment and public utility management(2)	**1.5**	**0.1**	**0.05**	1.5	0.1	0.09
Mining	**–**	**–**	**–**	713.5	31.9	3.75
Others(3)	**2.2**	**0.1**	**0.05**	1.9	0.1	0.13
Total non-performing corporate loans	**2,453.9**	**100.0**	**2.50**	2,240.4	100.0	2.65

Notes:

(1) Calculated by dividing NPLs to corporate customers in each industry by gross loans to corporate customers in that industry.

(2) The lodging and catering, and water, environment and public utility management were presented as public administration, social security and social organization in the prior periods.

(3) Mainly comprised of information transmission, software and information technology services and resident services, maintenance and other services.

As of December 31, 2021, the Group's non-performing corporate loans were mainly from real estate, manufacturing, construction industry. As of December 31, 2020 and 2021, the NPL ratio for corporate loans in the real estate industry was 0.28% and 10.29%, respectively. Non-performing corporate loans to borrowers in such industry accounted for 1.3% and 37.4% of the total non-performing corporate loans, respectively, mainly because under the influence of policy control in the real estate industry, the production and operation and credit level of certain enterprises were subject to pressure, and the default risk increased.

As of December 31, 2020 and 2021, the NPL ratio for corporate loans in the manufacturing industry was 2.71% and 2.47%, respectively. Non-performing corporate loans to borrowers in such industry accounted for 33.9% and 34.1% of the total non-performing corporate loans, respectively, mainly because facing more strict environmental policy and industrial technological standards, the Bank proactively withdrew from some unqualified manufacturing capacity while reinforcing the collection, writing-off and other disposal of NPL.

As of December 31, 2020 and 2021, the NPL ratio for loans in the construction industry was 0.48% and 9.52%, respectively. Non-performing corporate loans to borrowers in such industry accounted for 1.1% and 14.9% of the total non-performing corporate loans, respectively, mainly because under the influence of policy control in the real estate industry, the default risk in the construction industry increased.

Distribution of NPLs by Product Type

The table below sets forth the distribution of NPLs by product type as of the dates indicated.

	As of December 31, 2021			As of December 31, 2020		
	Amount	**% of total**	**NPL ratio (1) (%)**	Amount	% of total	NPL ratio (1) (%)
	(in millions of RMB, except percentages)					
Corporate loans						
Working capital loans	**1,143.1**	**40.0**	**1.87**	1,633.0	65.1	2.93
Fixed asset loans	**1,300.3**	**45.5**	**4.06**	593.3	23.6	2.21
Other loans (2)	**10.5**	**0.4**	**0.21**	14.1	0.6	0.81
Subtotal	**2,453.9**	**85.9**	**2.50**	2,240.4	89.3	2.65
Personal loans						
Residential mortgage loans	**60.2**	**2.1**	**0.32**	41.8	1.7	0.29
Personal consumption loans	**75.1**	**2.6**	**4.65**	59.8	2.4	3.51
Personal business loans	**68.5**	**2.4**	**3.22**	74.4	3.0	3.48
Credit cards	**200.8**	**7.0**	**4.52**	89.9	3.5	2.33
Subtotal	**404.6**	**14.1**	**1.51**	265.9	10.6	1.21
Discounted bills						
Bank acceptance bills	**–**	**–**	**–**	2.4	0.1	0.01
Subtotal	**–**	**–**	**–**	2.4	0.1	0.01
Total NPLs	**2,858.5**	**100.0**	**1.84**	2,508.7	100.0	1.84

Notes:

(1) Calculated by dividing NPLs in each product type by gross loans and advances to customers in that product type.

(2) Mainly comprised of advances for bank acceptance bills.

The NPL ratio for corporate loans decreased from 2.65% as of December 31, 2020 to 2.50% as of December 31, 2021, while the balance of non-performing corporate loans increased by 9.5% from RMB2,240.4 million to RMB2,453.9 million. The increase in the balances of non-performing corporate loans was mainly because during the transformation of green industries targeting at "peak carbon dioxide emissions" and "carbon neutralization", customers with backward technology and high product cost were driven out of the market with the increased operation risk. Meanwhile, due to the policy control in the real estate industry, the default risks by certain customers for loans in the real estate industry increased and expanded to the upstream and downstream industries at the same time. The decrease in the NPL ratio for corporate loans was mainly because the Group intensified the collection, disposal and elimination of non-performing corporate assets, in addition to the increase in the total corporate loans, resulted in the decrease in the NPL ratio for corporate loans.

The NPL ratio for personal loans increased from 1.21% as of December 31, 2020 to 1.51% as of December 31, 2021, and the balance of NPLs for personal loans increased by 52.2% from RMB265.9 million as of December 31, 2020 to RMB404.6 million as of December 31, 2021. The increase in the balance of NPLs and the NPL ratio for personal loans was mainly because of the ability of individuals to repay declined and the probability of default increased, as the impact of the epidemic on economy had not been completely eliminated.

Distribution of NPLs by Geographical Region

The following table sets forth the distribution of the Group's NPLs by geographical region as of December 31, 2020 and 2021.

	As of December 31, 2021			As of December 31, 2020		
	Amount	**% of total**	**NPL ratio [1] (%)**	Amount	% of total	NPL ratio [1] (%)
	(in millions of RMB, except percentages)					
Taiyuan	**2,474.3**	**86.6**	**2.28**	2,006.4	80.0	1.94
Outside Taiyuan	**384.2**	**13.4**	**0.82**	502.3	20.0	1.53
Total NPLs	**2,858.5**	**100.0**	**1.84**	2,508.7	100.0	1.84

Note:

(1) Calculated by dividing NPLs in each region by gross loans and advances to customers in that region.

Borrowers Concentration

Loans to the Ten Largest Single Borrowers

In accordance with applicable PRC Banking Industry guidelines, the Group is subject to a lending limit of 10% of its net capital base to any single borrower. As of December 31, 2021, the Group's loans to the largest single borrower accounted for 9.8% of the Group's net capital base, which was in compliance with regulatory requirements.

The following table sets forth the Group's loan exposure to the ten largest single borrowers as of the date indicated, which were all classified as normal on that date.

		As of December 31, 2021			
	Industry	**Amount**	**% of total loans**	**% of net capital base [(1)]**	**Classification**
		(in millions of RMB, except percentages)			
Borrower A	Manufacturing	**2,550.0**	**1.6**	**9.8**	Normal
Borrower B	Information media, software and information technology services	**2,116.4**	**1.4**	**8.1**	Normal
Borrower C	Finance	**2,027.2**	**1.3**	**7.8**	Normal
Borrower D	Manufacturing	**2,000.0**	**1.3**	**7.7**	Normal
Borrower E	Manufacturing	**1,694.5**	**1.1**	**6.5**	Normal
Borrower F	Manufacturing	**1,504.5**	**1.0**	**5.8**	Normal
Borrower G	Manufacturing	**1,400.0**	**0.9**	**5.4**	Normal
Borrower H	Finance	**1,375.0**	**0.9**	**5.3**	Normal
Borrower I	Wholesale and retail	**1,353.2**	**0.9**	**5.2**	Normal
Borrower J	Manufacturing	**1,267.0**	**0.8**	**4.9**	Normal
Total		**17,287.9**	**11.2**	**66.5**	

Note:

(1) Represents loan balances as a percentage of the Group's net capital base. The net capital base is calculated in accordance with the requirements of the Capital Administrative Measures for Commercial Banks (Provisional) and based on the financial statements prepared in accordance with PRC GAAP.

As of December 31, 2021, the balance of the Group's loan to the largest single borrower amounted to RMB2,550.0 million, accounting for 1.6% of the gross loans and advances to customers; the total loans to the ten largest single borrowers amounted to RMB17,287.9 million, accounting for 11.2% of the gross loans and advances to customers.

Loan Aging Schedule

The following table sets forth the Group's loan aging schedule as of the dates indicated.

	As of December 31, 2021		As of December 31, 2020	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Current loan	**152,621.2**	**98.0**	133,430.2	98.0
Loans past due for				
Up to 3 months[1]	**521.1**	**0.3**	493.1	0.4
Over 3 months up to 6 months[1]	**77.5**	**0.1**	829.7	0.6
Over 6 months up to 1 year[1]	**1,355.9**	**0.9**	716.2	0.5
Over 1 year up to 3 years[1]	**997.5**	**0.6**	461.4	0.4
Over 3 years [1]	**167.3**	**0.1**	174.2	0.1
Subtotal	**3,119.3**	**2.0**	2,674.6	2.0
Gross loans and advances to customers	**155,740.5**	**100.0**	136,104.8	100.0

Note:

(1) Represents the principal amount of the loans on which principal or interest overdue as of the dates indicated.

Changes to Allowance for Impairment Losses

Allowance for impairment losses on loans to customers increased by 8.5% from RMB4,868.5 million as of January 1, 2021 to RMB5,281.5 million as of December 31, 2021, mainly because the allowance for impairment losses of the Group was made based on the corresponding increase in new loans of RMB19,635.7 million as of December 31, 2021.

	As of December 31, 2021 Amount	As of December 31, 2020 Amount
	(in millions of RMB)	
Beginning of the period (January 1)	**4,868.5**[(1)]	4,283.0[(3)]
Charge for the period	**1,487.1**	1,000.3
Released for the period	**–**	(7.8)
Transfer out	**(830.3)**	(353.7)
Recoveries	**12.4**	21.1
Write-offs	**(177.2)**	(15.0)
Other changes	**(79.0)**	(59.4)
End of the period	**5,281.5**[(2)]	4,868.5

Notes:

(1) include (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB4,854.2 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB14.3 million.

(2) include (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB5,277.1 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB4.4 million.

(3) include (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB4,260.9 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB22.1 million.

3.7 Geographical Segments Report

In presenting information on the basis of geographic segments, operating income is gathered according to the locations of the branches or subsidiary that generated the income. For the purpose of presentation, the Group categorizes such information by geographic regions.

The table below sets forth the total operating income of each geographical region for the periods indicated.

	For the year ended December 31,			
	2021		2020	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Taiyuan	**4,532.0**	**84.1**	4,160.3	85.5
Outside Taiyuan	**858.7**	**15.9**	707.7	14.5
Total operating income	**5,390.7**	**100.0**	4,868.0	100.0

3.8 Capital Adequacy Ratio and Leverage Ratio Analysis

The Group is subject to capital adequacy requirements as promulgated by the China Banking and Insurance Regulatory Commission (the "**CBIRC**"). The following table sets forth, as of the dates indicated, relevant information relating to the Group's capital adequacy ratio, calculated in accordance with the Capital Administrative Measures for Commercial Banks (Provisional) of the CBIRC and PRC GAAP.

	As of December 31, 2021	As of December 31, 2020
	(in millions of RMB, except percentages)	
Core tier-one capital		
– Share capital	**5,838.7**	5,838.7
– Qualifying portion of capital reserve	**6,627.6**	6,627.6
– Surplus reserve	**3,792.5**	3,623.3
– General reserve	**3,161.1**	2,809.4
– Other comprehensive income	**(31.5)**	(52.2)
– Retained earnings	**2,747.6**	2,166.8
– Qualifying portions of non-controlling interests	**8.9**	14.9
Total core tier-one capital	**22,144.9**	21,028.5
Core tier-one capital deductions	**(272.0)**	(186.8)
Net core tier-one capital	**21,872.9**	20,841.7
Other tier-one capitals	**1.2**	2.0
Net tier-one capital	**21,874.1**	20,843.7
Tier-two capital	**4,160.3**	1,958.1
Net capital base	**26,034.4**	22,801.8
Total risk-weighted assets	**216,654.1**	194,498.5
Core tier-one capital adequacy ratio (%)	**10.10**	10.72
Tier-one capital adequacy ratio (%)	**10.10**	10.72
Capital adequacy ratio (%)	**12.02**	11.72

As of December 31, 2021, the Group's capital adequacy ratio was 12.02%, up by 0.30 percentage point from the end of 2020; both the tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 10.10%, down 0.62 percentage point from the end of 2020. The increase in capital adequacy ratio was mainly due to the issuance of RMB2 billion tier-two capital bonds in January 2021; The decrease in the tier-one capital adequacy ratio/core tier-one capital adequacy ratio was mainly due to an increase in risk-weighted assets resulting from the Bank increased efforts on granting of credit loans.

As of December 31, 2021, the Group's leverage ratio was 6.18%, representing a decrease of 0.35 percentage point from 6.53% as of December 31, 2020. Pursuant to the Administrative Measures on the Leverage Ratio of Commercial Banks (Revision) issued by the CBIRC, which has been effective since April 2015, leverage ratio shall be no less than 4%.

3.9 Risk Management

The primary risks related to the Bank's operations include: credit risk, market risk, liquidity risk, operational risk, information technology risk, reputation risk and strategic risk. In 2021, the Bank integrated the Party leadership into risk management comprehensively, strengthened the leading role of "risk management by the Party", continued to strengthen its comprehensive risk management system, adhered to a prudent risk appetite to constantly promote and improve a vertical and independent risk management system, and consolidated the monitoring and early warning of various risks.

Credit Risk

Credit risk refers to the risk of loss that may arise from the default by, or downgrade of credit rating of, an obligor or counterparty, or from its reduced capacity of fulfilling its contractual obligations. The Bank is exposed to credit risks primarily associated with corporate loan business, personal loan business and financial market business.

The Bank has built and continually improves its bank-wide credit risk management system to identify, measure, monitor, mitigate and control risks that arise from its credit extension business. In 2021, the Bank paid close attention to macro-economic and financial situation, implemented the economic and financial policy in relation to national policy direction and epidemic prevention and control, and continued to adjust and optimize credit structure. Centering on the provincial party committee's important strategic deployment on promoting high-quality development, the Bank strongly supported key areas and industrial development in Shanxi province, actively supported private enterprises, green credit loan, rural revitalization, etc. The Bank continued to improve the collection of non-performing assets, strengthened the supervision on key areas and important projects, and continued to promote the quality and efficiency of assets disposal by combining collection, transfer, repossession, litigation and writing-off and other means. The Bank implemented the national regulation policy and regulatory measures in the real estate industry, enhanced the risk prevention and control of group clients, the real estate industry and other key areas. The Bank continued to promote the empowerment of science and technology to improve the efficiency on risk minorizing and early warning.

The Bank is committed to using advanced information technology systems to improve our credit risk management, strengthening financial technology to empower the risk prevention and control, continually optimizing technology risk monitoring indicators, and continually improving the capability of risk prevention and control. The Bank introduced external big data such as business administration information and judicial litigation into credit management system, built the rules of intelligent risk management, intercepted high-risk customers to effectively improve the capability of risk identification and the efficiency of risk decision-making management.

The Bank is dedicated to striking a balance between achieving steady loan growths and maintaining a prudent culture of risk management. The Bank prepared detailed guidance on credit risk management based on the provincial, national and international economic conditions, as well as government policies and regulatory requirements. In formulating the credit policies, the Bank studies the macroeconomic environment in the PRC and Shanxi province and analyzes the risks and uncertainties relevant to the Bank's operations. The Bank also closely follows the updates in national and local economic development plans, financial regulations and monetary policies, and adjusts the Bank's credit guidelines accordingly.

Management of large-scale risk exposure

The Bank strictly implemented regulatory requirements, formulated management rules for large exposures, and established an organizational structure and management system for large exposures management, and regularly reported to regulators on large exposure indicators and related management so as to effectively control customer concentration risks. As of the end of the 2021, other than exemption customers, all limit indicators for the Bank's large-scale risk exposures were in compliance with the regulatory requirements.

Market Risk

Market risk refers to the risk of changes in market prices caused by interest rates, exchange rates and other market factors. The Bank is exposed to market risks primarily through the assets and liabilities on the balance sheet and the commitments and guarantees off the balance sheet. The Bank's market risk management involves the identification, measuring, monitoring and control of market risks. The Bank primarily employs risk sensitivity and stress tests in measuring and monitoring market risks. The Bank adopts different quantitative measures to manage various types of market risks in the Bank's banking and trading books.

The Bank actively responds to changes in the market environment, continually optimizes market risk management system, effectively controls market risk. The Bank strengthens bond investment risk management, continually focuses on the risk changes in key areas and adjust the management strategies on time, continually carries out market risk stress testing, strengthens the management of market valuation fluctuations of bonds, increases the efforts on the daily monitoring and investigation of bonds, continually consolidates the quality of bond investment business, continually optimizes transmission mechanism of interest rate risk management, improves the interest rate risk management system and raises the level of refinement, according to the study and judgement of interest trend and business development trend and together with the use of quantitative and price tools of assets and liabilities to implement interest rate risk management and strengthen the long-term regulation of assets and liabilities.

For the year ended December 31, 2021, the Bank started foreign currency business on a smaller scale and held minimal US dollars. The Bank formulated multiple policy and operating standards for foreign currency business, such as foreign exchange capital businesses, settlement and sale of foreign exchange business, to control relative foreign currency rate risk.

Liquidity Risk

Liquidity risk is the risk of failure to obtain sufficient funds in a timely manner or at a reasonable cost to fulfill payment obligations when due. The liquidity management of the Bank is primarily to provide timely payment of funds for lending, trading and investment activities in business development to meet capital needs, and to fulfill payment obligations when due.

The Bank has established a liquidity risk management system and an organizational structure where its Board of Directors bears the ultimate responsibilities for the Bank's liquidity risk management and the senior management is responsible for formulating liquidity risk management strategies and policies. The Bank manages liquidity risk through monitoring the maturities of assets and liabilities to ensure it has sufficient funds readily available or at a reasonable cost to fulfill the payment obligations as they become due. The Assets and Liabilities Management Department monitors the Bank's capital position on a daily basis, and provides risk alerts and reminders in a timely manner. The Bank strictly observes the relevant regulatory requirements, closely monitors each liquidity indicator, formulates crisis management plans, enhances daily liquidity risk management and regularly applies stress tests.

In 2021, the Bank closely monitored the changes in the market interest rates, strengthened monitoring and management of the regular liquidity risks, and rationally adjusted the strategies of liquidity risk management by strengthening its day time fund position management and rationally adjusted liquidity risk management strategies based on external market environment, to ensure that the liquidity risk is safe and controllable. Liquidity risk management was strengthened mainly in the following aspects: 1. The Bank strengthened the routine monitor of liquidity risks. The Bank improved the monitor and analysis of large-amount fund through the information system of liquidity risks, rationally adjusted and controlled its day time excess reserves level to ensure that payment and settlement and other businesses can be operated normally. Meanwhile, the Bank strengthened the management and control of liquidity risk indicators and rationally adjusted the structure of its assets and liabilities to ensure that the Bank's liquidity indicators continued to be stable and meet regulatory requirements. 2. The Bank adopted the management of liquidity risk limit indicators, and set the limit indicators based on the external market and the actual development of the Bank's business. 3. The Bank strengthened the management of quality liquidity assets to ensure that there were sufficient reserves of quality liquidity assets to meet external financing needs under stress scenarios. 4. The Bank had erected a liquidity risk monitoring table reporting mechanism to ensure that the Board and senior management can understand the Bank's liquidity status in a timely manner. 5. The Bank regularly conducted liquidity stress tests and timely adjusted the structure of assets and liabilities based on the results of the stress tests to ensure that there were sufficient high-quality liquid assets to cope with external liquidity pressures.

Operational Risk

Operational risk is the risk of losses arising from inadequate or defective internal procedures, personnel and information systems, or external events, mainly covering internal and external frauds, misconduct of employees, security failure, business interruptions, information system breakdown, and so on.

The Bank has established an operational risk management and governance structure with the Board, the Board of Supervisors and senior management, and clarified "three lines of defense" of operational risk management system for various business departments at our head office and branches, the Legal and Compliance Department and the Audit Department. The Bank continued to improve the operational risk management mechanism, update and improve the internal system, review and standardize business process and management, organize the "Internal Control and Compliance Management Construction Year" and carry out business self-examination and self-correction, focus on rectifying problems that are repeatedly investigated and occurred, strengthen the supervision on key businesses, key links and key personnel, and continuously improve risk prevention and control capabilities.

Based on strengthening internal control and compliance management, the Bank actively carried out policy study and judgment, internalization of external regulations, inspection and supervision, behavior investigation, confirmation of responsibility and warning education, etc. to continuously improve the internal control management system, enhance the effectiveness of internal control management and create a good atmosphere of compliance culture. Meanwhile, the Bank continued to improve business continuity plan and emergency plan, carried out business impact analysis and risk assessment, and implemented intra-city two-center real-life shift drills for core business systems to enhance its capabilities to deal with emergency and ensure the continuous business operation.

Information Technology Risk

Information technology risks include operational risk, reputational risk, legal risk and other types of risks caused by natural factors, human errors, technical loopholes and management failure arising from the Bank's use of information technology. The Bank has set up an Information Technology Management Committee and the Legal and Compliance Department and Information Technology Department at the head office which are responsible for managing information technology risks. The Bank strives to continuously improve the information technology infrastructure and the Bank's information technology management system to comply with the national standards and regulatory requirements.

To ensure the security of information technology, the Bank has hired professionals to supervise the information security system and established a series of information security management measures to prevent any unauthorized network intrusions, attacks, data leakage or third-party tampering with the Bank's information system. As part of the Bank's business continuity management measures, the Bank has established a disaster backup and recovery system comprising two local active application-level centers and one off-site data-level disaster recovery center. The Bank has also established detailed contingency plans regarding the potential breakdown of the information system to ensure the continuity of operations. The Bank conducts periodic disaster drills for business continuity for important businesses.

Reputational Risk

Reputation risk refers to the behavior of the Bank, its employees or external events that lead to negative evaluations of the Bank by stakeholders, the public and the media, thereby damaging the brand value of the Bank, adversely affecting the operation and management of the Bank, and even affecting market stability and social stability. The Bank takes its reputation seriously and has established an effective reputational risk management mechanism to monitor, identify, report, control, and assess the reputational risk, and at the same time manage the reputational risk emergency handling, and minimize any loss and negative impact on the Bank due to such incidents.

The Office of the Board of the Bank is responsible for undertaking management of overall reputational risks, including establishing a reputational risk management system, and formulating basic internal policies. The Bank has also set up reputational risk incidents emergency response teams at the branches and sub-branches, so that the head office can be promptly informed upon the occurrence of material and urgent incidents and take appropriate actions accordingly.

Strategic Risk

Strategic risk is caused by inappropriate business strategies or changes in the external operating environment during the establishing and implementing of the strategy, which may have a negative impact on the current, or future, profit, capital, reputation or market position of the Bank.

The Bank actively conducts the evaluation of strategy implementation, keeps the adaptation between strategic plans and external environment constantly, makes strategic plans for 2021-2025 in a scientific manner, as an action plan which guides right direction for the Bank in the next five years, so as to enhance the Bank's adaptability in the face of unexpected market changes. The Office under the Board of Directors is responsible for managing the Bank's strategic risks. The Bank identifies strategic risk factors through cooperation between the Office under the Board of Directors and the Risk Management Department; conducts regular review and study on prevailing market conditions and the Bank's business operation status to timely identify potential risks, makes prompt adjustment to the strategies and relevant implementation measures accordingly, and closely monitors the implementation of the strategies.

3.10 Business Review

For the year ended December 31, 2021, the Group's principal business lines comprised corporate banking, retail banking and financial markets.

For corporate banking business, the Bank focuses on serving the governmental and institutional customers as well as high-quality enterprises in the industries, continuously improves the level of corporate customers management by measures such as intensifying the cooperation between governments and the Bank, enriching trade financial products, deepening reform of the corporate financial team and accelerating the development of investment banking; for retail banking business, the Bank adheres to the philosophy of "building a bank founded on the basis of deposit (存款立行)" and continues to consolidate the foundation of personal deposits, promotes the rapid development of businesses such as credit card, personal loan, and wealth management services, accelerates the progress of wealth management and digital transformation, continually enhances customer service capability, improves customer value promotion, and effectively improves the market competitiveness and the brand influence of retail banking; for financial market business, the Bank adjusts the asset structure of its bond and bill business proactively, expands credit granting to peer institutions actively, and strengthens the management of counterparties.

The following table sets forth the breakdown of the Group's operating income by business lines for the years ended December 31, 2020 and 2021.

	For the year ended December 31,			
	2021		2020	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB, except percentages)			
Corporate banking	**3,593.9**	**66.7**	3,120.0	64.1
Retail banking	**1,205.0**	**22.3**	1,225.2	25.2
Financial markets	**580.9**	**10.8**	507.7	10.4
Others [1]	**10.9**	**0.2**	15.1	0.3
Total operating income	**5,390.7**	**100.0**	4,868.0	100.0

Note:

(1) Consist primarily of income that is not directly attributable to any specific segment.

Corporate banking

The Bank positions itself as a "financial steward" and a "partner of the real economy" for local governments in Shanxi province, practiced green concept of development, gave our full support to the energy revolution and transformation and comprehensive reform in Shanxi province, actively provided financing support for key projects in Shanxi province and other cities, constantly provided corporate banking customers with diversified products and services, including deposits, loans, trade financing, cash management, remittance and settlement, bonds and bills service.

For the year ended December 31, 2021, the Group's operating income from corporate banking was RMB3,593.9 million, representing a year-on-year increase of 15.2% and accounting for 66.7% of the total operating income for the same period. The increase in operating income from corporate banking was mainly due to the growth of the company's deposit, loan scale and service fee revenue, and the increased bank acceptance business fee.

As of December 31, 2021, the balance of corporate loans of the Group amounted to RMB97,971.9 million, representing an increase of 16.0% from December 31, 2020. As of the same date, total corporate deposits amounted to RMB81,941.2 million, representing an increase of 11.9% from December 31, 2020.

The Bank continued to improve its ability of catering to corporate banking customers' needs for differentiated financial products, and vigorously developed investment banking and supply chain financial services. The Bank also focused on development of the intelligent online products centering on the improvement of customer experiences, innovated green financing methods and broadened the channels of capital sources, so as to continuously optimize the business structure, enrich its product portfolio and enhance comprehensive service capacity.

Retail banking

Capitalizing on its deep knowledge of the local market and the preferences of retail banking customers, the Bank continually develops and promotes various well-received retail banking products and services and puts persistent effort in terms of wealth management, customer service, channel operation, product innovation, etc. The Bank provided a range of products and services to retail banking customers, including personal loans, deposit taking services, personal wealth management services, credit card services, funds, insurance services and other agent services and remittance services.

For the year ended December 31, 2021, the Group's operating income from retail banking was RMB1,205.0 million, representing a year-on-year decrease of 1.6% and accounting for 22.3% of the total operating income for the same period. As of December 31, 2021, the personal loan balance was RMB26,872.0 million, accounting for 17.3% of the total loans and advances to customers. As of December 31, 2021, residential mortgage loans, personal consumption loans, personal business loans, and credit card balance were RMB18,687.9 million, RMB1,614.5 million, RMB2,126.3 million and RMB4,443.3 million, accounting for 69.6%, 6.0%, 7.9% and 16.5% of the total personal loans of the Bank, respectively. As of the same date, the Group's total personal deposits amounted to RMB94,259.9 million, representing an increase of 14.8% from December 31, 2020.

Relying on quality services, the number of retail banking customers of the Group further increased during the Reporting Period, from 2,738.7 thousand as of December 31, 2020 to 2,981.9 thousand as of December 31, 2021. After years of persistent efforts, the Bank has established an extensive business network in central cities in Shanxi province. As of December 31, 2021, the Bank had one head office, ten branches, 152 sub-branches (including four sub-branches directly administered by the head office, 123 city-level sub-branches, and 25 county-level sub-branches) and one 51.0% owned subsidiary, Qingxu Jinshang Village and Township Bank Co., Ltd. In total, the Bank had 162 outlets, which covered all 11 prefecture-level cities in Shanxi province.

During the Reporting Period, based on the comprehensive coverage of the business network, the Bank is committed to providing customers with convenient online and mobile financial products and services with the use of advanced technologies. During the Reporting Period, the Bank continuously enriched its online banking services and attracted customers with a good tailor-made user experience through technological upgrade. In addition, by integrating high-quality resources, the Bank provided professional and comprehensive financial services to high net worth individuals in the province. The private banking center won the "Annual Wealth Management Award" issued by National Business Daily Magazine in 2021, and the Prestigious Award of "Outstanding Wealth Management Bank" and "Outstanding Regional Private Bank" issued by PY Standard in 2021 for its professional and outstanding services.

In order to brand the Bank's private banking and intensify the operational management of customers of private banking, the Private Banking Center focuses on the service system of "promoting the future (升擢未來)", "promoting various privileges (升享尊貴)", "promoting the level of wellbeing (升生之道)", and "promoting extraordinary experience (升鑑不凡)", actively explores the development model of private banking in line with its own development strategy, scale and management capabilities, deepens the service market of family wealth planning, creates a differentiated and distinctive private banking brand, and accelerates the steady and robust development of private banking in the region.

Financial markets business

The financial markets business of the Group includes inter-bank money market transactions, repurchases transactions, bond investment and trading. It also covers management of the Group's overall liquidity position.

During the Reporting Period, the Bank closely monitored the changes in the macroeconomic situation, adhered to the direction of financial market policies, strengthened the monitoring and analysis of market conditions, seized business development opportunities, and rationally formulated investment strategies, continuously optimized the investment portfolio and actively carried out innovative business under the premise of risk control, while building a more competitive financial markets business.

The financial market business continued to focus on liquidity management and to improve profitability, constantly promote new businesses, maintain risk prevention and compliance management, and continuously enhance the Bank's market activity and influence. For the year ended December 31, 2021, the Bank was granted the qualifications of "2021 Renminbi Financial Bond Underwriting Market-Making Group of National Development Bank", which further expanded the scope of the Bank's bond underwriting and distribution business and credit risk prevention and control capabilities; the Bank obtained the core dealer qualification of credit risk mitigation instruments and the business qualification of underlying financial derivatives, which further strengthened the Bank's capability of risk aversion and hedging.

For the year ended December 31, 2021, operating income from the Bank's financial markets business amounted to RMB580.9 million, accounting for 10.8% of its total operating income, representing an increase of 14.4% from RMB507.7 million in the same period in 2020, mainly due to the increase in valuation of the mutual funds invested by the Bank that was affected by the financial markets, and the decrease in interest income from some trust schemes affected by the asset quality.

Interbank Market Transactions

The Group's interbank market transactions business primarily consists of: (i) interbank deposits; (ii) interbank placements; and (iii) purchase under resale agreement and sale under repurchase agreement, which mainly involves bonds and bills.

As of December 31, 2021, deposits with banks and other financial institutions were RMB1,914.9 million, accounting for 0.6% of the Group's total assets as of December 31, 2021. As of the same date, deposits from banks and other financial institutions amounted to RMB1,297.2 million, accounting for 0.5% of the Group's total liabilities as of December 31, 2021.

As of December 31, 2021, placements with banks and other financial institutions were RMB2,700.3 million, accounting for 0.9% of the Group's total assets as of December 31, 2021. As of the same date, placements from banks and other financial institutions were RMB210.2 million, accounting for 0.1% of the Group's total liabilities as of December 31, 2021.

As of December 31, 2021, financial assets purchased under resale agreements were RMB26,352.0 million, accounting for 8.7% of the Group's total assets as of December 31, 2021. As of the same date, financial assets sold under repurchase agreements were RMB15,345.7 million, accounting for 5.5% of the Group's total liabilities as of December 31, 2021.

Investment Management

The Group's investment management business mainly consists of debt securities investment and SPV investment. Specifically, debt securities include debt securities issued by PRC government, policy banks, commercial banks and other financial institutions, and enterprises. SPV investment refers to investments in trust plans, asset management plans, wealth management products, and mutual funds. When making debt securities investment and SPV investment, the Bank takes into account a broad range of factors, including but not limited to risk appetite, capital consumption level and expected yields of relevant products, as well as overall economic conditions and relevant regulatory development, to achieve a better balance between risk and return.

As of December 31, 2021, the balance of debt securities investment was RMB41,362.5 million, representing a decrease of 2.8% from December 31, 2020, mainly because of the increase of the investment in government bonds after comprehensive consideration of market and debt securities yield and other factors, and other types of bonds past due were not allocated.

As of December 31, 2021, the balance of SPV investment was RMB33,599.2 million, representing a decrease of 11.1% from December 31, 2020, mainly because the Group reduced its investment in trust plans and asset management plans, and appropriately increased its investment in funds with strong liquidity based on the changes in the market environment.

Wealth Management

During the Reporting Period, the Bank actively expanded its wealth management products and services to attract a wider range of customers with different financial needs and risk tolerance, and effectively respond to the challenges of traditional banking services amid interest rate marketization. For the year ended December 31, 2021, the amount of wealth management products issued by the Group was RMB125,185.4 million, representing an increase of 26.8% from the year ended December 31, 2020, mainly because the Bank improved its product system in a stable and orderly manner according to the regulatory requirements and the local market and customer needs, with further enriched types of open-ended products and increased subscription amount. As of December 31, 2021, the Group had more than 340,000 wealth management customers, a further increase from the end of 2020.

As of December 31, 2021, the outstanding balance of the non-principal guaranteed wealth management products issued by the Group was RMB52,080.7 million, representing an increase of 35.9% from December 31, 2020, mainly because the Bank actively implemented the new regulations and requirements on capital management, increased transformation efforts on net value type of wealth management products, enhanced products innovation and completed the net value transformation of wealth management products. For the year ended December 31, 2021, the fee and commission income from the wealth management products issued by the Group was RMB178.1 million, representing an increase of 23.0% for the year ended December 31, 2020, mainly due to the completion of all transformation of the net worth of wealth management business in the third quarter of 2021. The issue volume and inventory of net value wealth management products increased a lot as compared to the last year and the liability costs in the low interest rate environment decreased which promoted the increase in the net revenue.

Debt Securities Distribution

The Bank's investment banking team provides customers with comprehensive financial services through the debt securities distribution business, to further leverage the Bank's strong capacity in managing capital market transactions, and to broaden its customer base.

The Bank obtained the preliminary and Class-B qualification for underwriting debt financing instruments issued by non-financial enterprises in October 2016 and February 2019, respectively, the latter of which allows the Bank to act as a lead underwriter in the regional market. For the year ended December 31, 2021, the aggregate principal amount of debt securities the Bank distributed amounted to RMB41,143.0 million, representing a decrease of 29.0% for the year ended December 31, 2020, mainly due to the decreased overall issuance size of the market in 2021 compared with 2020, and the reduced distribution amounts on the bond market compared with 2020, especially by coal enterprises which suffered difficulty in bonds issuance.

Small and micro enterprise

During the Report Period, the Bank has actively implemented the decisions of the Party Central Committee and the State Council on financial support for small and micro enterprises, maintained its strategic determination, adhered to its market positioning, strengthened its inclusive financial services, and overcame various pressure including "increasing external market competition and the impacts of the pandemic that has not yet been completely eliminated", reasonably set the financing cost of inclusive micro and small loans to effectively promote the high-quality development of the Bank's small and micro financial services.

As of December 31, 2021, our head office has set up a small enterprise financial department, and 14 branches have set up small and micro financial departments or small and micro financial teams, and three small and micro business franchised sub-branches in our institution outlets.

As of December 31, 2021, the balance of loans to small and micro enterprises of the Bank amounted to RMB47,510.8 million, representing an increase of RMB3,070.7 million from December 31, 2020; the number of loan customers of small and micro enterprises was 3,846, representing a decrease of 176 from December 31, 2020.

As of December 31, 2021, the balance of inclusive loans to small and micro enterprises of the Bank (operation data of bill discounting and rediscount shall be excluded according to the regulatory assessment of "two increases" in 2021) amounted to RMB5,745.9 million, representing an increase of RMB1,247.0 million from December 31, 2020; the number of inclusive small and micro enterprise customers was 3,278, representing an increase of 359 from December 31, 2020, achieving the target of "two increases". Non-performing loan ratio of inclusive small and micro enterprises of the Bank was 6.28%, representing a decrease of 2.36 percentage point compared with December 31, 2020. The annualized interest rate of accumulative inclusive loans to small and micro enterprises of the Bank was 5.32%, representing a decrease of 0.02 percentage point compared with 2020, in compliance with the regulatory requirements of "two controls" as the lending comprehensive cost controlled at a reasonable level.

4. ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES, JOINT VENTURES, ASSETS AND BUSINESS MERGER

During the Reporting Period, the Bank was not engaged in any material acquisition or disposal of subsidiaries, associates, joint ventures and assets or business merger.

Substantial Investments

The Bank had no substantial investments in 2021.

5. OTHER INFORMATION

5.1 Corporate Governance Code

During the Reporting Period, the Bank continued to improve the transparency and accountability of its corporate governance and ensured high standards of corporate governance practices to protect the interests of shareholders and enhance corporate value and commitment.

The Bank has established a relatively comprehensive corporate governance structure in accordance with the requirements of the Hong Kong Listing Rules. The compositions of the Board and the special committees of the Board are in compliance with the requirements of the Hong Kong Listing Rules. The Bank clearly splits the responsibilities among the shareholders' general meeting, the Board of Directors, the Board of Supervisors and the senior management. The shareholders' general meeting is the highest organ of authority of our Bank. The Board of Directors is accountable to the shareholders' general meeting. The Board of Directors has established six special committees, which operate under the leadership of the Board of Directors and advise on board decisions. The Board of Supervisors is responsible for supervising performance of the Board of Directors and senior management, and the financial activities, risk management and internal control of the Bank. Under the leadership of the Board of Directors, senior management is responsible for implementing the resolutions of the Board of Directors and for the daily operation and management of the Bank, and reports to the Board of Directors and the Board of Supervisors on a regular basis. The President of the Bank is appointed by the Board of Directors and is responsible for the overall operations and management of the Bank.

The Bank has adopted the Corporate Governance Code (the "**Code**") in Appendix 14 to the Hong Kong Listing Rules and has also met the requirements of the administrative measures and corporate governance for domestic commercial banks, establishing a sound corporate governance system. During the Reporting Period, the Bank has complied with all applicable code provisions set out in Appendix 14 to the Hong Kong Listing Rules.

The Bank is committed to maintaining a high standard of corporate governance. The Bank will continue to review and enhance its corporate governance, so as to ensure compliance with the Code and meet the expectations of its shareholders and potential investors.

5.2 Directors, Supervisors and Senior Management

As at the date of this announcement, the composition of the Bank's Board of Directors, Board of Supervisors and senior management is as follows:

The Bank's Board of Directors consists of thirteen Directors, including two executive Directors, namely, Ms. HAO Qiang (Chairwoman of the Board of Directors) and Mr. ZHANG Yunfei (Vice Chairman of the Board of Directors); five non-executive Directors, namely, Mr. LI Shishan, Mr. XIANG Lijun△, Mr. LIU Chenhang, Mr. LI Yang* and Mr. WANG Jianjun; and six independent non-executive Directors, namely, Mr. JIN Haiteng, Mr. SUN Shihu, Mr. WANG Liyan, Mr. DUAN Qingshan*, Mr. SAI Zhiyi and Mr. YE Xiang.

△ *Subject to the approval of his qualification as the Vice Chairman by the relevant regulatory authorities, including the regulatory authorities for the banking industry.*

* *Directorship subject to the approval by the CBIRC Shanxi Office to come into effect.*

The Bank's Board of Supervisors consists of eight supervisors, including three employees supervisors, namely, Mr. XIE Liying, Chairman of the Board of Supervisors, Mr. WEN Qingquan and Mr. GUO Zhenrong; two shareholders supervisors, namely, Mr. BI Guoyu and Mr. XIA Guisuo; and three external supervisors, namely, Mr. LIU Shoubao, Mr. WU Jun and Mr. LIU Min.

The Bank's senior management consists of ten members, namely, Mr. ZHANG Yunfei Mr. ZHAO Jiquan, Mr. LI Yanbin#, Mr. WANG Yibin#, Ms. HOU Xiuping, Mr. WEN Gensheng, Mr. LI Weiqiang, Mr. NIU Jun, Mr. SHANGGUAN Yujiang and Ms. LI Wenli.

\# *Subject to the approval of his qualification as the vice president of the Bank by the CBIRC Shanxi Office to come into effect.*

5.3 Changes in Directors, Supervisors and Senior Management during the Reporting Period and up to the Date of this Announcement

Changes in Directors

On January 20, 2021, Mr. WANG Peiming tendered his resignation as an executive Director of the Bank and a member of the Related Parties Transactions Control Committee of the Board due to retirement with effect from January 20, 2021. For details, please refer to the announcement entitled "RESIGNATION OF EXECUTIVE DIRECTOR" issued by the Bank on January 20, 2021.

On April 26, 2021, Mr. WANG Junbiao tendered his resignation as an executive Director of the Bank, the chairman of the Board, the chairperson and a member of the Development and Strategy Committee of the Board and a member of Nomination, Remuneration and HR Committee of the Board due to work re-arrangement with effect from April 26, 2021. For details, please refer to the announcement entitled "RESIGNATION OF EXECUTIVE DIRECTOR AND CHAIRMAN" issued by the Bank on April 26, 2021.

On April 30, 2021, the Board considered and approved the proposed appointment of Ms. HAO Qiang as an executive Director of the Bank, and Mr. ZHANG Yunfei as an executive Director and the vice president of the Bank, taking up duties and responsibilities of the president of the Bank. On June 10, 2021, the 2020 annual general meeting of the Bank approved the appointment of each of Ms. HAO Qiang and Mr. ZHANG Yunfei as an executive director. Ms. HAO Qiang was elected as the Chairwoman, and Mr. Zhang Yunfei was elected as the Vice Chairman by the Board. For details, please refer to the announcement entitled "PROPOSED APPOINTMENT OF EXECUTIVE DIRECTORS" issued by the Bank on April 30, 2021, and the announcement entitled "(I) POLL RESULTS OF THE 2020 ANNUAL GENERAL MEETING HELD ON JUNE 10, 2021 (THURSDAY); (II) APPOINTMENT OF EXECUTIVE DIRECTORS; (III) ELECTION OF CHAIRWOMAN AND VICE CHAIRMAN; (IV) CHANGE OF BOARD COMMITTEE MEMBERS; (V) RESIGNATION OF SHAREHOLDERS' REPRESENTATIVE SUPERVISOR" issued by the Bank on June 10, 2021.

On July 16, 2021, Ms. HAO Qiang obtained the approval of the qualification as a director and the chairwoman of the Board from the CBIRC Shanxi Office. For details, please refer to the announcement entitled "ANNOUNCEMENT ON APPROVAL OF THE QUALIFICATION AS DIRECTOR AND CHAIRWOMAN BY THE REGULATORY AUTHORITY" issued by the Bank on July 19, 2021.

On August 30, 2021, Mr. ZHANG Yunfei obtained the approval of the qualification as a director, the vice chairman of the Board and a vice president from the CBIRC Shanxi Office. For details, please refer to the announcement entitled"ANNOUNCEMENT ON APPROVAL OF THE QUALIFICATION AS DIRECTOR, VICE CHAIRMAN AND VICE PRESIDENT BY THE REGULATORY AUTHORITY" issued by the Bank on August 31, 2021.

On September 1, 2021, the Bank completed the industrial and commercial registration changes of the legal representative.

Changes in Supervisors

On June 10, 2021, Ms. XU Jin tendered her resignation as a shareholders' representative Supervisor of the Bank due to work re-arrangement with effect from June 10, 2021. For details, please refer to the announcement entitled "(I) POLL RESULTS OF THE 2020 ANNUAL GENERAL MEETING HELD ON JUNE 10, 2021 (THURSDAY); (II) APPOINTMENT OF EXECUTIVE DIRECTORS; (III) ELECTION OF CHAIRWOMAN AND VICE CHAIRMAN; (IV) CHANGE OF BOARD COMMITTEE MEMBERS; (V) RESIGNATION OF SHAREHOLDERS' REPRESENTATIVE SUPERVISOR" issued by the Bank on June 10, 2021.

Changes in Senior Management

On March 19, 2021, Mr. GAO Jiliang tendered his resignation as a vice president of the Bank due to work re-arrangement with effect from March 19, 2021.

On March 26, 2021, Ms. LI Wenli was appointed as the chief audit officer by the Board of Directors, which is subject to the qualification approval by the CBIRC Shanxi Office.

On April 9, 2021, Mr. ZHAO Fu tendered his resignation as a chief marketing officer of the Bank due to work re-arrangement with effect from April 9, 2021.

On April 30, 2021, Ms. HAO Qiang tendered her resignation as a vice president of the Bank due to work re-arrangement with effect from April 30, 2021.

On April 30, 2021, Mr. ZHANG Yunfei tendered his resignation as a chief risk officer of the Bank due to work re-arrangement with effect from April 30, 2021. On April 30, 2021, Mr. ZHANG Yunfei was appointed by the Board as the vice president of the Bank, taking up duties and responsibilities of the president of the Bank, and his qualification has been approved by the CBIRC Shanxi Office on August 30, 2021.

On April 30, 2021, Mr. ZHAO Jiquan was appointed as a vice president of the Bank by the Board, and his qualification has been approved by the CBIRC Shanxi Office on October 29, 2021.

On January 14, 2022, Mr. LI Yanbin and Mr. WANG Yibin were appointed as the vice presidents of the Bank by the Board, and their qualifications are subject to the approval by CBIRC Shanxi Office.

Save as disclosed above, there is no other relevant information required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules during the Reporting Period and up to the date of this announcement.

5.4 Securities Transaction by Directors, Supervisors and Relevant Employees

The Bank has adopted 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 as its code of conduct for regulating securities transactions by Directors, supervisors and relevant employees of the Bank. Having made enquiry with all Directors and supervisors, all of the Directors and supervisors confirmed that they have been in compliance with the above Model Code throughout the Reporting Period. The Bank is not aware of any violations of the Model Code by the employees concerned.

5.5 Profits and Dividends

The Group's revenue for the year ended December 31, 2021 and financial position as of the same date are set out in the section headed "ANNUAL FINANCIAL STATEMENTS" in this annual results announcement.

On March 26, 2021, the Board passed a resolution which proposed to declare and distribute cash dividends of RMB10 per 100 shares (tax inclusive), totally RMB583.9 million for the year ended December 31, 2020 to all existing shareholders on record as of June 22, 2021. The declaration and distribution of these dividends were approved on the shareholders' general meeting on June 10, 2021. The Bank has distributed these dividends for the year ended December 31, 2020 with its internal funds on July 30, 2021.

The Board of Directors has proposed to distribute final cash dividends for the year ended December 31, 2021 at RMB10 (tax inclusive) per 100 shares, in an aggregate amount of approximately RMB583.9 million. The final dividend is subject to approval of shareholders at the Bank's annual general meeting of 2021. If approved, the Bank's final dividend for the year ended December 31, 2021 will be denominated and declared in RMB. Dividends will be distributed to holders of Domestic Shares of the Bank in Renminbi and to holders of H Shares in equivalent Hong Kong dollars. For this conversion, Renminbi will be converted to Hong Kong dollars at the average of the central parity rates as published by the PBoC of the five working days preceding to June 10, 2022 (inclusive) (the date of the Bank's annual general meeting of 2021). If approved at the Bank's annual general meeting of 2021, it is expected that the final dividend will be paid on July 29, 2022.

The registration of transfers of H Shares will be closed from June 16, 2022 (Thursday) to June 21, 2022 (Tuesday) (both days inclusive). Each shareholder whose name appears on the Bank's share registers of H Shares and Domestic Shares on June 21, 2022 (Tuesday) will be entitled to receive final dividends. For a holder of H Shares to be eligible for the final dividend, all transfer documents together with the relevant H Shares certificates must be delivered to the H Share Registrar, namely, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m., June 15, 2022 (Wednesday) for registration.

5.6 Purchase, Sale and Redemption of Listed Securities of the Bank

From January 1, 2021 to the date of this annual results announcement, neither the Bank nor its any subsidiary purchased, sold or redeemed any listed securities of the Bank.

5.7 Audit of Annual Results

The annual financial statements of the Bank for the year ended December 31, 2021, which were prepared in accordance with IFRSs promulgated by IASB, have been audited by Ernst & Young in accordance with International Standards on Auditing.

The annual results of the Bank have been reviewed and approved by the Board of Directors and its Audit Committee.

5.8 Use of Proceeds

The proceeds from issuance of H shares of the Bank have been used according to the intended use as disclosed in the prospectus of the Bank. All of the net proceeds from the Global Offering of the Bank (after deduction of the underwriting fees and commissions and estimated expenses payable by the Bank in connection with the Global Offering) amounted to approximately RMB3,171 million (including net proceeds from over-allotment), which have been used to expand the capital of the Bank to support the ongoing business growth.

As approved by the preparatory team of CBIRC Shanxi Office, the Bank issued financial bonds in the national inter-bank bond market on December 13, 2018 and the payment was completed on December 17, 2018. This tranche of bonds totaled RMB5.00 billion with a maturity of three years at a fixed interest rate and a coupon interest rate of 4.00%, the bond has already expired as at December 17, 2021. All funds raised from this tranche of bonds have been used to optimize the matching structure of medium-to-long-term assets and liabilities, increase the source of stable medium-to-long-term liabilities and support the development of new medium-to-long-term asset business in accordance with applicable laws and approvals from regulatory authorities.

As approved by the CBIRC Shanxi Office, the Bank issued financial bonds in the national inter-bank bond market on April 15, 2020 and the payment was completed on April 17, 2020. This tranche of bonds totaled RMB4.00 billion with a maturity of three years at a fixed interest rate and a coupon interest rate of 3.00%. All funds raised from this tranche of bonds have been used to optimize the matching structure of medium-to-long-term assets and liabilities, increase the source of stable medium-to-long-term liabilities and support the development of new medium-to-long-term asset business in accordance with applicable laws and approvals from regulatory authorities.

As approved by the People's Bank of China and CBIRC Shanxi Office, the Bank successfully issued tier-two capital bonds in the national inter-bank bond market on January 20, 2021, and the payment was completed on January 22, 2021. This tranche of bonds totaled RMB2.0 billion with a maturity of 5+5 years at a fixed interest rate and a coupon interest rate of 4.78%. All funds raised from this tranche of bonds have been used to optimize the matching structure of medium-to-long-term assets and liabilities, increase the source of stable medium-to-long-term liabilities and support the development of new medium-to-long-term asset business in accordance with applicable laws and approvals from regulatory authorities.

5.9 Subsequent Events

The Group had no other significant event subsequent to the Reporting Period.

5.10 Number of Employees, Training Programs, Remuneration Policies, Equity Incentive Plan

As of December 31, 2021, the total number of employees of the Group reached 4,424, of which 31.49% were employees aged 30 and below, and 86.32% were employees with a bachelor's degree or above. Leveraging the sound age distribution and academic backgrounds of its employees, the Bank managed to cultivate a positive and innovative corporate culture and enhance its capability of quickly identifying market trends and efficiently capturing market opportunities. As of December 31, 2021, the Bank had 345 employees with AFP certification, and 44 employees with CFP certificates.

The Bank earnestly implemented the national vocational skills improvement action plan, closely focused on domestic and foreign financial hotspots and trend and the Bank management and development strategy, formatted the detailed annual training plan, organized and carried out various trainings in according with the training philosophy of "Party building lead, close to operations, practical and effective, serving operations" and adhered to the work plan of "systemic design, proceeding from project-based method, practical assessment, market-based operation". The annual training work was aimed at providing strong talent support and intelligence guarantee for the long-term development of the Bank. It has been carried out practically from the three dimensions of focusing on capacity building, improving the training system and strengthening the training management mechanism building. During the Reporting Period, the Bank consolidated the three-level training resources at its headquarters, branches and sub-branches, adhered to the principle of combining internal training with external training, and complemented each other online and offline, and carried out all-round and multi-angle training work for the Bank employees focusing on front-line business operations, new products business promotion, customer marketing management, and case study of internal control compliance, etc.

In compliance with the PRC laws and regulations, the Bank contributes to employees' social security and other benefits program including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, housing allowances, corporate annuity and supplementary medical insurance. The Bank has a labor union established in accordance with PRC laws and regulations, which represents the interests of its employees and works closely with the Bank's management on labor-related issues.

During the reporting period, the Bank has not implemented any equity incentive plan.

6. ANNUAL FINANCIAL STATEMENTS

Audit Opinions

The 2021 financial statements of the Bank prepared in accordance with IFRS have been audited by Ernst & Young. Ernst & Young have expressed unqualified opinions in the auditor's report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021
(Amounts in thousands of Renminbi, unless otherwise stated)

	Note	**2021**	2020
Interest income		**10,358,562**	9,429,391
Interest expense		**(6,804,515)**	(5,988,687)
Net interest income	*3*	**3,554,047**	3,440,704
Fee and commission income		**937,613**	890,729
Fee and commission expense		**(172,165)**	(178,183)
Net fee and commission income	*4*	**765,448**	712,546
Net trading gains	*5*	**301,469**	(119,485)
Net gains arising from investment securities	*6*	**757,774**	819,812
Other operating income	*7*	**11,995**	14,436
Operating income		**5,390,733**	4,868,013
Operating expenses	*8*	**(2,070,493)**	(1,824,285)
Impairment losses on credit	*11*	**(1,652,927)**	(1,452,932)
Share of profits of an associate		**24,505**	21,543
Profit before tax		**1,691,818**	1,612,339
Income tax	*12*	**(12,460)**	(41,474)
Net profit		**1,679,358**	1,570,865
Net profit attributable to:			
Equity holders of the Bank		**1,685,628**	1,566,712
Non-controlling interests		**(6,270)**	4,153

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

	Note	**2021**	2020
Net profit		**1,679,358**	1,570,865
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Financial assets at fair value through other comprehensive income:			
– net movement in the fair value reserve, net of tax	*33(d)*	**33,755**	(41,131)
– net movement in the impairment reserve, net of tax	*33(e)*	**(9,444)**	(5,428)
Items that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit liability, net of tax	*33(f)*	**(3,600)**	458
Other comprehensive income, net of tax		**20,711**	(46,101)
Total comprehensive income		**1,700,069**	1,524,764
Total comprehensive income attributable to:			
Equity holders of the Bank		**1,706,339**	1,520,611
Non-controlling interests		**(6,270)**	4,153
Total comprehensive income		**1,700,069**	1,524,764
Basic and diluted earnings per share (in RMB)	*13*	**0.29**	0.27

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021
(Amounts in thousands of Renminbi, unless otherwise stated)

	Note	**As at 31 December 2021**	As at 31 December 2020
ASSETS			
Cash and deposits with the central bank	*14*	**24,042,197**	20,535,802
Deposits with banks and other financial institutions	*15*	**1,914,906**	2,244,037
Placements with banks and other financial institutions	*16*	**2,700,264**	1,100,435
Derivative financial assets	*17*	**236**	86
Financial assets held under resale agreements	*18*	**26,351,992**	18,915,305
Loans and advances to customers	*19*	**151,007,392**	131,836,512
Financial investments:	*20*		
Financial investments at fair value through profit or loss		**35,783,091**	29,775,086
Financial investments at fair value through other comprehensive income		**5,430,753**	8,898,454
Financial investments at amortised cost		**51,352,825**	52,986,363
Interest in an associate	*21*	**318,624**	294,119
Property and equipment	*23*	**1,394,665**	1,478,916
Deferred tax assets	*24*	**1,710,646**	1,695,630
Other assets	*25*	**1,283,922**	1,182,852
Total assets		**303,291,513**	270,943,597
LIABILITIES			
Borrowings from the central bank		**2,799,217**	1,893,459
Deposits from banks and other financial institutions	*26*	**1,297,166**	1,905,784
Placements from banks and other financial institutions	*27*	**210,169**	800,730
Derivative financial liabilities	*17*	**403**	–
Financial assets sold under repurchase agreements	*28*	**15,345,732**	13,430,473
Deposits from customers	*29*	**199,207,180**	176,781,696
Income tax payable		**67,714**	274,558
Debt securities issued	*30*	**58,967,189**	52,176,626
Other liabilities	*31*	**3,239,168**	2,638,900
Total liabilities		**281,133,938**	249,902,226

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

	Note	As at 31 December 2021	As at 31 December 2020
EQUITY			
Share capital	*32*	**5,838,650**	5,838,650
Capital reserve	*33(a)*	**6,627,602**	6,627,602
Surplus reserve	*33(b)*	**3,792,525**	3,623,310
General reserve	*33(c)*	**3,161,131**	2,809,363
Fair value reserve	*33(d)*	**(30,580)**	(64,335)
Impairment reserve	*33(e)*	**3,448**	12,892
Deficit on remeasurement of net defined benefit liability	*33(f)*	**(4,365)**	(765)
Retained earnings	*34*	**2,747,591**	2,166,811
Total equity attributable to equity holders of the Bank		**22,136,002**	21,013,528
Non-controlling interests		**21,573**	27,843
Total equity		**22,157,575**	21,041,371
Total liabilities and equity		**303,291,513**	270,943,597

Approved and authorised for issue by the Board of Directors on 29 March 2022.

Hao Qiang	**Zhang Yunfei**	**Hou Xiuping**	
Chairwoman of the Board	*Executive Director*	*Chief Financial Officer*	(Company chop)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

		Attributable to equity holders of the Bank										
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total	Non-controlling interests	Total equity
As at 1 January 2021		5,838,650	6,627,602	3,623,310	2,809,363	(64,335)	12,892	(765)	2,166,811	21,013,528	27,843	21,041,371
Changes in equity for the year:												
Net profit for the year		-	-	-	-	-	-	-	1,685,628	1,685,628	(6,270)	1,679,358
Other comprehensive income		-	-	-	-	33,755	(9,444)	(3,600)	-	20,711	-	20,711
Total comprehensive income		-	-	-	-	33,755	(9,444)	(3,600)	1,685,628	1,706,339	(6,270)	1,700,069
Appropriation of profit												
– Appropriation to surplus reserve	*33(b)*	-	-	169,215	-	-	-	-	(169,215)	-	-	-
– Appropriation to general reserve	*33(c)*	-	-	-	351,768	-	-	-	(351,768)	-	-	-
– Dividends paid to shareholders	*34*	-	-	-	-	-	-	-	(583,865)	(583,865)	-	(583,865)
As at 31 December 2021		5,838,650	6,627,602	3,792,525	3,161,131	(30,580)	3,448	(4,365)	2,747,591	22,136,002	21,573	22,157,575

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

		Attributable to equity holders of the Bank										
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	(Deficit)/ surplus on remeasurement of net defined benefit liability	Retained earnings	Total	Non-controlling interests	Total equity
As at 1 January 2020		5,838,650	6,627,602	3,467,020	2,788,427	(23,204)	18,320	(1,223)	1,419,577	20,135,169	24,180	20,159,349
Changes in equity for the year:												
Net profit for the year		–	–	–	–	–	–	–	1,566,712	1,566,712	4,153	1,570,865
Other comprehensive income		–	–	–	–	(41,131)	(5,428)	458	–	(46,101)	–	(46,101)
Total comprehensive income		–	–	–	–	(41,131)	(5,428)	458	1,566,712	1,520,611	4,153	1,524,764
Appropriation of profit												
– Appropriation to surplus reserve	*33(b)*	–	–	156,290	–	–	–	–	(156,290)	–	–	–
– Appropriation to general reserve	*33(c)*	–	–	–	20,936	–	–	–	(20,936)	–	–	–
– Dividends paid to shareholders	*34*	–	–	–	–	–	–	–	(642,252)	(642,252)	–	(642,252)
– Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(490)	(490)
As at 31 December 2020		5,838,650	6,627,602	3,623,310	2,809,363	(64,335)	12,892	(765)	2,166,811	21,013,528	27,843	21,041,371

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	2021	2020
Cash flows from operating activities		
Profit before tax	**1,691,818**	1,612,339
Adjustments for:		
Impairment losses on credit	**1,652,927**	1,452,932
Depreciation and amortisation	**320,427**	278,342
Accreted interest on credit-impaired loans	**(79,025)**	(59,398)
Unrealised foreign exchange losses/(gains)	**1,077**	(586)
(Gains)/losses on disposal of property and equipment and other assets	**(545)**	1,180
Net trading (gains)/losses	**(302,546)**	120,070
Net gains arising from investment securities	**(757,774)**	(819,812)
Share of profits of an associate	**(24,505)**	(21,543)
Interest expense on debts securities issued	**1,686,567**	1,578,609
Interest expense on lease liabilities	**15,722**	19,495
	4,204,143	4,161,628
Changes in operating assets		
Net decrease/(increase) in deposits with the central bank	**2,359,121**	(354,601)
Net increase in deposits with banks and other financial institutions	**(204,588)**	(313,011)
Net decrease/(increase) in placements with banks and other financial institutions	**300,000**	(300,000)
Net increase in financial assets held under resale agreements	**(7,430,598)**	(2,289,655)
Net increase in loans and advances to customers	**(20,666,601)**	(20,693,103)
Net increase in other operating assets	**(536,634)**	(485,798)
	(26,179,300)	(24,436,168)
Changes in operating liabilities		
Net increase in borrowings from the central bank	**905,218**	1,022,660
Net decrease in deposits from banks and other financial institutions	**(611,407)**	(2,296,779)
Net decrease in placements from banks and other financial institutions	**(590,000)**	(1,110,000)
Net increase in financial assets sold under repurchase agreements	**1,918,846**	1,224,273
Net increase in deposits from customers	**21,872,557**	20,415,257
Income tax paid	**(241,224)**	(201,676)
Net increase in other operating liabilities	**1,331,905**	1,336,871
	24,585,895	20,390,606
Net cash flows from operating activities	**2,610,738**	116,066

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

	Note	2021	2020
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		**93,792,319**	123,891,770
Gains received from investment activities		**781,152**	772,032
Proceeds from disposal of property and equipment and other assets		**675**	5,998
Payments on acquisition of investments		**(94,147,047)**	(122,795,791)
Payments on acquisition of property and equipment, intangible assets and other assets		**(194,681)**	(221,766)
Net cash flows from investing activities		**232,418**	1,652,243
Cash flows from financing activities			
Proceeds from debt securities issued	*35(c)*	**81,478,683**	70,638,524
Repayment of debt securities issued	*35(c)*	**(74,770,000)**	(68,850,000)
Interest paid on debt securities issued	*35(c)*	**(1,604,687)**	(1,535,611)
Dividends paid		**(600,673)**	(704,542)
Repayment of lease liabilities	*35(c)*	**(103,242)**	(101,088)
Interest paid on lease liabilities	*35(c)*	**(15,722)**	(19,495)
Net cash flows from financing activities		**4,384,359**	(572,212)
Effect of exchange rate changes on cash and cash equivalents		**(755)**	(2,388)
Net increase in cash and cash equivalents	*35(a)*	**7,226,760**	1,193,709
Cash and cash equivalents as at 1 January		**9,088,656**	7,894,947
Cash and cash equivalents as at 31 December	*35(b)*	**16,315,416**	9,088,656
Interest received		**10,215,770**	9,374,540
Interest paid (excluding interest expense on debt securities issued)		**4,565,839**	3,370,233

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

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

1. BACKGROUND INFORMATION

Jinshang Bank Co., Ltd. (the "Bank") (formerly Taiyuan City Commercial Bank Co., Ltd.) commenced business as a city commercial bank on 16 October 1998, according to the Approval on Commencement of Taiyuan City Commercial Bank Co., Ltd.《關於太原市商業銀行開業的批復》(YinFu [1998] No. 323) issued by the People's Bank of China (the "PBOC"). According to the Approval on Change of Name for Taiyuan City Commercial Bank Co., Ltd.《關於太原市商業銀行更名的批復》(YinJianFu [2008] No. 569) issued by the former China Banking Regulatory Commission (the former "CBRC"), Taiyuan City Commercial Bank Co., Ltd. was renamed as Jinshang Bank Co., Ltd. on 30 December 2008.

The Bank has been approved by the former CBRC (Shanxi Branch) to hold the financial business permit (No. B0116H214010001) and approved by the Shanxi Provincial Administration for Industry and Commerce to hold the business license (credibility code: 911400007011347302). As at 31 December 2021, the registered capital of the Bank was RMB5,838,650,000, with its registered office located at No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province. The Bank is regulated by the China Banking and Insurance Regulatory Commission (the "CBIRC") which was authorised by the State Council.

In July 2019, the Bank's H shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 2558).

The principal activities of the Bank and its subsidiary (collectively the "Group") are the provision of corporate and personal deposits, loans and advances, settlement, financial market business and other banking services as approved by the CBIRC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of preparation and presentation

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (the "IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the "IASB"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(a) Changes in accounting policies

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the last annual financial statements.

On 1 January 2021, the Group adopted the following amendments.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*

The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address the accounting issues that arise when financial instruments that reference Interbank Offered Rates ("IBOR") transition to nearly risk-free rates ("RFRs"). The amendments include a practical expedient for modifications, which permits contractual changes, or changes to cash flows that are directly required by the IBOR reform, to be treated as changes to a floating interest rate. The amendments also permit changes required by IBOR reform to be made to hedge designations and hedge documentation under both IFRS 9 and IAS 39 without the hedging relationship being discontinued. In addition, while IFRS 9 and IAS 39 require that a risk component (or a designated portion) is "separately identifiable" to be eligible for hedge accounting, the amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Disclosure of information about new risks arising from the reform and how it manages the transition to alternative benchmark rates is required by the amendments.

The accounting policy changes above are unlikely to have significant impacts on the Group's results of operations, financial position and comprehensive income.

(b) Possible impact of new and revised standards issued but not yet effective and have not been early adopted for the year ended 31 December 2021

The new and revised standards but not yet effective for the year ended 31 December 2021 are set out below:

		Effective for accounting period beginning on or after
Amendments to IFRS 3	*Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRS standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41	1 January 2022
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8	*Definition of Accounting Estimates*	1 January 2023
Amendments to IAS12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
IFRS 17 and amendments to IFRS 17	*Insurance Contracts*	1 January 2023
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Effective date has been deferred indefinitely

The Group has assessed the impact of these new and revised standards. So far it has concluded that the adoptions of them are unlikely to have significant impacts on the Group's results of operations and financial position.

(2) Basis of preparation and presentation – Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Group. All financial statements presented in RMB have been rounded to the nearest thousands, except when otherwise indicated.

(3) Basis of preparation and presentation – Basis of measurement

Financial assets at fair value through other comprehensive income and financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments) are measured at their fair values in the consolidated financial statements. Other accounting items are measured at their historical costs. Impairment allowance is recognised and measured in accordance with relevant policy.

(4) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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 years if the revision affects both current and future years.

Judgements made by management in the application of IFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2(26).

(5) Subsidiary and non-controlling interests

Subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income between non-controlling interests and the equity shareholders of the Bank.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(6)).

In the Bank's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(16)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(6) Associates and joint ventures

An associate is an entity in which the Group or the Bank has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Bank and other parties contractually agree to share control of the arrangement and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(16)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the combined statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Bank's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses, unless these investments are classified as held for sale (or included in a disposal group that is classified as held for sale).

(7) 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 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 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 historical cost are translated to RMB using the foreign exchange rate at the transaction date. 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; the exchange differences are recognised in profit or loss, except for the exchange differences arising from the translation of non-monetary financial investments which are recognised in fair value reserve.

(8) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with the central bank, deposits and placements with banks and other financial institutions with an original maturity of less than three months.

(9) Financial instruments

(a) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

(b) Contract modifications caused by interest rate benchmark reform

The terms of several financial instruments of the Group have been modified due to interest rate benchmark reform, as the existing interest rate benchmarks were replaced with alternative benchmark rates, the computing method of interest rate benchmarks were changed and other modifications to the terms of financial instruments.

For financial assets and liabilities measured using the effective interest method, the Group uses the modified contractual cash flows to recalculate the effective interest rate and subsequently measures the financial instruments, without adjusting the carrying amount of financial assets and liabilities or assessing whether the modification should be treated as a derecognition, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change.When there are other changes to terms of the financial assets and liabilities, the Group assesses whether the other changes are substantive after accounting for the above modifications caused by interest rate benchmark reform.

(c) Classification and subsequent measurement of financial assets

Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are classified as:

– Financial assets measured at amortised cost, mainly including loans and advances to customers and financial investments measured at amortised cost;

– Financial assets measured at fair value through other comprehensive income (FVOCI), mainly including loans and advances to customers and financial investments measured at FVOCI; and

– Financial assets measured at fair value through profit or loss (FVPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Subsequent measurement

– Financial assets measured at amortised cost

  Such financial assets that the Group holds are subsequently measured at amortised cost. That is, the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance.

– Financial assets measured at fair value through other comprehensive income (FVOCI)

  Such financial assets that the Group holds are subsequently measured at fair value. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in "Other comprehensive income", except for interest calculated using the effective interest method, impairment gains or losses and foreign exchange gains and losses. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. The impairment allowances for such financial assets are recognised in other comprehensive income, impairment gains or losses are recognised in profit or loss, and not reduce the carrying amount of such financial assets in the statement of financial position.

– Equity instruments designated at fair value through other comprehensive income

  Such financial assets that the Group holds are subsequently measured at fair value. The dividend income shall be recognised through profit and loss, and a gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in "Other comprehensive income". When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to retained earnings.

– Financial assets measured at fair value through profit or loss (FVPL)

  Such financial assets that the Group holds are subsequently measured at fair value. A gain or loss on such financial asset is recognised in profit or loss unless it is part of a hedging relationship. Dividends, which the Group is entitled to collect, on equity investments in such measurement category are recognised in profit or loss.

(d) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost or financial guarantee liabilities.

– Financial liabilities at amortised cost

  Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

– Financial guarantee liabilities

  Financial guarantees are contracts that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

  The financial guarantee liability is measured at the higher of the amount of the loss allowance determined in accordance with impairment policies of financial instruments (see Note 2(19)(a)) and the amount initially recognised less the cumulative amount of income.

(e) Impairment

The Group recognises loss allowances for expected credit losses (ECLs) on:

– financial assets measured at amortised cost;

– debt investments measured at FVOCI.

Financial assets measured at fair value, including debt investments or equity securities at FVPL, and equity securities designated at FVOCI, are not subject to the ECL assessment.

Measurement of ECLs

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit losses is the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate, i.e. the present value of all cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECL is the ECL that results from all possible default events over the expected life of a financial instrument.

12-month ECL is the portion of ECL that results from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

Measurement methods of ECLs used by the Group in the above areas are set out in Note 39(a).

Presentation of ECLs

ECL is remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(f) Fair value measurement principles

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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, it is the current asking price. The quoted prices from an active market are prices that are readily and regularly available from an exchange, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instruments with similar terms and conditions at the end of the reporting period. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

(g) Derecognition of financial assets and financial liabilities

Financial asset is derecognised when one of the following conditions is met:

– the Group's contractual rights to the cash flows from the financial asset expire;

– the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or

– the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

– the carrying amount of the financial asset transferred measured at the date of derecognition;

– the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(h) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, or valuation techniques, including discounted cash flow analysis and option pricing models, as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. For derivatives not designated or qualified as hedging instruments, including those intended to provide effective economic hedges of specific interest rate and foreign exchange risks, but do not qualify for hedge accounting, changes in the fair value of these derivatives are recognised in "Net trading gains" in profit or loss.

(i) Offsetting

Financial assets and financial liabilities are generally presented separately in the statement of financial position and are not offset. However, a financial asset and a financial liability are offset, and the net amount is presented in the statement of financial position when both of the following conditions are satisfied:

– the Group currently has a legally enforceable right to set off the recognised amounts;

– the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(10) Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are not reported as purchases of the assets but as receivables and are carried in the statement of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the 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.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expense over the life of each agreement using the effective interest method.

(11) Investment in a subsidiary

In the Group's consolidated financial statements, investment in a subsidiary is accounted for in accordance with the principles described in Note 2(5).

In the Bank's financial statements, investment in a subsidiary is accounted for using the cost method. An investment in a subsidiary acquired other than through a business combination is initially recognised at actual payment cost if the Bank acquires the investment by cash. The investment is stated at cost less impairment loss (see Note 2(16)) in the statement of financial position. Except for declared but not yet distributed cash dividends or profit distributions that have been included in the price or consideration paid-in obtaining the investments, the Group recognises its share of the cash dividends or profit distributions declared by the investees as investment income.

(12) Property and equipment and construction in progress

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

Property and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment loss (see Note 2(16)). Construction in progress is stated in the statement of financial position at cost less impairment loss (see Note 2(16)).

The cost of a purchased property and equipment comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. Construction in progress is transferred to property and equipment when the item being constructed is ready for its intended use. No depreciation is provided against construction in progress.

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns thus necessitating the use of different depreciation rates or methods, they are recognised as a separate item of property and equipment.

The subsequent costs including the cost of replacing part of an item of property and equipment are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

The Group's property and equipment are depreciated using the straight-line method over their estimated useful lives, after considering their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

Asset category	**Estimated useful life**	**Estimated rate of residual value**	**Depreciation rate**
Premises	10 – 20 years	3%	4.85% – 9.70%
Motor vehicles	4 years	3%	24.25%
Electronic equipment	3 – 5 years	3%	19.40% – 32.33%
Others	3 – 10 years	3%	9.70% – 32.33%

Estimated useful lives, estimated residual values and depreciation methods are reviewed at least at each year-end by the Group.

(13) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

(a) As a lessee

At the commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative standalone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

– its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variables;

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable under a residual value guarantee; and

– the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in "other assets" and lease liabilities in "other liabilities" in the statement of financial position.

Short-term leases and leases of low-value assets:

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other operating income".

(14) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortisation and impairment loss (see Note 2(16)). The cost of intangible assets less residual value and impairment loss is amortised on the straight-line method over the estimated useful lives.

The respective amortisation periods for intangible assets are as follows:

Computer software and system development	2 – 10 years

(15) Repossessed assets

Repossessed assets refer to the real assets or property rights paid by the debtor, guarantor or third party when the Group exercises the creditor's right or real right of guarantee in accordance with the law. Repossessed assets are initially recognised at fair value of assets not retained plus tax and related costs when they are obtained as the compensation for the loans' principal and interest. Subsequent measurement shall be made according to the lower amount of book value and fair value minus disposal expense. Repossessed assets do not depreciate or amortise.

(16) Provision for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of the reporting period based on the internal and external sources of information to determine whether there is any indication of impairment:

– property and equipment

– construction in progress

– intangible assets

– investment in a subsidiary

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about keeping or disposing of the Group's assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called "asset") is the higher of its fair value less costs to sell and its present value of expected future cash flows. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs.

An asset's fair value less costs to sell is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing to use the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects expected future cash flows, the useful life and the discount rate specific to the asset.

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. A provision for an impairment loss of the asset is recognised accordingly.

If, in a subsequent period, the amount of impairment loss of the non-financial asset decreases and the decrease can be linked objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

(17) Employee benefits

(a) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Such schemes are arranged or regulated by PRC local government and pursuant to the applicable laws and regulations, the Group could not use any forfeited contributions to reduce the existing level of contributions.

The defined contribution retirement plans of the Group include social pension schemes and an annuity plan.

Social pension schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the government. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Annuity plan

The Group provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' total salaries and bonuses, which are charged to profit or loss when the contributions are made.

Housing fund and other social insurances

In addition to the retirement benefits above, the Group has joined social security contribution schemes for employees pursuant to the relevant laws and regulations of the PRC. These schemes include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurance schemes at the applicable rates based on the amounts stipulated by the relevant government authorities. The contributions are charged to profit or loss on an accrual basis.

(b) Supplementary retirement benefits

Early retirement plan

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire early for the period from the date of early retirement to the regulated retirement date. The benefit is discounted to determine the present value based on certain assumptions. The calculation is performed by a qualified actuary using the projected unit credit method. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

Supplementary retirement plan

The Group provides a supplementary retirement plan to its eligible employees. The Group's obligations in respect of the supplementary retirement plan are calculated by estimating the present value of the total amount of future benefits that the Group is committed to paying to the employees after their retirement. The calculation is performed by the qualified and independent actuaries, Willis Towers Watson Consulting Co., Ltd. (Fellow of Society of Actuaries) using the projected unit credit method. Such obligations were discounted at the interest yield of government bonds with similar duration at the reporting date. The related service cost and net interest from the retirement plan are recognised in profit or loss, and the actuarial gains and losses arising from remeasurements are recognised in other comprehensive income.

Early retirement plan and supplementary retirement plan thereafter are collectively referred to as "supplementary retirement benefits". Except for the above mentioned, the Group has no significant responsibilities to pay any other retirement benefits to employees.

(18) Income tax

Income tax for the reporting period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the reporting period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investment in a subsidiary to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and the movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Bank or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(19) Financial guarantees, provisions and contingent liabilities

(a) Financial guarantees

In terms of off-balance sheet credit commitments, the Group applies the expected credit loss model to measure the losses caused by particular debtors incapable of paying due debts, which are present in provisions. See Note 2(9)(e) for the description of the expected credit loss model.

(b) Other provisions and contingent liabilities

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

For a possible obligation resulting from a past transaction or event whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

(20) 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.

Intermediary matchmaking service refers to the Group's signing agreements with customers and financing parties respectively, and providing intermediary matchmaking, information registration, agent interest payment or redemption and information disclosure services. As for the intermediary matchmaking service, the Group only fulfills its management duties and collects corresponding service fees in accordance with the relevant agreements and does not bear the relevant default risk arising from the intermediary matchmaking service. Therefore, the relevant intermediary matchmaking service is recorded as an off-balance sheet item.

(21) Income recognition

Income is the gross inflow of economic benefit in the periods arising in the course of the Group's ordinary activities when the inflows result in an increase in shareholders' equity, other than an increase relating to contributions from shareholders.

Income is recognised when the Group satisfies the performance obligation in the contract which by transferring the control over relevant goods or services to the customers.

The following is the description of accounting policies regarding income from the Group's principal activities.

(a) Interest income

Interest income for financial assets is recognised in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Interest on the impaired assets is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

(b) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income recognised by the Group reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to customers, and income is recognised when its performance obligation in contracts is satisfied.

The Group recognises income over time by measuring the progress towards the complete satisfaction of a 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 customer controls the service provided by the Group in the course of performance or;

– The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.

In other cases, the Group recognises revenue at the point in time when a customer obtains control of the promised services.

(c) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(d) Other income

Other income is recognised on an accrual basis.

(22) Expenses recognition

(a) Interest expense

Interest expense from financial liabilities is accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

(b) Other expenses

Other expenses are recognised on an accrual basis.

(23) Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the end of the reporting period are not recognised as a liability at the end of the reporting period but disclosed separately in the notes to the financial statements.

(24) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or a parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(25) Segment reporting

Operating segments, and the amounts of each segment item reported in the 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.

(26) Significant accounting estimates and judgements

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

(a) *Measurement of expected credit losses*

The measurement of the expected credit loss allowance for the investment in financial assets and debt instruments measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

– Determining criteria for significant increase in credit risk;

– Choosing appropriate models and assumptions for the measurement of expected credit losses;

– Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 39(a) credit risk.

(b) *Fair value 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, discounted cash flow analysis, and option pricing models. Valuation models established by the Group make a maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, 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.

(c) *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 utilized, 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.

(d) Impairment of non-financial assets

Non-financial assets are reviewed regularly 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 present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discount 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.

(e) Depreciation and amortisation

Property and equipment and intangible assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in each 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.

(f) Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in Note 2(5) indicate that the Group controls a non-principal guaranteed wealth management product and an asset management plan.

The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing a wealth management product, an asset management plan, a trust plan, an asset-backed security or an investment fund. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interest 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 is in each case 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 43.

(g) Defined benefit plan

The Group, in accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumption to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, recognise a defined benefit plan liability by the present value of the defined benefit plan. The Group attributes obligations under a defined benefit plan to periods of service provided by employees, with a corresponding charge to profit or loss for the current period or the cost of a relevant asset which include the service cost and interest expense of under a defined benefit plan, changes as a result of remeasurements of the net defined benefit plan liability or asset are recognised in deficit/surplus on remeasurement of net defined benefit liability.

(27) Taxation

The principal income and other taxes to which the Group is subject are listed below:

Taxes	Statutory rates	Tax basis
Corporate income tax	25%	Taxable income
Value-added tax	6%	Taxable added value
City construction and maintenance tax	7% or 5%	Turnover tax paid
Education surcharges	3%	Turnover tax paid

3 NET INTEREST INCOME

	2021	2020
Interest income arising from		
Deposits with the central bank	**238,178**	228,176
Deposits with banks and other financial institutions	**54,000**	54,697
Placements with banks and other financial institutions	**99,821**	44,923
Loans and advances to customers		
– Corporate loans and advances	**4,977,948**	4,309,699
– Personal loans	**1,152,653**	943,895
– Discounted bills	**1,034,043**	947,819
Financial assets held under resale agreements	**497,105**	302,622
Financial investments	**2,304,814**	2,597,560
Subtotal	**10,358,562**	9,429,391
Interest expense arising from		
Borrowings from the central bank	**(49,327)**	(32,023)
Deposits from banks and other financial institutions	**(62,253)**	(105,885)
Placements from banks and other financial institutions	**(23,851)**	(40,858)
Deposits from customers	**(4,658,066)**	(3,993,046)
Financial assets sold under repurchase agreements	**(324,451)**	(238,266)
Debt securities issued	**(1,686,567)**	(1,578,609)
Subtotal	**(6,804,515)**	(5,988,687)
Net interest income	**3,554,047**	3,440,704

Interest income arising from loans and advances to customers included RMB79 million for the year ended 31 December 2021 with respect to the accreted interest on credit-impaired loans (for the year ended 31 December 2020: RMB59 million).

4. NET FEE AND COMMISSION INCOME

(a) Income and expense streams:

	2021	2020
Fee and commission income		
Agency service fees and others	**307,180**	344,799
Acceptance and guarantee service fees	**208,350**	195,371
Wealth management business fees	**178,116**	148,573
Bank card service fees	**145,133**	122,197
Settlement and clearing fees	**98,834**	79,789
Subtotal	**937,613**	890,729
Fee and commission expense		
Bank card service fees	**(68,011)**	(29,030)
Agency service fees and others	**(55,887)**	(23,299)
Settlement and clearing fees	**(48,267)**	(125,854)
Subtotal	**(172,165)**	(178,183)
Net fee and commission income	**765,448**	712,546

(b) Disaggregation of income:

	2021		2020	
	At a point in time	**Over time**	At a point in time	Over time
Agency service fees and others	**226,486**	**80,694**	244,359	100,440
Acceptance and guarantee service fees	**–**	**208,350**	–	195,371
Wealth management business fees	**–**	**178,116**	–	148,573
Bank card service fees	**136,085**	**9,048**	113,155	9,042
Settlement and clearing fees	**98,834**	**–**	79,789	–
Total	**461,405**	**476,208**	437,303	453,426

5. NET TRADING GAINS

	2021	2020
Net gains from funds	**421,273**	800
Net gains/(losses) from equity investments and others	**88,197**	(853)
Net gains/(losses) from interbank deposits issued	**141**	(201)
Net (losses)/gains from derivative financial instruments	**(804)**	70
Exchange (losses)/gain	**(1,077)**	586
Net losses from debt securities	**(60,283)**	(132,672)
Net (losses)/gains from investment management products	**(145,978)**	12,785
Total	**301,469**	(119,485)

6. NET GAINS ARISING FROM INVESTMENT SECURITIES

	2021	2020
Net gains on financial investments at fair value through profit or loss	**719,663**	804,620
Net gains on financial investments at fair value through other comprehensive income	**38,111**	15,192
Total	**757,774**	819,812

7. OTHER OPERATING INCOME

	2021	2020
Government grants	**7,242**	2,292
Income from long-term unwithdrawn items	**2,310**	662
Penalty income	**678**	1,373
Rental income	**672**	892
Net gains/(losses) on disposal of property and equipment and other assets	**597**	(1,180)
Others	**496**	10,397
Total	**11,995**	14,436

8. OPERATING EXPENSES

	2021	2020
Staff costs		
– Salaries, bonuses and allowances	**874,412**	829,277
– Social insurance and annuity	**214,258**	96,964
– Housing allowances	**69,411**	66,808
– Staff welfares	**58,869**	51,673
– Employee education expenses and labour union expenses	**27,956**	27,520
– Supplementary retirement benefits	**15,770**	5,300
– Others	**22,025**	7,715
Subtotal	**1,282,701**	1,085,257
Depreciation and amortisation	**320,427**	278,342
Taxes and surcharges	**84,466**	71,272
Rental and property management expenses	**46,652**	48,390
Interest expense on lease liabilities	**15,722**	19,495
Other general and administrative expenses	**320,525**	321,529
Total	**2,070,493**	1,824,285

Auditor's remunerations were RMB3.98 million for the year ended 31 December 2021 (for the year ended 31 December 2020: RMB3.98 million).

9. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments before individual income tax in respect of the directors and supervisors who held office during the year are as follows:

	Year ended 31 December 2021						
	Fees	Salaries	Discretionary bonus	Subtotal	Contributions to social pension schemes	Other welfares	Total
Executive directors							
Hao Qiang	–	221	406	627	31	96	754
Zhang Yunfei	–	286	663	949	31	106	1,086
Wang Junbiao	–	75	57	132	9	21	162
Non-executive directors							
Li Shishan	–	–	–	–	–	–	–
Xiang Lijun	–	–	–	–	–	–	–
Liu Chenhang	–	–	–	–	–	–	–
Li Yang	–	–	–	–	–	–	–
Wang Jianjun	–	–	–	–	–	–	–
Independent non-executive directors							
Sai Zhiyi	–	–	–	–	–	–	–
Wang Liyan	200	–	–	200	–	–	200
Duan Qingshan	200	–	–	200	–	–	200
Jin Haiteng	200	–	–	200	–	–	200
Sun Shihu	200	–	–	200	–	–	200
Ye Xiang	200	–	–	200	–	–	200
Employees' representative supervisors							
Xie Liying	–	208	442	650	31	130	811
Wen Qingquan	–	219	528	747	31	130	908
Guo Zhenrong	–	231	526	757	31	129	917
External supervisors							
Liu Shoubao	200	–	–	200	–	–	200
Wu Jun	200	–	–	200	–	–	200
Liu Min	200	–	–	200	–	–	200
Shareholders' representative supervisors							
Bi Guoyu	–	–	–	–	–	–	–
Xia Guisuo	–	–	–	–	–	–	–
Total	1,600	1,240	2,622	5,462	164	612	6,238

	Year ended 31 December 2020						
	Fees	Salaries	Discretionary bonus	Subtotal	Contributions to social pension schemes	Other welfares	Total
Executive directors							
Wang Junbiao	–	207	156	363	–	97	460
Tang Yiping	–	226	215	441	2	172	615
Wang Peiming	–	204	194	398	2	179	579
Rong Changqing	–	187	173	360	8	233	601
Non-executive directors							
Li Shishan	–	–	–	–	–	–	–
Xiang Lijun	–	–	–	–	–	–	–
Liu Chenhang	–	–	–	–	–	–	–
Li Yang	–	–	–	–	–	–	–
Wang Jianjun	–	–	–	–	–	–	–
Independent non-executive directors							
Sai Zhiyi	–	–	–	–	–	–	–
Wang Liyan	200	–	–	200	–	–	200
Duan Qingshan	200	–	–	200	–	–	200
Jin Haiteng	200	–	–	200	–	–	200
Sun Shihu	200	–	–	200	–	–	200
Ye Xiang	317	–	–	317	–	–	317
Employees' representative supervisors							
Xie Liying	–	204	194	398	2	169	569
Wen Qingquan	–	249	493	742	2	142	886
Guo Zhenrong	–	263	438	701	2	140	843
External supervisors							
Liu Shoubao	200	–	–	200	–	–	200
Wu Jun	200	–	–	200	–	–	200
Liu Min	200	–	–	200	–	–	200
Shareholders' representative supervisors							
Bi Guoyu	–	–	–	–	–	–	–
Xu Jin	–	–	–	–	–	–	–
Xia Guisuo	–	–	–	–	–	–	–
Total	1,717	1,540	1,863	5,120	18	1,132	6,270

There was no amount paid during the year to the directors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join the Group. There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year.

Notes:

(a) At the Bank's annual general meeting of shareholders on 10 June 2021, Hao Qiang and Zhang Yunfei were appointed as executive directors.

(b) On 10 June 2021, Xu Jin resigned as an shareholders' representative supervisor.

(c) On 20 January 2021, Wang Peiming resigned as an executive director.

(d) On 9 December 2020, Tang Yiping resigned as an executive director.

(e) On 20 November 2020, Rong Changqing resigned as an executive director.

(f) In the extraordinary general meeting of the Bank on 10 March 2020, Wang Junbiao was elected as an executive director of the Bank. On 26 April 2021, Wang Junbiao resigned as an executive director and chairman of the board of directors.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended 31 December 2021, the five individuals with highest emoluments did not include any directors and supervisors of the Bank.

The emoluments for the five highest paid individuals for the year ended 31 December 2021 are as follows:

	2021	2020
Salaries and other emoluments	**1,195**	1,382
Discretionary bonuses	**7,627**	7,825
Contributions to pension schemes	**153**	12
Others	**662**	501
Total	**9,637**	9,720

The numbers of these individuals whose emoluments are within the following bands are set out below:

	2021	2020
HKD1,500,001 – 2,000,000	**1**	–
HKD2,000,001 – 2,500,000	**2**	4
HKD2,500,001 – 3,000,000	**2**	1
HKD3,000,001 – 3,500,000	**–**	–
HKD3,500,001 – 4,000,000	**–**	–
HKD4,000,001 – 4,500,000	**–**	–
HKD4,500,001 – 5,000,000	**–**	–
HKD5,000,001 – 5,500,000	**–**	–

None of these individuals received any inducement to join or upon joining the Group or as compensation for loss of office, or waived any emoluments during the year.

11. IMPAIRMENT LOSSES ON CREDIT

	2021	2020
Loans and advances to customers	**1,487,085**	992,493
Financial investments	**167,287**	90,641
Other assets	**10,854**	23,860
Deposits with banks and other financial institutions	**695**	487
Placements with banks and other financial institutions	**440**	42
Financial assets held under resale agreements	**1**	–
Credit commitments	**(13,435)**	345,409
Total	**1,652,927**	1,452,932

12. INCOME TAX EXPENSE

(a) Income tax expense:

	2021	2020
Current tax	**34,380**	280,626
Deferred tax	**(21,920)**	(239,152)
Total	**12,460**	41,474

(b) Reconciliations between income tax and accounting profit are as follows:

		2021	2020
Profit before tax		**1,691,818**	1,612,339
Statutory tax rate		**25%**	25%
Income tax calculated at the statutory tax rate		**422,955**	403,085
Non-deductible expenses		**27,174**	21,904
Non-taxable income	*(i)*	**(437,669)**	(383,515)
Income tax		**12,460**	41,474

(i) The non-taxable income mainly represents the interest income arising from the PRC government bonds, and dividends from domestic funds.

13. BASIC AND DILUTED EARNINGS PER SHARE

		2021	2020
Net profit attributable to equity holders of the Bank		**1,685,628**	1,566,712
Weighted average number of ordinary shares (in thousands)	*(a)*	**5,838,650**	5,838,650
Basic and diluted earnings per share attributable to equity holders of the Bank (in RMB)		**0.29**	0.27

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year.

(a) Weighted average number of ordinary shares (in thousands)

	2021	2020
Number of ordinary shares at the beginning of the year	**5,838,650**	5,838,650
Weighted average number of ordinary shares issued during the year	**–**	–
Weighted average number of ordinary shares	**5,838,650**	5,838,650

Basic earnings per share has been computed by taking into account the aforesaid shares subscribed by the investors during the year.

14. CASH AND DEPOSITS WITH THE CENTRAL BANK

		31 December 2021	31 December 2020
Cash on hand		**291,567**	346,696
Deposits with the central bank			
– Statutory deposit reserves	*(a)*	**11,236,403**	13,595,756
– Surplus deposit reserves	*(b)*	**12,446,194**	6,524,372
– Fiscal deposits		**62,502**	62,270
Subtotal		**23,745,099**	20,182,398
Interest accrued		**5,531**	6,708
Total		**24,042,197**	20,535,802

(a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of each year, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December 2021	31 December 2020
Reserve ratio for RMB deposits	**6.0%**	8.0%
Reserve ratio for foreign currency deposits	**9.0%**	5.0%

The statutory deposit reserves are not available for the Bank's daily business. The subsidiary of the Bank places statutory RMB deposit reserve at rates determined by the PBOC.

(b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

15. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	31 December 2021	31 December 2020
Deposits in mainland China		
– Banks	**894,048**	1,384,789
– Other financial institutions	**1,000,057**	813,010
Subtotal	**1,894,105**	2,197,799
Deposits outside mainland China		
– Banks	**1,147**	32,798
Interest accrued	**21,002**	14,093
Less: Provision for impairment losses	**(1,348)**	(653)
Total	**1,914,906**	2,244,037

16. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	31 December 2021	31 December 2020
Placements in mainland China		
– Banks	**400,000**	1,100,000
– Other financial institutions	**2,300,000**	–
Subtotal	**2,700,000**	1,100,000
Interest accrued	**754**	485
Less: Provision for impairment losses	**(490)**	(50)
Total	**2,700,264**	1,100,435

17. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments mainly including interest rate swaps and credit risk mitigation warrant.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participates at measured date.

	31 December 2021		
	Notional	**Fair value**	
	Amount	**Assets**	**Liabilities**
Derivative financial instruments:			
– Interest rate swaps	**20,000**	**–**	**(403)**
– Credit risk mitigation warrant	**20,000**	**236**	**–**
Total	**40,000**	**236**	**(403)**

	31 December 2020		
	Notional	Fair value	
	Amount	Assets	Liabilities
Derivative financial instruments:			
– Interest rate swaps	20,000	86	–
Total	20,000	86	–

18. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	31 December 2021	31 December 2020
In mainland China		
– Banks	**19,444,089**	17,127,861
– Other financial institutions	**6,901,160**	1,786,790
Subtotal	**26,345,249**	18,914,651
Interest accrued	**6,745**	655
Less: Provision for impairment losses	**(2)**	(1)
Total	**26,351,992**	18,915,305

(b) Analysed by type of collateral held

	31 December 2021	31 December 2020
Securities		
– Government	**5,277,355**	3,510,640
– Policy banks	**2,189,445**	846,171
– Corporates	**814,800**	–
Subtotal	**8,281,600**	4,356,811
Interbank deposits	**991,560**	–
Bank acceptances	**17,072,089**	14,557,840
Subtotal	**26,345,249**	18,914,651
Interest accrued	**6,745**	655
Less: Provision for impairment losses	**(2)**	(1)
Total	**26,351,992**	18,915,305

As at 31 December 2021 and 31 December 2020, certain financial assets held under buyout resale agreements were pledged for repurchase agreements (Note 42(f)).

19. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	31 December 2021	31 December 2020
Loans and advances to customers measured at amortised cost:		
Corporate loans and advances	**97,971,944**	84,459,556
Personal loans		
– Residential mortgage loans	**18,687,921**	14,340,584
– Personal consumption loans	**1,614,437**	1,705,336
– Personal business loans	**2,126,262**	2,140,593
– Credit cards	**4,443,332**	3,858,360
Subtotal	**26,871,952**	22,044,873
Interest accrued	**544,048**	585,848
Less: Provision for loans and advances to customers measured at amortised cost	**(5,277,108)**	(4,854,175)
Subtotal	**120,110,836**	102,236,102
Loans and advances to customers measured at fair value through other comprehensive income:		
Discounted bills	**30,896,556**	29,600,410
Subtotal	**30,896,556**	29,600,410
Net loans and advances to customers	**151,007,392**	131,836,512

(b) **Loans and advances to customers (excluding interest accrued) analysed by industry sector**

	31 December 2021		
	Amount	**Percentage**	**Loans and advances secured by collateral**
Manufacturing	**33,809,160**	**21.71%**	**3,651,535**
Mining	**19,170,970**	**12.31%**	**4,763,859**
Wholesale and retail trade	**11,490,064**	**7.38%**	**3,247,359**
Real estate	**8,935,988**	**5.74%**	**2,936,908**
Leasing and commercial services	**5,398,033**	**3.47%**	**863,223**
Financial services	**3,905,107**	**2.51%**	**83,695**
Construction	**3,846,004**	**2.47%**	**544,749**
Water, environment and public utility management	**2,904,782**	**1.87%**	**9,500**
Production and supply of electric power, gas and water	**1,551,340**	**1.00%**	**252,246**
Transportation, storage and postal services	**1,089,360**	**0.70%**	**717,517**
Lodging and catering	**706,536**	**0.45%**	**424,753**
Agriculture, forestry, animal husbandry and fishery	**269,977**	**0.17%**	**56,357**
Education	**28,567**	**0.02%**	**21,067**
Others	**4,866,056**	**3.11%**	**2,411,640**
Subtotal of corporate loans and advances	**97,971,944**	**62.91%**	**19,984,408**
Personal loans	**26,871,952**	**17.25%**	**11,877,132**
Discounted bills	**30,896,556**	**19.84%**	**30,896,556**
Gross loans and advances to customers	**155,740,452**	**100.00%**	**62,758,096**

	31 December 2020		
	Amount	Percentage	Loans and advances secured by collateral
Manufacturing	28,018,543	20.59%	4,326,494
Mining	19,032,833	13.98%	2,370,984
Real estate	10,415,971	7.65%	4,082,473
Wholesale and retail trade	5,868,055	4.31%	2,461,447
Leasing and commercial services	5,812,215	4.27%	706,627
Construction	4,963,959	3.65%	556,471
Financial services	3,594,190	2.64%	113,240
Water, environment and public utility management	1,660,691	1.22%	12,450
Production and supply of electric power, gas and water	1,361,798	1.00%	156,900
Transportation, storage and postal services	858,159	0.63%	44,929
Lodging and catering	761,353	0.56%	455,093
Agriculture, forestry, animal husbandry and fishery	558,427	0.41%	79,328
Education	38,197	0.03%	24,997
Others	1,515,165	1.11%	1,399,739
Subtotal of corporate loans and advances	84,459,556	62.05%	16,791,172
Personal loans	22,044,873	16.20%	8,294,083
Discounted bills	29,600,410	21.75%	29,600,410
Gross loans and advances to customers	136,104,839	100.00%	54,685,665

As at the end of the reporting period and during the year, detailed information of the impaired loans and advances to customers (excluding interests accrued) 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 is as follows:

	31 December 2021					
	Credit-impaired loans and advances	**Expected credit losses over the next 12 months**	**Lifetime expected credit losses: not credit-impaired loans**	**Lifetime expected credit losses: credit-impaired loans**	**Charge/ (Reversal) for the year**	**Written-off during the year**
Manufacturing	**836,044**	**756,899**	**196,330**	**400,738**	**29,985**	**31,900**
Mining	**–**	**446,129**	**320,399**	**–**	**(254,868)**	**–**

	31 December 2020					
	Credit-impaired loans and advances	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans	Charge/ (Reversal) for the year	Written-off during the year
Manufacturing	760,296	876,874	154,441	292,667	(22,916)	–
Mining	713,484	589,135	187,901	244,360	14,578	–

(c) Analysed by type of collateral

	31 December 2021	31 December 2020
Unsecured loans	**13,542,623**	12,224,097
Guaranteed loans	**79,439,733**	69,195,077
Collateralised loans	**25,549,655**	20,277,695
Pledged loans	**37,208,441**	34,407,970
Subtotal	**155,740,452**	136,104,839
Interest accrued	**544,048**	585,848
Gross loans and advances to customers	**156,284,500**	136,690,687
Less: Provision for loans and advances to customers measured at amortised cost	**(5,277,108)**	(4,854,175)
Net loans and advances to customers	**151,007,392**	131,836,512

(d) Overdue loans (excluding interest accrued) analysed by overdue period

	31 December 2021				
	Overdue within three months (inclusive)	**Overdue for more than three months to one year (inclusive)**	**Overdue for more than one year to three years (inclusive)**	**Overdue for more than three years**	**Total**
Unsecured loans	**199,002**	**105,490**	**113,655**	**8,715**	**426,862**
Guaranteed loans	**53,673**	**1,262,709**	**311,718**	**121,629**	**1,749,729**
Collateralised loans	**264,055**	**59,209**	**560,722**	**36,932**	**920,918**
Pledged loans	**4,398**	**6,000**	**11,400**	**–**	**21,798**
Total	**521,128**	**1,433,408**	**997,495**	**167,276**	**3,119,307**
As a percentage of gross loans and advances to customers	**0.33%**	**0.92%**	**0.64%**	**0.11%**	**2.00%**

	31 December 2020				
	Overdue within three months (inclusive)	Overdue for more than three months to one year (inclusive)	Overdue for more than one year to three years (inclusive)	Overdue for more than three years	Total
Unsecured loans	53,530	70,523	34,318	542	158,913
Guaranteed loans	291,498	881,745	242,904	132,172	1,548,319
Collateralised loans	142,725	591,709	174,687	38,422	947,543
Pledged loans	5,330	1,900	9,500	3,122	19,852
Total	493,083	1,545,877	461,409	174,258	2,674,627
As a percentage of gross loans and advances to customers	0.36%	1.14%	0.34%	0.13%	1.97%

Overdue loans represent loans of which the whole or part of the principals or interest were overdue for one day or more.

(e) Loans and advances and provision for impairment losses

	31 December 2021			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses: not credit-impaired loans**	**Lifetime expected credit losses: credit-impaired loans[(i)]**	**Total**
Total loans and advances to customers measured at amortised cost	**113,923,962**	**8,605,498**	**2,858,484**	**125,387,944**
Less: Provision for impairment losses	**(2,476,152)**	**(1,353,755)**	**(1,447,201)**	**(5,277,108)**
Carrying amount of loans and advances to customers measured at amortised cost	**111,447,810**	**7,251,743**	**1,411,283**	**120,110,836**
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	**30,896,556**	**–**	**–**	**30,896,556**
Net loans and advances to customers	**142,344,366**	**7,251,743**	**1,411,283**	**151,007,392**

	31 December 2020			
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans[(i)]	Total
Total loans and advances to customers measured at amortised cost	101,686,785	2,897,228	2,506,264	107,090,277
Less: Provision for impairment losses	(2,980,705)	(718,958)	(1,154,512)	(4,854,175)
Carrying amount of loans and advances to customers measured at amortised cost	98,706,080	2,178,270	1,351,752	102,236,102
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	29,598,010	–	2,400	29,600,410
Net loans and advances to customers	128,304,090	2,178,270	1,354,152	131,836,512

(i) The loans and advances are "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the loans and advances have occurred. Evidence that loans and advances are credit-impaired includes the following observable data: significant financial difficulty of the borrower or issuer; a breach of contract, such as a default or delinquency in interest or principal payments; for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that otherwise would not consider; it is probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or debts overdue for more than 90 days.

(f) Movements in provision for impairment losses

(i) Movements in provision for impairment losses on loans and advances to customers measured at amortised cost:

	31 December 2021			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses: not credit-impaired loans**	**Lifetime expected credit losses: credit-impaired loans**	**Total**
As at 1 January	**2,980,705**	**718,958**	**1,154,512**	**4,854,175**
Transferred:				
– to expected credit losses over the next 12 months	**12,382**	**(8,966)**	**(3,416)**	**–**
– to lifetime expected credit losses: not credit-impaired loans	**(121,040)**	**129,875**	**(8,835)**	**–**
– to lifetime expected credit losses: credit-impaired loans	**(53,279)**	**(38,026)**	**91,305**	**–**
(Reversal)/Charge for the year	**(342,616)**	**551,914**	**1,275,720**	**1,485,018**
Transfer out	**–**	**–**	**(830,265)**	**(830,265)**
Recoveries	**–**	**–**	**12,434**	**12,434**
Write-offs	**–**	**–**	**(165,229)**	**(165,229)**
Other changes	**–**	**–**	**(79,025)**	**(79,025)**
As at 31 December	**2,476,152**	**1,353,755**	**1,447,201**	**5,277,108**

	31 December 2020			
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans	Total
As at 1 January	2,223,034	906,674	1,131,210	4,260,918
Transferred:				
– to expected credit losses over the next 12 months	22,649	(21,428)	(1,221)	–
– to lifetime expected credit losses: not credit-impaired loans	(10,582)	14,512	(3,930)	–
– to lifetime expected credit losses: credit-impaired loans	(21,503)	(298,619)	320,122	–
Charge for the year	767,107	117,819	115,365	1,000,291
Transfer out	–	–	(353,707)	(353,707)
Recoveries	–	–	21,103	21,103
Write-offs	–	–	(15,032)	(15,032)
Other changes	–	–	(59,398)	(59,398)
As at 31 December	2,980,705	718,958	1,154,512	4,854,175

(ii) Movements in provision for impairment of loans and advances to customers measured at fair value through other comprehensive income:

	31 December 2021			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses: not credit-impaired loans**	**Lifetime expected credit losses: credit-impaired loans**	**Total**
As at 1 January	**4,708**	**–**	**9,600**	**14,308**
(Reversal)/Charge for the year	**(333)**	**–**	**2,400**	**2,067**
Write-offs	**–**	**–**	**(12,000)**	**(12,000)**
As at 31 December	**4,375**	**–**	**–**	**4,375**

	31 December 2020			
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans	Total
As at 1 January	12,506	–	9,600	22,106
Reversal for the year	(7,798)	–	–	(7,798)
As at 31 December	4,708	–	9,600	14,308

Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of loans and advances to customers presented in the statement of financial position, and impairment loss or gain is recognised in profit or loss.

(g) Disposal of loans and advances to customers

During the year ended 31 December 2021, the Group transferred loans and advances with a gross amount of RMB1,251 million (2020: RMB1,757 million) to independent third parties, and the transfer price was RMB425 million (2020: RMB1,368 million).

During the years ended 31 December 2021 and 31 December 2020, the Group did not transfer any portfolio of customer loans and advances through the asset securitisation business.

20. FINANCIAL INVESTMENTS

		31 December 2021	31 December 2020
Financial investments measured at fair value through profit or loss	*(a)*	**35,783,091**	29,775,086
Financial investments measured at fair value through other comprehensive income	*(b)*	**5,430,753**	8,898,454
Financial investments measured at amortised cost	*(c)*	**51,352,825**	52,986,363
Total		**92,566,669**	91,659,903

(a) Financial investments measured at fair value through profit or loss

	31 December 2021	31 December 2020
Debt securities issued by the following institutions in mainland China		
– Government	**1,239,196**	694,844
– Policy banks	**30,208**	98,255
– Banks and other financial institutions	**378,154**	738,782
– Corporates	**610,168**	208,394
Subtotal	**2,257,726**	1,740,275
Interbank deposits	**885,520**	–
Investment funds	**30,012,395**	25,375,979
Investment management products	**2,404,290**	2,608,677
Other investments	**223,160**	50,155
Total	**35,783,091**	29,775,086

As at 31 December 2021 and 31 December 2020, there were no investments subject to material restrictions in the realisation.

(b) Financial investments measured at fair value through other comprehensive income

	31 December 2021	31 December 2020
Debt securities issued by the following institutions in mainland China		
– Government	**2,512,720**	4,766,504
– Policy banks	**336,018**	1,525,382
– Banks and other financial institutions	**524,036**	499,978
– Corporates	**–**	300,609
Subtotal	**3,372,774**	7,092,473
Interest accrued	**53,659**	95,507
Subtotal	**3,426,433**	7,187,980
Interbank deposits	**1,192,079**	884,407
Investment management products	**661,376**	658,382
Interest accrued	**30,165**	32,232
Subtotal	**691,541**	690,614
Equity investments	**120,700**	135,453
Total	**5,430,753**	8,898,454

(i) As at 31 December 2021 and 31 December 2020, there were no investments subject to material restrictions in the realisation.

(ii) Movements in provision for impairment of financial investments measured at fair value through other comprehensive income:

	Year ended 31 December 2021			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses not credit-impaired**	**Lifetime expected credit losses credit-impaired**	**Total**
Balance at 1 January	**2,882**	**–**	**–**	**2,882**
Reversal for the year	**(2,659)**	**–**	**–**	**(2,659)**
Balance at 31 December	**223**	**–**	**–**	**223**

	Year ended 31 December 2020			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January	2,321	–	–	2,321
Charge for the year	561	–	–	561
Balance at 31 December	2,882	–	–	2,882

Provision for impairment losses on financial investments measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of financial investments presented in the statement of financial position, and impairment loss or gain is recognised in profit or loss.

(c) Financial investments measured at amortised cost

		31 December 2021	31 December 2020
Debt securities issued by the following institutions in mainland China	*(i)*		
– Government		**32,578,265**	30,479,109
– Policy banks		**1,912,870**	2,132,540
– Banks and other financial institutions		**320,000**	–
– Corporates		**920,866**	1,110,994
Interest accrued		**487,179**	461,078
Subtotal		**36,219,180**	34,183,721
Interbank deposits		**248,154**	685,866
Investment management products		**16,133,543**	19,272,015
Interest accrued		**82,560**	395,713
Subtotal		**16,216,103**	19,667,728
Less: Provision for impairment losses	*(ii)*	**(1,330,612)**	(1,550,952)
Total		**51,352,825**	52,986,363

(i) As at the end of each of the reporting periods, certain debt securities were pledged for repurchase agreements (Note 42(f)).

(ii) Movements in provision for impairment losses on financial investments measured at amortised cost:

	Year ended 31 December 2021			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses not credit-impaired**	**Lifetime expected credit losses credit-impaired**	**Total**
Balance at 1 January	**418,975**	**232,000**	**899,977**	**1,550,952**
Transfers:				
– to expected credit losses over the next 12 months	**98,598**	**–**	**(98,598)**	**–**
– to lifetime expected credit losses: not credit-impaired	**(29,511)**	**29,511**	**–**	**–**
– to lifetime expected credit losses: credit-impaired	**–**	**(112,000)**	**112,000**	**–**
(Reversal)/Charge for the year	**(266,000)**	**131,036**	**304,910**	**169,946**
Transfer out	**–**	**(37,770)**	**(352,516)**	**(390,286)**
Balance at 31 December	**222,062**	**242,777**	**865,773**	**1,330,612**

	Year ended 31 December 2020			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January	489,084	1,975	969,813	1,460,872
Transfers:				
– to lifetime expected credit losses: credit-impaired	–	(1,975)	1,975	–
(Reversal)/Charge for the year	(70,109)	232,000	(71,811)	90,080
Balance at 31 December	418,975	232,000	899,977	1,550,952

(d) **Financial investments are analysed as follows:**

	31 December 2021	31 December 2020
Financial investments measured at fair value through profit or loss		
Debt securities		
– Listed	**2,163,337**	1,631,868
– Unlisted	**94,389**	108,407
Interbank deposits		
– Listed	**885,520**	–
Fund investments and others		
– Listed	**223,160**	–
– Unlisted	**32,416,685**	28,034,811
Subtotal	**35,783,091**	29,775,086
Financial investments measured at fair value through other comprehensive income		
Debt securities		
– Listed	**3,426,433**	7,187,980
Interbank deposits		
– Listed	**1,192,079**	884,407
Equity investments and investment management products		
– Unlisted	**812,241**	826,067
Subtotal	**5,430,753**	8,898,454
Financial investments measured at amortised cost		
Debt securities		
– Listed	**35,911,345**	33,681,601
– Unlisted	**246,526**	381,100
Interbank deposits		
– Listed	**248,130**	685,435
Investment management products		
– Unlisted	**14,946,824**	18,238,227
Subtotal	**51,352,825**	52,986,363
Total	**92,566,669**	91,659,903
Listed	**44,050,004**	44,071,291
Unlisted	**48,516,665**	47,588,612
Total	**92,566,669**	91,659,903

Debt securities traded in the mainland China interbank market are classified as "Listed". Interbank deposits traded in the mainland China interbank market are included in "Listed".

21. INTEREST IN AN ASSOCIATE

	31 December 2021	31 December 2020
Interest in an associate	**318,624**	294,119

The following table contains information about the Bank's associate which is immaterial to the Bank and is an unlisted corporate entity whose quoted market price is not available:

Name	Percentage of equity/voting rights		Place of incorporation/ registration	Business sector
	31 December 2021	31 December 2020		
Jinshang Consumer Finance Co., Ltd.	**40%**	40%	Shanxi, China	Consumer finance

In February 2016, the Bank and other third-party shareholders jointly established Jinshang Consumer Finance Co., Ltd. ("Jinshang Consumer Finance"), which was registered in Taiyuan, Shanxi, China with its main business operating in China. The registered capital of Jinshang Consumer Finance amounted to RMB500 million and the Bank holds 40% of the equity of Jinshang Consumer Finance. As at 31 December 2021, Jinshang Consumer Finance had share capital of RMB500 million.

The following tables illustrate the financial information of the Group's associate that is not individually material:

	31 December 2021	31 December 2020
Carrying amount of individually the immaterial associate in the statement of financial position of the Bank	**318,624**	294,119
Amounts of the Bank's share of results of the associate		
– Profit from continuing operations	**24,505**	21,543
– Other comprehensive income	**–**	–
– Total comprehensive income	**24,505**	21,543

22. INVESTMENT IN A SUBSIDIARY

	31 December 2021	31 December 2020
Qingxu Jinshang Village and Township Bank Co., Ltd. (清徐晉商村鎮銀行股份有限公司)	**25,500**	25,500

Qingxu Jinshang Village and Township Bank Co., Ltd. ("Qingxu Village and Township Bank") was incorporated on 19 January 2012, which was registered in Taiyuan, Shanxi, China with registered capital of RMB50 million. The principal activities of Qingxu Village and Township Bank are conducted in China, and it is a corporate legal entity and a non-wholly-owned subsidiary of the Bank. As at 31 December 2021 and 31 December 2020, the Bank held the provision of 51% of equity interests and voting rights of Qingxu Village and Township Bank. As at 31 December 2021, Qingxu Village and Township Bank had share capital of RMB50 million.

23. PROPERTY AND EQUIPMENT

	Premises	Office equipment	Motor vehicles	Electronic equipment	Leasehold improvements	Total
Cost						
As at 1 January 2020	1,589,052	39,821	14,716	429,860	354,941	2,428,390
Additions	65,910	16,288	2,032	54,797	19,598	158,625
Disposals	–	(1,412)	(3,287)	(17,390)	(2,754)	(24,843)
As at 31 December 2020	1,654,962	54,697	13,461	467,267	371,785	2,562,172
Additions	6,748	3,281	–	45,201	17,259	72,489
Disposals	–	(389)	–	(3,538)	–	(3,927)
As at 31 December 2021	**1,661,710**	**57,589**	**13,461**	**508,930**	**389,044**	**2,630,734**
Accumulated depreciation						
As at 1 January 2020	(280,017)	(28,435)	(13,660)	(339,175)	(302,448)	(963,735)
Charge for the year	(77,246)	(3,152)	(624)	(41,228)	(21,007)	(143,257)
Disposals	–	1,365	3,188	16,816	2,367	23,736
As at 31 December 2020	(357,263)	(30,222)	(11,096)	(363,587)	(321,088)	(1,083,256)
Charge for the year	(78,018)	(6,388)	(639)	(52,657)	(18,908)	(156,610)
Disposals	–	374	–	3,423	–	3,797
As at 31 December 2021	**(435,281)**	**(36,236)**	**(11,735)**	**(412,821)**	**(339,996)**	**(1,236,069)**
Net book value						
As at 31 December 2020	1,297,699	24,475	2,365	103,680	50,697	1,478,916
As at 31 December 2021	**1,226,429**	**21,353**	**1,726**	**96,109**	**49,048**	**1,394,665**

As at 31 December 2021, the net book values of premises of which title deeds were not yet finalised totalled RMB620 million (31 December 2020: RMB653 million). The Group is still in the progress of applying for the outstanding title deeds for the above premises. The directors of the Bank are of the opinion that there would be no significant costs in obtaining the title deeds.

The net book values of premises as at the end of each of the reporting periods are analysed by the remaining terms of the leases as follows:

	31 December 2021	31 December 2020
Held in mainland China		
– Medium-term leases (10-50 years)	**1,226,429**	1,297,699

24. DEFERRED TAX ASSETS

(a) Analysed by nature

	31 December 2021 Deductible/ (taxable) temporary differences	31 December 2021 Deferred income tax assets/ (liabilities)	31 December 2020 Deductible/ (taxable) temporary differences	31 December 2020 Deferred income tax assets/ (liabilities)
Deferred income tax assets				
– Allowance for impairment losses	**5,850,940**	**1,462,735**	5,754,328	1,438,582
– Accrued staff costs	**708,752**	**177,188**	628,040	157,010
– Others	**731,356**	**182,839**	533,528	133,382
Subtotal	**7,291,048**	**1,822,762**	6,915,896	1,728,974
Deferred income tax liabilities				
– Fair value changes of financial assets	**(448,464)**	**(112,116)**	(133,376)	(33,344)
Subtotal	**(448,464)**	**(112,116)**	(133,376)	(33,344)
Net balances	**6,842,584**	**1,710,646**	6,782,520	1,695,630

(b) Movements in deferred tax

	Allowance for impairment losses(i)	Accrued staff costs	Net (gains)/ losses on fair value changes(ii)	Others	Net balance of deferred tax assets
As at 1 January 2020	1,234,285	149,448	(77,489)	134,867	1,441,111
Recognised in profit or loss	204,297	7,714	30,435	(1,485)	240,961
Recognised in other comprehensive income	–	(152)	13,710	–	13,558
As at 31 December 2020	1,438,582	157,010	(33,344)	133,382	1,695,630
Recognised in profit or loss	24,153	18,978	(67,520)	49,457	25,068
Recognised in other comprehensive income	–	1,200	(11,252)	–	(10,052)
31 December 2021	**1,462,735**	**177,188**	**(112,116)**	**182,839**	**1,710,646**

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 at the end of the reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of the reporting period, 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.

25. OTHER ASSETS

		31 December 2021	31 December 2020
Accounts receivable and prepayments		**486,165**	433,405
Right-of-use assets	*(a)*	**358,218**	412,964
Intangible assets	*(b)*	**272,070**	186,781
Repossessed assets	*(c)*	**119,185**	59,480
Land use rights	*(d)*	**61,802**	63,568
Interest receivables	*(e)*	**34,063**	40,633
Long-term deferred expenses		**15,032**	15,806
Subtotal		**1,346,535**	1,212,637
Less: Allowances for impairment losses		**(62,613)**	(29,785)
Total		**1,283,922**	1,182,852

(a) Right-of-use assets

	Premises
Cost	
As at 1 January 2020	599,569
Additions	49,103
Deductions	(42,244)
As at 31 December 2020	606,428
Additions	85,843
Deductions	(36,331)
As at 31 December 2021	**655,940**
Accumulated depreciation	
As at 1 January 2020	(96,098)
Additions	(100,141)
Deductions	2,775
As at 31 December 2020	(193,464)
Additions	(125,849)
Deductions	21,591
As at 31 December 2021	**(297,722)**
Net book value	
As at 31 December 2020	412,964
As at 31 December 2021	**358,218**

(b) **Intangible assets**

	Computer software and system development
Cost	
As at 1 January 2020	303,487
Additions	51,253
Disposals	(13,451)
As at 31 December 2020	341,289
Additions	119,096
As at 31 December 2021	**460,385**
Accumulated amortisation	
As at 1 January 2020	(135,516)
Additions	(29,754)
Disposals	10,762
As at 31 December 2020	(154,508)
Additions	(33,807)
As at 31 December 2021	**(188,315)**
Book value	
As at 31 December 2020	186,781
As at 31 December 2021	**272,070**

(c) **Repossessed assets**

	31 December 2021	31 December 2020
Land use right and buildings	**119,185**	59,480
Less: Impairment allowances	**(34,566)**	(1,709)
Net balances	**84,619**	57,771

(d) Land use rights

The carrying value of land use rights is analysed based on the remaining terms of the leases as follows:

	31 December 2021	31 December 2020
Located in mainland China:		
10-50 years	**61,802**	63,568

The Group's right-of-use assets include the above fully prepaid land use rights and other right-of-use assets disclosed in note 25(a).

The Group's land-use right amortisation period is between 25 and 50 years.

(e) Interest receivables

	31 December 2021	31 December 2020
Interest receivables arising from:		
Loans and advances to customers	**34,063**	40,633
Total	**34,063**	40,633

As at 31 December 2021 and 31 December 2020, interest receivables only include interest that has been due for the relevant financial instruments but not yet received at the balance sheet date. Interest on financial instruments based on the effective interest method has been reflected in the balances of the corresponding financial instruments.

26. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type of and location of counterparty

	31 December 2021	31 December 2020
Deposits in mainland China		
– Banks	**1,260,767**	1,877,799
– Other financial institutions	**24,963**	19,338
Subtotal	**1,285,730**	1,897,137
Interest accrued	**11,436**	8,647
Total	**1,297,166**	1,905,784

27 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	31 December 2021	31 December 2020
Placements in mainland China		
– Banks	**210,000**	800,000
Subtotal	**210,000**	800,000
Interest accrued	**169**	730
Total	**210,169**	800,730

28. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	31 December 2021	31 December 2020
In mainland China		
– Banks	**14,168,977**	11,996,600
– Other financial institutions	**1,169,533**	1,423,064
Subtotal	**15,338,510**	13,419,664
Interest accrued	**7,222**	10,809
Total	**15,345,732**	13,430,473

(b) Analysed by type of collateral held

	31 December 2021	31 December 2020
Debt securities	**11,171,170**	11,996,600
Bank acceptances	**4,167,340**	1,423,064
Subtotal	**15,338,510**	13,419,664
Interest accrued	**7,222**	10,809
Total	**15,345,732**	13,430,473

29. DEPOSITS FROM CUSTOMERS

	31 December 2021	31 December 2020
Demand deposits		
– Corporate customers	**42,270,445**	46,339,221
– Individual customers	**10,988,143**	9,783,440
Subtotal	**53,258,588**	56,122,661
Time deposits		
– Corporate customers	**39,670,828**	26,882,027
– Individual customers	**83,271,636**	72,330,403
Subtotal	**122,942,464**	99,212,430
Pledged deposits		
– Acceptances	**17,124,006**	15,736,964
– Letters of credit and guarantees	**1,155,581**	1,322,195
– Letters of guarantees	**27,878**	43,286
– Others	**643,271**	830,328
Subtotal	**18,950,736**	17,932,773
Fiscal deposits	**9**	17
Inward and outward remittances	**114,147**	125,506
Interest accrued	**3,941,236**	3,388,309
Total	**199,207,180**	176,781,696

30. DEBT SECURITIES ISSUED

		31 December 2021	31 December 2020
Interbank deposits issued	*(a)*	**52,793,550**	43,084,271
Financial bonds issued	*(b)*	**3,999,433**	8,998,985
Tier-two capital debts issued	*(c)*	**1,998,956**	–
Subtotal		**58,791,939**	52,083,256
Interest accrued		**175,250**	93,370
Total		**58,967,189**	52,176,626

(a) Interbank deposits issued

(i) During the year ended 31 December 2021, the Bank issued a number of certificates of interbank deposits with a total nominal amount of RMB79,660 million and maturity between 1 and 12 months. The coupon interest rates ranged from 2.40% to 3.30% per annum.

(ii) In 2020, the Bank issued a number of certificates of interbank deposits with a total nominal amount of RMB66,490 million and maturity between 1 and 12 months. The coupon interest rates ranged from 1.35% to 3.60% per annum.

(iii) As at 31 December 2021, the fair value of interbank deposits issued was RMB52,334 million (31 December 2020: RMB42,730 million).

(b) Financial bonds issued

(i) In December 2018, the Bank issued three-year fixed interest rate financial bonds with a face value of RMB5,000 million. The coupon interest rate per annum was 4.00%. The bank redeemed the debt in December 2021.

(ii) In April 2020, the Bank issued three-year financial bonds with a face value of RMB4,000 million. The coupon interest rate per annum is 3.00%.

(iii) As at 31 December 2021, the fair value of the financial bonds issued was RMB3,999 million (31 December 2020: RMB8,960 million).

(c) Tier-two capital debts issued

(i) In January 2021, the Bank issued ten-year fixed interest rate tier-two capital bonds with a face value of RMB2,000 million. The coupon interest rate per annum is 4.78%. The Bank had an option to redeem the bonds at the end of the fifth year.

(ii) As at 31 December 2021, the fair value of the tier-two capital bonds issued was RMB1,962 million (31 December 2020: None).

31. OTHER LIABILITIES

	Note	31 December 2021	31 December 2020
Accounts payable in the process of clearance and settlement		**1,139,714**	603,388
Accrued staff cost	*(a)*	**760,046**	667,725
Provisions	*(b)*	**664,336**	677,771
Lease liabilities	*(c)*	**336,347**	368,622
Contract liabilities	*(d)*	**115,164**	95,883
Other taxes payable		**112,542**	97,684
Dividend payable		**111,019**	127,827
Total		**3,239,168**	2,638,900

(a) Accrued staff cost

	31 December 2021	31 December 2020
Salary, bonuses and allowances payable	**560,116**	491,535
Supplementary retirement benefits payable	**49,314**	42,629
Pension and annuity payable	**45,761**	34,414
Other social insurance payable	**18,009**	17,811
Housing fund payable	**13,659**	13,471
Others	**73,187**	67,865
Total	**760,046**	667,725

Supplementary retirement benefits

(i) The balances of supplementary retirement benefits of the Group are as follows:

	31 December 2021	31 December 2020
Present value of supplementary retirement benefits	**49,314**	42,629

(ii) The movements of supplementary retirement benefits of the Group are as follows:

	2021	2020
As at 1 January	**42,629**	51,115
Benefits paid during the year	**(15,045)**	(14,376)
Defined benefit cost recognised in profit or loss	**16,930**	6,500
Defined benefit cost recognised in other comprehensive income	**4,800**	(610)
As at 31 December	**49,314**	42,629

(iii) Principal actuarial assumptions of the Group are as follows:

Early retirement plan

	31 December 2021	31 December 2020
Discount rate	**2.50%**	3.00%
Mortality	**Note (a)**	Note (a)
Annual increase rate of living expenses, social insurance, housing fund and annuity for existing retirees	**7.00%**	7.00%
Annual increase rate of other allowances for existing retirees	**4.50%**	4.50%

Supplementary retirement plan

	31 December 2021	31 December 2020
Discount rate	**3.00%**	3.25%
Mortality	**Note (a)**	Note (a)
Turnover rate	**0.00%**	0.00%

Note:

(a) As at 31 December 2021 and 2020, mortality assumptions were based on China Life Insurance Annuity Table (2010-2013) in China Life Insurance Mortality Table compiled by PLICC, which were published historical statistics in China.

(b) Provisions

		31 December 2021	31 December 2020
Expected credit losses	*(i)*	**664,336**	677,771

(i) Movements in provisions for expected credit losses are as follows:

	Year ended 31 December 2021			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses not credit-impaired**	**Lifetime expected credit losses credit-impaired**	**Total**
Balance at 1 January	**660,151**	**16,378**	**1,242**	**677,771**
Transfers				
– to expected credit losses over the next 12 months	**245**	**(245)**	**–**	**–**
– to lifetime expected credit losses not credit-impaired	**(75)**	**75**	**–**	**–**
– to lifetime expected credit losses credit-impaired	**(86)**	**(401)**	**487**	**–**
Reversal for the year	**(12,254)**	**(193)**	**(988)**	**(13,435)**
Balance at 31 December	**647,981**	**15,614**	**741**	**664,336**

	Year ended 31 December 2020			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January	308,738	21,732	1,892	332,362
Transfers				
– to expected credit losses over the next 12 months	252	(252)	–	–
– to lifetime expected credit losses not credit-impaired	(26)	26	–	–
– to lifetime expected credit losses credit-impaired	(22)	(79)	101	–
Charge/(reversal) for the year	351,209	(5,049)	(751)	345,409
Balance at 31 December	660,151	16,378	1,242	677,771

(c) Lease liabilities

The maturity analysis of lease liabilities – undiscounted analysis:

	31 December 2021	31 December 2020
Within one year (inclusive)	**112,501**	99,967
Between one year and two years (inclusive)	**88,284**	93,974
Between two years and three years (inclusive)	**60,914**	75,446
Between three years and five years (inclusive)	**58,565**	82,359
More than five years	**55,388**	66,565
Total undiscounted lease liabilities	**375,652**	418,311
Total carrying amount	**336,347**	368,622

(d) Contract liabilities

As at 31 December 2021, the aggregate amount of the transaction prices allocated to the remaining performance obligations under the Group's existing contracts was RMB115 million (31 December 2020: RMB96 million). This amount represents income expected to be recognised in the future from acceptance and guarantee services. The Group will recognise the expected income in future when the services are provided.

32. SHARE CAPITAL

Authorised and issued share capital

	31 December 2021	31 December 2020
Domestic RMB ordinary shares	**4,868,000**	4,868,000
Offshore listed ordinary shares (H Shares)	**970,650**	970,650
Total	**5,838,650**	5,838,650

All of the above H shares are listed on The Stock Exchange of Hong Kong Limited. The par value of the domestic RMB ordinary shares and the offshore listed ordinary shares is RMB1, and these shares will enjoy the same status in terms of declaration, payment or making of all dividends or distributions.

33 RESERVES

(a) Capital reserve

	31 December 2021	31 December 2020
Share premium	**6,568,558**	6,568,558
Other capital reserve	**59,044**	59,044
Total	**6,627,602**	6,627,602

(b) Surplus reserve

The surplus reserve at the end of each of the reporting periods represented statutory surplus reserve and discretionary surplus reserve.

Pursuant to the Company Law of the PRC and the Article of Association of the Bank, the Bank is required to appropriate 10% of its net profit on an annual basis under the People's Republic of China Generally Accepted Accounting Principles (PRC GAAP) after making good of the prior year's accumulated losses to statutory surplus reserve until the balance reaches 50% of its registered capital.

The Bank appropriated an amount of RMB169 million to the statutory surplus reserve fund for the year ended 31 December 2021 (2020: RMB156 million).

(c) General reserve

Pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)" issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis. The balance of the general reserve of the Bank amounted to RMB3,151 million as at 31 December 2021 (31 December 2020: RMB2,802 million).

(d) Fair value reserve

	2021	2020
As at 1 January	**(64,335)**	(23,204)
Changes in fair value recognised in other comprehensive income	**164,111**	46,133
Transfer to profit or loss upon disposal	**(119,104)**	(100,974)
Less: Deferred tax	**(11,252)**	13,710
As at 31 December	**(30,580)**	(64,335)

(e) Impairment reserve

	2021	2020
As at 1 January	**12,892**	18,320
Impairment losses recognised in other comprehensive income	**(12,592)**	(7,237)
Less: Deferred tax	**3,148**	1,809
As at 31 December	**3,448**	12,892

(f) Remeasurement of net defined benefit liability

Remeasurement of net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

	2021	2020
As at 1 January	**(765)**	(1,223)
Changes in fair value recognised in other comprehensive income	**(4,800)**	610
Less: Deferred tax	**1,200**	(152)
As at 31 December	**(4,365)**	(765)

34. RETAINED EARNINGS

(a) Appropriation of profits

In accordance with the consideration and approval at the Bank's Board of Directors Meeting on 29 March 2022, the profit appropriation of the Bank for the year ended 31 December 2021 was as follows:

– Appropriation of statutory surplus reserve based on 10% of the net profit;

– Appropriation of general reserve amounting to approximately RMB349 million; and

– Declaration of cash dividends in an aggregate amount of approximately RMB584 million to all existing shareholders.

In accordance with the consideration and approval at the Bank's Board of Directors Meeting on 26 March 2021, the profit appropriation of the Bank for the year ended 31 December 2020 was as follows:

– Appropriation of statutory surplus reserve based on 10% of the net profit;

– Appropriation of general reserve amounting to approximately RMB21 million; and

– Declaration of cash dividends in an aggregate amount of approximately RMB584 million to all existing shareholders.

(b) Movements in components of equity

Details of the changes in the Bank's individual components of equity for the reporting period are set out below:

	Share capital	**Capital reserve**	**Surplus reserve**	**General reserve**	**Fair value reserve**	**Impairment reserve**	**Deficit on remeasurement of net defined benefit liability**	**Retained earnings**	**Total**
Balance at 1 January 2021	**5,838,650**	**6,627,602**	**3,623,310**	**2,801,940**	**(64,335)**	**12,892**	**(765)**	**2,170,754**	**21,010,048**
Changes in equity for the year:									
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,692,155**	**1,692,155**
Other comprehensive income	**–**	**–**	**–**	**–**	**33,755**	**(9,444)**	**(3,600)**	**–**	**20,711**
Total comprehensive income	**–**	**–**	**–**	**–**	**33,755**	**(9,444)**	**(3,600)**	**1,692,155**	**1,712,866**
Appropriation of profits									
– Appropriation to surplus reserve	**–**	**–**	**169,215**	**–**	**–**	**–**	**–**	**(169,215)**	**–**
– Appropriation to general reserve	**–**	**–**	**–**	**349,268**	**–**	**–**	**–**	**(349,268)**	**–**
– Dividends paid to shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(583,865)**	**(583,865)**
Balance at 31 December 2021	**5,838,650**	**6,627,602**	**3,792,525**	**3,151,208**	**(30,580)**	**3,448**	**(4,365)**	**2,760,561**	**22,139,049**

	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	(Deficit)/ surplus on remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2020	5,838,650	6,627,602	3,467,020	2,781,004	(23,204)	18,320	(1,223)	1,427,330	20,135,499
Changes in equity for the year:									
Net profit for the year	–	–	–	–	–	–	–	1,562,902	1,562,902
Other comprehensive income	–	–	–	–	(41,131)	(5,428)	458	–	(46,101)
Total comprehensive income	–	–	–	–	(41,131)	(5,428)	458	1,562,902	1,516,801
Appropriation of profits									
– Appropriation to surplus reserve	–	–	156,290	–	–	–	–	(156,290)	–
– Appropriation to general reserve	–	–	–	20,936	–	–	–	(20,936)	–
– Dividends paid to shareholders	–	–	–	–	–	–	–	(642,252)	(642,252)
Balance at 31 December 2020	5,838,650	6,627,602	3,623,310	2,801,940	(64,335)	12,892	(765)	2,170,754	21,010,048

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Net increase in cash and cash equivalents

	2021	2020
Cash and cash equivalents as at 31 December	**16,315,416**	9,088,656
Less: Cash and cash equivalents at the beginning of the year	**(9,088,656)**	(7,894,947)
Net increase in cash and cash equivalents	**7,226,760**	1,193,709

(b) Cash and cash equivalents

	31 December 2021	31 December 2020
Cash on hand	**291,567**	346,696
Deposits with the central bank other than restricted deposits	**12,446,194**	6,524,372
Deposits with banks and other financial institutions	**877,655**	1,417,588
Placements with banks and other financial institutions	**2,700,000**	800,000
Total	**16,315,416**	9,088,656

(c) **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 liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Debt securities issued *(Note 30)*	**Interest accrued arising from debt securities issued** *(Note 30)*	**Lease liabilities** *(Note 31)*	**Total**
As at 1 January 2021	**52,083,256**	**93,370**	**368,622**	**52,545,248**
Changes from financing cash flows				
Net proceeds from new debt securities issued	**81,478,683**	**–**	**–**	**81,478,683**
Repayment of debt securities issued	**(74,770,000)**	**–**	**–**	**(74,770,000)**
Interest paid on debt securities issued	**–**	**(1,604,687)**	**–**	**(1,604,687)**
Repayment of lease liabilities	**–**	**–**	**(103,242)**	**(103, 242)**
Interest paid on lease liabilities	**–**	**–**	**(15,722)**	**(15,722)**
Total changes from financing cash flows	**6,708,683**	**(1,604,687)**	**(118,964)**	**4,985,032**
Other changes				
Interest expense *(Note 3)*	**–**	**1,686,567**	**–**	**1,686,567**
New leases	**–**	**–**	**86,689**	**86,689**
Total other changes	**–**	**1,686,567**	**86,689**	**1,773,256**
As at 31 December 2021	**58,791,939**	**175,250**	**336,347**	**59,303,536**

	Debt securities issued (Note 30)	Interest accrued arising from debt securities issued (Note 30)	Lease liabilities (Note 31)	Total
As at 1 January 2020	50,294,732	50,372	462,813	50,807,917
Changes from financing cash flows				
Net proceeds from new debt securities issued	70,638,524	–	–	70,638,524
Repayment of debt securities issued	(68,850,000)	–	–	(68,850,000)
Interest paid on debt securities issued	–	(1,535,611)	–	(1,535,611)
Repayment of lease liabilities	–	–	(101,088)	(101,088)
Interest paid on lease liabilities	–	–	(19,495)	(19,495)
Total changes from financing cash flows	1,788,524	(1,535,611)	(120,583)	132,330
Other changes				
Interest expense (Note 3)	–	1,578,609	–	1,578,609
New leases	–	–	26,392	26,392
Total other changes	–	1,578,609	26,392	1,605,001
As at 31 December 2020	52,083,256	93,370	368,622	52,545,248

36. CAPITAL MANAGEMENT

The Group's capital management includes capital adequacy ratio management and capital financing 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 former CBRC. 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.

The Group calculates its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the former CBRC.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing 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%, 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 collateral 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 the basic indicator approach.

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.

The Group's capital adequacy ratios at 31 December 2021 and 31 December 2020 calculated in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the former CBRC are as follows:

	31 December 2021	31 December 2020
Total core tier-one capital		
– Share capital	**5,838,650**	5,838,650
– Qualifying portion of capital reserve	**6,627,602**	6,627,602
– Surplus reserve	**3,792,525**	3,623,310
– General reserve	**3,161,131**	2,809,363
– Other comprehensive income	**(31,497)**	(52,208)
– Retained earnings	**2,747,591**	2,166,810
– Qualifying portions of non-controlling interests	**8,944**	14,950
Core tier-one capital	**22,144,946**	21,028,477
Core tier-one capital deductions	**(272,070)**	(186,781)
Net core tier-one capital	**21,872,876**	20,841,696
Other tier-one capital	**1,193**	1,993
Net tier-one capital	**21,874,069**	20,843,689
Tier-two capital		
– Instruments issued and share premium	**2,000,000**	–
– Surplus provision for loan impairment	**2,157,932**	1,954,147
– Qualifying portions of non-controlling interests	**2,385**	3,987
Net tier-two capital	**4,160,317**	1,958,134
Net capital base	**26,034,386**	22,801,823
Total risk weighted assets	**216,654,124**	194,498,525
Core tier-one capital adequacy ratio	**10.10%**	10.72%
Tier-one capital adequacy ratio	**10.10%**	10.72%
Capital adequacy ratio	**12.02%**	11.72%

37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Related parties of the Group

(i) Major shareholders

Major shareholders of the Bank refer to shareholders holding or controlling 5% or more of shares or voting right of the Bank, or holding less than 5% of total capital or total shares of the Bank but having significant impact on the operational management of the Bank.

The significant impact mentioned above includes but not limited to dispatching directors, supervisors or senior management to a commercial bank, influencing the financial and operational management decisions of commercial banks through agreements or other means and other circumstances identified by the CBRC or its local offices.

For the year ended 31 December 2021, general information and shareholdings of major shareholders are as follows:

Name	Place of registration	Registered Capital 31 December 2021	Registered Capital 31 December 2020	Economic nature or type	Legal Representative/ Head	Business scope	Number of Shares	Proportion of shareholding 31 December 2021	Proportion of shareholding 31 December 2020
Shanxi Finance Bureau (山西省財政廳)	Taiyuan, Shanxi	**N/A**	N/A	Government agency	Wu Zhiyuan	N/A	715,109	**12.25%**	N/A
Shanxi Financial Investment Holdings Limited.* (山西金融投資控股集團有限公司)	Taiyuan, Shanxi	**10,646,700**	10,646,700	Limited liability company	Zhang Jiongwei	Investment, financial management, and asset management service	N/A	**N/A**	12.25%
Huaneng Capital Services Co., Ltd. (華能資本服務有限公司)	Beijing	**9,800,000**	9,800,000	Limited liability company	Ye Cai	Investment, asset management, and asset trusteeship service	600,000	**10.28%**	10.28%
Taiyuan Municipal Finance Bureau (太原市財政局)	Taiyuan, Shanxi	**N/A**	N/A	Government agency	Tian Wenhao	N/A	466,142	**7.98%**	7.98%
Changzhi Nanye Industry Group Co., Ltd. (長治市南燁實業集團有限公司)	Changzhi, Shanxi	**520,000**	520,000	Limited liability company	Fan Yunfeng	Corporate headquarters management, corporate management consulting, property service, and construction work	450,657	**7.72%**	7.72%
Shanxi Lu'an Mining (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司)	Changzhi, Shanxi	**4,198,816**	4,198,816	Limited liability company	Guo Zhenhong	Production and sale of coal, accommodation service, catering service, and wood processing	359,092	**6.15%**	6.15%
Shanxi International Electricity Group Limited Company (山西國際電力集團有限公司)	Taiyuan, Shanxi	**6,000,000**	6,000,000	Limited liability company	Liu Wenyan	Electric power business, electricity generation business, and the technology consulting of power transmission project	300,000	**5.14%**	5.14%
Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司)	Taiyuan, Shanxi	**10,623,230**	10,623,230	Limited liability company	Zhao Jianze	Mineral resources mining, coal mining, wholesale and retail steel, etc.	291,339	**4.99%**	4.99%
Changzhi Huashengyuan Mining Industry Co., Ltd. (長治市華晟源礦業有限公司)	Changzhi, Shanxi	**60,000**	60,000	Limited liability company	Duan Xiaosi	Sale of hardware, mineral and building materials	234,570	**4.02%**	4.02%
Jinneng Holding Equipment Manufacturing Group Co., Ltd. (晉能控股裝備製造集團有限公司)	Jincheng, Shanxi	**3,905,196**	3,905,196	Limited liability company	Xuan Hongbin	Investment with its own funds, coal wholesale and engineering survey	200,000	**3.43%**	3.43%

* On 28 December 2020, the CBIRC Shanxi Office approved Shanxi Finance Bureau to become the shareholder of the Bank. Shanxi Financial Investment Holdings Group Co., Ltd., the former shareholder of the Bank, gave all its domestic shares (accounting for 12.25% of the total issued shares of the Bank) to the Shanxi Finance Bureau for nil consideration. During the reporting period, the registration procedures had been processed. Shanxi Finance Bureau became the new shareholder and held 715,109,200 domestic shares of the Bank.

The official names of these related parties are in Chinese. The English translation is for reference only.

(ii) ***Subsidiary of the Bank***

The detailed information of the Bank's subsidiary is set out in Note 22.

(iii) ***Associate of the Bank***

The detailed information of the Bank's associate is set out in Note 21.

(iv) ***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 37(a) or their controlling shareholders.

(b) Transactions with related parties other than key management personnel

The Bank entered into related-party transactions in the normal course and terms of business, with pricing policies based on market prices.

(i) ***Transactions between the Bank and its major shareholders:***

	2021	2020
Transactions during the year		
Interest income	**17,042**	23,824
Interest expense	**25,746**	40,346
Net fee and commission income	**6,231**	6
Operating expenses	**219**	–

	31 December 2021	31 December 2020
Balances at the end of the year		
Loans and advances to customers	**177,913**	157,899
Financial investments	**20,906**	91,047
Deposits from customers	**3,981,737**	572,350

(ii) ***Transactions between the Bank and its subsidiary:***

The subsidiary of the Bank is its related party. The transactions between the Bank and its subsidiary are eliminated on combination.

	2021	2020
Transactions during the year		
Interest expense	**1,237**	1,972

	31 December 2021	31 December 2020
Balances at the end of the year		
Deposits from banks and other financial institutions	**160,728**	55,791

(iii) ***Transactions between the Bank and its associate:***

	2021	2020
Transactions during the year		
Interest income	**20,915**	29,686
Interest expense	**66**	621
Net fee and commission income	**6,695**	11

	31 December 2021	31 December 2020
Balances at the end of the year		
Deposits with banks and other financial institutions	**1,001,166**	750,986
Deposits from banks and other financial institutions	**5,700**	9,264

(iv) ***Transactions between the Bank and other related parties:***

	2021	2020
Transactions during the year		
Interest income	**662,103**	841,978
Interest expense	**186,462**	170,526
Net Fee and commission income	**130,617**	35,425
Operating expenses	**3,912**	2,705
Debt securities investments	**272,488**	524,211
Assets transferring	**795,446**	2,034,370

	31 December 2021	31 December 2020
Balances at the end of the year		
Loans and advances to customers	**11,164,828**	10,101,453
Financial investments	**4,239,232**	7,421,671
Deposits from customers	**12,255,819**	9,766,264
Deposits from banks and other financial institutions	**1,269,509**	118,391
Bank acceptances	**9,077,983**	8,439,056
Letters of credit	**1,605,750**	1,107,530

(c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

(i) ***Transactions between the Bank and key management personnel***

	2021	2020
Transactions during the year		
Interest income	**41**	44
Interest expense	**62**	190

	31 December 2021	31 December 2020
Balances at the end of the year		
Loans and advances to customers	**930**	477
Deposits from customers	**5,371**	10,966

(ii) ***Key management personnel compensation***

The aggregate compensation of key management personnel is as follows:

	2021	2020
Key management personnel compensation	**15,452**	18,726

(d) Loans and advances to key management personnel

	2021	2020
Aggregate amount of relevant loans outstanding at the end of the year	**930**	477
Maximum aggregate amount of relevant loans outstanding during the year	**930**	477

38. SEGMENT REPORTING

The Group manages its business by business lines. 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, government agencies and financial institutions. These products and services include corporate loans and advances, trade financing, deposit taking activities, agency services, wealth management 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, deposit taking activities, personal wealth management services and remittance services.

Treasury business

This segment covers the Group's treasury business operations, including interbank money market transactions, repurchase transactions, interbank investments, debt security trading, and derivative transactions. The financial market business segment also covers the management of the Group's overall liquidity position, including the issuance of debts.

Others

These represent assets, liabilities, income and expenses which cannot be 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 arising 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. Intra-group balances and intra-group transactions are eliminated by segment income, expenses, assets and liabilities as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period on the acquisition of property and equipment, intangible assets and other long-term assets.

	Year ended 31 December 2021				
	Corporate banking	**Retail banking**	**Treasury business**	**Others**	**Total**
Operating income					
External net interest income/(expense)	**4,453,228**	**(1,945,643)**	**1,046,462**	**–**	**3,554,047**
Internal net interest (expense)/income	**(1,300,934)**	**2,954,340**	**(1,653,406)**	**–**	**–**
Net interest income/(expense)	**3,152,294**	**1,008,697**	**(606,944)**	**–**	**3,554,047**
Net fee and commission income	**441,644**	**196,292**	**127,512**	**–**	**765,448**
Net trading gains	**–**	**–**	**302,546**	**(1,077)**	**301,469**
Net gains arising from investment securities	**–**	**–**	**757,774**	**–**	**757,774**
Other operating income	**–**	**–**	**–**	**11,995**	**11,995**
Operating income	**3,593,938**	**1,204,989**	**580,888**	**10,918**	**5,390,733**
Operating expenses	**(952,074)**	**(927,990)**	**(184,631)**	**(5,798)**	**(2,070,493)**
Impairment losses on credit	**(1,259,691)**	**(224,841)**	**(168,395)**	**–**	**(1,652,927)**
Share of profits of an associate	**–**	**–**	**–**	**24,505**	**24,505**
Profit before tax	**1,382,173**	**52,158**	**227,862**	**29,625**	**1,691,818**
Segment assets	**127,423,086**	**26,262,893**	**147,894,888**	**–**	**301,580,867**
Deferred tax assets	**–**	**–**	**–**	**1,710,646**	**1,710,646**
Total assets	**127,423,086**	**26,262,893**	**147,894,888**	**1,710,646**	**303,291,513**
Segment liabilities	**107,380,090**	**95,019,825**	**78,734,023**	**–**	**281,133,938**
Total liabilities	**107,380,090**	**95,019,825**	**78,734,023**	**–**	**281,133,938**
Other segment information					
Depreciation and amortisation	**147,756**	**144,018**	**28,653**	**–**	**320,427**
Capital expenditure	**89,771**	**87,501**	**17,409**	**–**	**194,681**

	Year ended 31 December 2020				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income/(expense)	3,911,742	(1,703,374)	1,232,336	–	3,440,704
Internal net interest (expense)/income	(1,101,772)	2,699,205	(1,597,433)	–	–
Net interest income/(expense)	2,809,970	995,831	(365,097)	–	3,440,704
Net fee and commission income	310,006	229,407	173,133	–	712,546
Net trading gains	–	–	(120,071)	586	(119,485)
Net gains arising from investment securities	–	–	819,812	–	819,812
Other operating income	–	–	–	14,436	14,436
Operating income	3,119,976	1,225,238	507,777	15,022	4,868,013
Operating expenses	(837,373)	(816,102)	(162,370)	(8,440)	(1,824,285)
Impairment losses on credit	(1,053,119)	(308,643)	(91,170)	–	(1,452,932)
Share of profits of an associate	–	–	–	21,543	21,543
Profit before tax	1,229,484	100,493	254,237	28,125	1,612,339
Segment assets	112,972,235	21,526,045	134,749,687	–	269,247,967
Deferred tax assets	–	–	–	1,695,630	1,695,630
Total assets	112,972,235	21,526,045	134,749,687	1,695,630	270,943,597
Segment liabilities	96,788,080	82,781,568	70,332,578	–	249,902,226
Total liabilities	96,788,080	82,781,568	70,332,578	–	249,902,226
Other segment information					
Depreciation and amortisation	128,357	125,096	24,889	–	278,342
Capital expenditure	118,273	115,269	22,934	–	256,476

39. RISK MANAGEMENT

The Group has exposure to the following risks arising from its 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.

Risk management system

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 Board of Directors is responsible for establishing and maintaining a robust and effective risk management system and determining general risk preference and risk tolerance of the Group. Based on the general strategy of the Group, the Committee of Risk Management under the Board reviews the Group's risk management system and basic principles, risk management strategies and internal control system framework. Senior management led by the president will be responsible for the control of credit risk, market risk, operational risk and approval of related policies and procedures. In addition, the Group set up the Department of Risk Management, Department of Credit Examination, Department of Asset and Liability Management, Department of Law and Compliance and the Audit Department based on the requirements of general risk management to perform respective functions in risk management, strengthen risk-covering portfolio management capabilities and conduct inspection on compliance with risk management policy of internal control system on a regular or irregular basis.

(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 and guarantees granted.

Credit business

To identify, assess, monitor and manage credit risks, the Group has designed effective system frameworks, credit policies and processes for credit risk management and implemented systematic control procedures. The responsible departments for credit risk management include the Risk Management Department and the Credit Approval Department. The Risk Management Department is responsible for implementing the Group's overall risk management system, as well as risk monitoring and control, the Risk Management Department is also responsible for formulating risk management policies. The Credit Approval Department is independent from customer relationship and product management departments to ensure the independence of credit approval. Front office departments, including the Department of Corporate Finance and the Personal Credit Asset 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. 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.

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 applications 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 the standardized loan recovery procedures.

Stages of risks in financial instruments

The financial assets are categorised by the Group into the following stages to manage credit risk arising from financial assets:

Stage 1:	Financial assets have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12-month expected credit losses.
Stage 2:	Financial assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.
Stage 3:	Financial assets that are in default and considered credit-impaired.

Significant increase in credit risk

When one or more quantitative, qualitative standards or upper limits are triggered, the Group assumes that credit risk on financial assets has increased significantly.

If the borrower is listed in the watch list and one or more of the following criteria are met:

– The credit spread increases significantly;

– Significant changes with an adverse effect that have taken place in the borrower's business, financial and economic status;

– Application of a grace period or debt-restructuring;

– Significant changes with an adverse effect in the borrower's business conditions;

– Decrease in value of the collateral (for the collateral loans and pledged loans only);

– Early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of loans;

– The borrowing is more than 30 days past due.

The Group uses the watch lists to monitor credit risk from financial assets related to loans and treasury operations, and conducts regular assessments at the counterparty level. The standards used in determining whether credit risk increases significantly are regularly monitored and reviewed by management for appropriateness.

As at 31 December 2021 and 31 December 2020, the Group has not considered that any of its financial assets has lower credit risk and no longer compared the credit risk at the balance sheet date with that at the initial recognition to identify whether there was a significant increase in credit risk.

Definition of "default" and "credit-impaired assets"

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

– the disappearance of an active market for securities because of financial difficulties of the issuer; or

– overdue more than 90 days.

The above criteria apply to all financial assets of the Group and they are consistent with the definition of "default" adopted by the internal management of credit risk.

Measurement of expected credit losses ("ECL")

The Group adopts the ECL model to measure the provision for impairment losses on financial assets based on the stages categorised above.

The ECL is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, overdue situations, repayments, etc.) and forward-looking information in order to establish the models for estimating PD, LGD and EAD. The definitions of these terms are as follows:

– PD refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan;

– EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan;

– LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies according to different types of counterparties or other credit support;

– The discount rate used in the calculation of the ECLs is the initial effective interest rate or its approximate value.

Forward-looking information included in the expected credit loss model is as follows:

Both the assessment of significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios, including gross domestic product (GDP), broad measure of money supply (M2), consumer price index (CPI), and producer price index (PPI), etc. The Group identified the relations between these economic indicators and the probability of default historically by conducting regression analysis and regularly identified the expected probability of default by predicting the future economic indicators. In addition to a base economic scenario, the Group conducts statistical analysis with experts' judgement to determine other possible scenarios and their weights.

The Group measures relevant provision for loss by the weighted 12-month ECL (for stage 1) or the weighted lifetime ECL (for stage 2 and stage 3). The above weighted credit losses are calculated from multiplying the ECLs under the different scenarios by the weight of the corresponding scenarios.

Similar to other economic forecasts, there is highly inherent uncertainty in the assessment of estimated economic indicators and the probability of occurrence, and therefore, the actual results may be materially different from the forecasts. The Group believes that these forecasts reflect the Group's best estimate of possible outcomes.

Other forward-looking factors not incorporated in the above scenarios, such as the impact of regulatory and legal changes, have also been taken into account. However, they were not considered to have significant impacts, and the expected credit losses were not adjusted accordingly. The Group reviews and monitors the appropriateness of the above assumptions on a regularly basis.

The Group assessed the expected credit losses as at 31 December 2021 and comprehensively considered the impact of the current economic condition on the expected credit losses, including: the operating and financial conditions of the borrowers and the extent of impact of COVID-19. The Group has made deferred repayment arrangements for the borrowers affected by the COVID-19 pandemic, but would not make judgement that their credit risk would inevitably increase significantly based on such deferred repayment arrangements; combining the analysis of the impact of factors such as COVID-19 on economic development trends, performed forward-looking forecasts to key macroeconomic indicators.

As at 31 December 2021 and 31 December 2020, there have been no significant changes in the estimate techniques and key assumptions of the Group.

(i) *Maximum credit risk exposure*

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as at the end of each of the reporting periods.

(ii) *Financial assets analysed by credit quality are summarised as follows:*

	31 December 2021				
	Loans and advances	**Deposits/ placements with banks and other financial institutions**	**Financial assets held under resale agreements**	**Financial investments***	**Derivative financial assets and others****
Balance of financial assets that are assessed for expected credit losses over the next 12 months					
– Overdue but not credit-impaired	**388,726**	**–**	**–**	**47,472**	**–**
– Neither overdue nor credit-impaired	**143,887,787**	**4,595,252**	**26,345,249**	**89,751,596**	**6,520**
Subtotal	**144,276,513**	**4,595,252**	**26,345,249**	**89,799,068**	**6,520**
Balance of financial assets that are not credit-impaired and assessed for lifetime expected credit losses					
– Overdue but not credit-impaired	**76,084**	**–**	**–**	**1,125,000**	**–**
– Neither overdue nor credit-impaired	**8,529,371**	**–**	**–**	**293,515**	**246,495**
Subtotal	**8,605,455**	**–**	**–**	**1,418,515**	**246,495**
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses					
– Overdue and credit-impaired	**2,654,497**	**–**	**–**	**1,682,275**	**–**
– Credit-impaired but not overdue	**203,987**	**–**	**–**	**–**	**4,438**
Subtotal	**2,858,484**	**–**	**–**	**1,682,275**	**4,438**
Interest accrued	**544,048**	**21,756**	**6,745**	**653,563**	**–**
Less: Provision for impairment losses	**(5,277,108)**	**(1,838)**	**(2)**	**(1,330,612)**	**(28,047)**
Net value	**151,007,392**	**4,615,170**	**26,351,992**	**92,222,809**	**229,406**

	31 December 2020				
	Loans and advances	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Financial investments*	Derivative financial assets and others**
Balance of financial assets that are assessed for expected credit losses over the next 12 months					
– Overdue but not credit-impaired	14,663	–	–	–	–
– Neither overdue nor credit-impaired	130,684,320	3,330,597	18,914,651	89,342,893	33,241
Subtotal	130,698,983	3,330,597	18,914,651	89,342,893	33,241
Balance of financial assets that are not credit-impaired and assessed for lifetime expected credit losses					
– Overdue but not credit-impaired	259,273	–	–	800,000	–
– Neither overdue nor credit-impaired	2,637,919	–	–	100,000	272,942
Subtotal	2,897,192	–	–	900,000	272,942
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses					
– Overdue and credit-impaired	2,400,691	–	–	1,613,276	–
– Credit-impaired but not overdue	107,973	–	–	234,703	4,173
Subtotal	2,508,664	–	–	1,847,979	4,173
Interest accrued	585,848	14,578	655	984,530	–
Less: Provision for impairment losses	(4,854,175)	(703)	(1)	(1,550,952)	(28,075)
Net value	131,836,512	3,344,472	18,915,305	91,524,450	282,281

* Financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments measured at amortised cost.

** Derivative financial assets and others comprise derivative financial assets, interest receivables and other receivables in other assets.

Financial assets (excluding interest accrued) analysed by credit quality

	31 December 2021							
	Balance				Provision for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	24,036,666	–	–	24,036,666	–	–	–	–
Deposits with banks and other financial institutions	1,895,252	–	–	1,895,252	(1,348)	–	–	(1,348)
Placements with banks and other financial institutions	2,700,000	–	–	2,700,000	(490)	–	–	(490)
Financial assets held under resale agreements	26,345,249	–	–	26,345,249	(2)	–	–	(2)
Loans and advances to customers	113,379,957	8,605,455	2,858,484	124,843,896	(2,476,152)	(1,353,755)	(1,447,201)	(5,277,108)
Financial investments	49,012,908	1,418,515	1,682,275	52,113,698	(222,062)	(242,777)	(865,773)	(1,330,612)
Other assets	6,284	246,495	4,438	257,217	(67)	(24,615)	(3,365)	(28,047)
Total	217,376,316	10,270,465	4,545,197	232,191,978	(2,700,121)	(1,621,147)	(2,316,339)	(6,637,607)
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	30,896,556	–	–	30,896,556	(4,375)	–	–	(4,375)
Financial investments	5,226,229	–	–	5,226,229	(223)	–	–	(223)
Total	36,122,785	–	–	36,122,785	(4,598)	–	–	(4,598)
Credit commitments	70,892,629	416,838	2,782	71,312,249	(647,981)	(15,614)	(741)	(664,336)

	31 December 2020							
	Balance				Provision for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	20,529,094	–	–	20,529,094	–	–	–	–
Deposits with banks and other financial institutions	2,230,597	–	–	2,230,597	(653)	–	–	(653)
Placements with banks and other financial institutions	1,100,000	–	–	1,100,000	(50)	–	–	(50)
Financial assets held under resale agreements	18,914,651	–	–	18,914,651	(1)	–	–	(1)
Loans and advances to customers	101,100,973	2,897,192	2,506,264	106,504,429	(2,980,705)	(718,958)	(1,154,512)	(4,854,175)
Financial investments	50,932,545	900,000	1,847,979	53,680,524	(418,975)	(232,000)	(899,977)	(1,550,952)
Other assets	33,155	272,942	4,173	310,270	(100)	(25,408)	(2,567)	(28,075)
Total	194,841,015	4,070,134	4,358,416	203,269,565	(3,400,484)	(976,366)	(2,057,056)	(6,433,906)
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	29,598,010	–	2,400	29,600,410	(4,708)	–	(9,600)	(14,308)
Financial investments	8,635,262	–	–	8,635,262	(2,882)	–	–	(2,882)
Total	38,233,272	–	2,400	38,235,672	(7,590)	–	(9,600)	(17,190)
Credit commitments	63,822,548	360,833	5,302	64,188,683	(660,151)	(16,378)	(1,242)	(677,771)

Expected credit losses ratio for financial instruments analysed by credit quality:

	31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Financial assets measured at amortised cost	**1.24%**	**15.78%**	**50.96%**	**2.86%**
Financial assets at fair value through other comprehensive income	**0.01%**	**N/A**	**N/A**	**0.01%**
Credit commitments	**0.91%**	**3.75%**	**26.64%**	**0.93%**

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	1.75%	23.99%	47.20%	3.17%
Financial assets at fair value through other comprehensive income	0.02%	N/A	80.00%	0.04%
Credit commitments	1.03%	4.54%	23.43%	1.06%

As at 31 December 2021, the fair value of collateral held against loans and advances that are not credit-impaired and assessed for lifetime expected credit losses amounted to RMB3,148 million (31 December 2020: RMB1,838 million). The fair value of collateral held against loans and advances that are credit-impaired and assessed for lifetime expected credit losses amounted to RMB4,081 million (31 December 2020: RMB1,800 million). The collateral mainly includes land, buildings, machinery and equipment. The fair value of collateral was estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(iii) Rescheduled loans and advances to customers

As at 31 December 2021, the amount of the restructured loans held by the Group is not significant (31 December 2020: None).

(iv) Credit rating

The Group adopts a credit rating approach for managing the credit risk arising from the 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 (excluding interest accrued) analysed by credit ratings as at the end of the reporting period are as follows:

	31 December 2021	31 December 2020
Neither overdue nor impaired		
Ratings		
– AAA	**39,657,302**	40,769,324
– AA- to AA+	**1,309,604**	1,253,048
– Below AA-	**–**	280,000
Subtotal	**40,966,906**	42,302,372
Unrated	**334,288**	108,407
Total	**41,301,194**	42,410,779

(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 Group has especially built up a market risk management structure and team. The Department of Risk Management of the Bank takes the major responsibility for the exposure of market risk and preparation of relevant market risk management policies to submit to the Committee of Risk Management. According to the established standards and current management capabilities, the Group measures market risk with the major adoption of sensitivity analysis. Before the new products or new businesses are launched, their market risks will be identified according to regulations.

The major source of market risk of the Group is the asset and liability businesses involved in market operation and the risks in interest rate and exchange rate relating to products.

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 financial markets business 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 bank 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.

Trading interest rate risk

Trading interest rate risk mainly arises from investment portfolios of treasury businesses. 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 fair value of investment portfolios given a 100 basis points (1%) movement in the interest rates.

(i) The following tables show the assets and liabilities as at the end of the reporting period by the next expected repricing date or by maturity date, depending on which is earlier:

	31 December 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	24,042,197	379,982	23,662,215	–	–	–
Deposits with banks and other financial institutions	1,914,906	21,002	1,226,307	667,597	–	–
Placements with banks and other financial institutions	2,700,264	754	2,699,510	–	–	–
Derivative financial assets	236	236	–	–	–	–
Financial assets held under resale agreements	26,351,992	6,745	23,765,543	2,579,704	–	–
Loans and advances to customers*	151,007,392	544,048	41,454,734	57,557,085	33,838,244	17,613,281
Financial investments	92,566,669	34,325,000	6,517,246	14,293,231	28,252,556	9,178,636
Others	4,707,857	4,707,857	–	–	–	–
Total assets	303,291,513	39,985,624	99,325,555	75,097,617	62,090,800	26,791,917
Liabilities						
Borrowings from the central bank	2,799,217	1,339	315,311	2,482,567	–	–
Deposits from banks and other financial institutions	1,297,166	11,436	285,730	1,000,000	–	–
Placements from banks and other financial institutions	210,169	169	210,000	–	–	–
Derivative financial liabilities	403	403	–	–	–	–
Financial assets sold under repurchase agreements	15,345,732	7,222	15,206,012	132,498	–	–
Deposits from customers	199,207,180	4,119,691	70,590,668	49,610,745	74,886,076	–
Debt securities issued	58,967,189	175,250	17,091,247	35,702,304	3,999,433	1,998,955
Others	3,306,882	2,974,331	–	2,788	209,522	120,241
Total liabilities	281,133,938	7,289,841	103,698,968	88,930,902	79,095,031	2,119,196
Asset-liability gap	22,157,575	32,695,783	(4,373,413)	(13,833,285)	(17,004,231)	24,672,721

	31 December 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	20,535,802	415,674	20,120,128	–	–	–
Deposits with banks and other financial institutions	2,244,037	14,093	1,579,934	650,010	–	–
Placements with banks and other financial institutions	1,100,435	435	800,000	300,000	–	–
Derivative financial assets	86	86	–	–	–	–
Financial assets held under resale agreements	18,915,305	655	18,224,398	690,252	–	–
Loans and advances to customers*	131,836,512	585,848	44,826,617	46,000,404	30,552,831	9,870,812
Financial investments	91,659,903	27,480,459	4,219,439	13,490,485	32,142,825	14,326,695
Others	4,651,517	4,651,517	–	–	–	–
Total assets	270,943,597	33,148,767	89,770,516	61,131,151	62,695,656	24,197,507
Liabilities						
Borrowings from the central bank	1,893,459	799	209,340	1,683,320	–	–
Deposits from banks and other financial institutions	1,905,784	8,647	337,137	1,560,000	–	–
Placements from banks and other financial institutions	800,730	730	300,000	500,000	–	–
Financial assets sold under repurchase agreements	13,430,473	10,809	13,344,022	75,642	–	–
Deposits from customers	176,781,696	3,388,309	77,676,690	31,198,000	64,518,697	–
Debt securities issued	52,176,626	93,370	17,558,304	30,525,943	3,999,009	–
Others	2,913,458	2,913,458	–	–	–	–
Total liabilities	249,902,226	6,416,122	109,425,493	65,542,905	68,517,706	–
Asset-liability gap	21,041,371	26,732,645	(19,654,977)	(4,411,754)	(5,822,050)	24,197,507

* As at 31 December 2021, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB951 million (31 December 2020: RMB1,331 million).

(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 table sets forth the results of the Group's interest rate sensitivity analysis on net profit and equity with an assumption that all other variables held constant.

	31 December 2021	31 December 2020
	(Decrease)/ Increase	(Decrease)/ Increase
Change in net profit		
100 bps parallel upward shift in yield curves	**(91,246)**	(189,250)
100 bps parallel downward shift in yield curves	**91,287**	189,315

	31 December 2021	31 December 2020
	(Decrease)/ Increase	(Decrease)/ Increase
Change in equity		
100 bps parallel upward shift in yield curves	**(127,531)**	(202,929)
100 bps parallel downward shift in yield curves	**127,548**	203,104

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 the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

– Interest rate movements at the end of the reporting period apply to all derivative and non-derivative financial instruments of the Group;

– At the end of the reporting 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 Group.

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 majority of the business of the Group is related to Renminbi, as well as a small amount of business related to United States dollars and other foreign currencies.

The changes in exchange rates will affect the financial position and cash flows of the Group. Due to the small amount of foreign currency business of the Group, the effect of foreign currency risk on the Group would be immaterial. The major principle of the Group's control on foreign currency risk is to achieve matching of assets and liabilities in each currency and to conduct daily monitoring on currency exposure.

The Group adopts sensitivity analysis to measure the possible effects of changes in exchange rates on net gains and losses and interests of the Group. As the foreign currency assets and liabilities account for an immaterial part of the total assets and total liabilities of the Group, the effect of changes in exchange rates on net gains and losses and interests of the Group would be immaterial.

The Group's currency exposures as at the end of each of the reporting periods are as follows:

	31 December 2021			
	RMB	*USD (RMB equivalent)*	*Other (RMB equivalent)*	*Total (RMB equivalent)*
Assets				
Cash and deposits with the central bank	**24,042,063**	**120**	**14**	**24,042,197**
Deposits with banks and other financial institutions	**1,880,106**	**33,563**	**1,237**	**1,914,906**
Placements with banks and other financial institutions	**2,700,264**	**–**	**–**	**2,700,264**
Derivative financial assets	**236**	**–**	**–**	**236**
Financial assets held under resale agreements	**26,351,992**	**–**	**–**	**26,351,992**
Loans and advances to customers	**151,007,392**	**–**	**–**	**151,007,392**
Financial investments	**92,566,669**	**–**	**–**	**92,566,669**
Others	**4,707,857**	**–**	**–**	**4,707,857**
Total assets	**303,256,579**	**33,683**	**1,251**	**303,291,513**
Liabilities				
Borrowings from the central bank	**2,799,217**	**–**	**–**	**2,799,217**
Deposits from banks and other financial institutions	**1,297,166**	**–**	**–**	**1,297,166**
Placements from banks and other financial institutions	**210,169**	**–**	**–**	**210,169**
Derivative financial liabilities	**403**	**–**	**–**	**403**
Financial assets sold under repurchase agreements	**15,345,732**	**–**	**–**	**15,345,732**
Deposits from customers	**199,206,195**	**868**	**117**	**199,207,180**
Debt securities issued	**58,967,189**	**–**	**–**	**58,967,189**
Others	**3,274,680**	**32,202**	**–**	**3,306,882**
Total liabilities	**281,100,751**	**33,070**	**117**	**281,133,938**
Net position	**22,155,828**	**613**	**1,134**	**22,157,575**
Off-balance sheet credit commitments	**71,312,249**	**–**	**–**	**71,312,249**

	31 December 2020			
	RMB	*USD (RMB equivalent)*	*Others (RMB equivalent)*	*Total (RMB equivalent)*
Assets				
Cash and deposits with the central bank	20,535,668	46	88	20,535,802
Deposits with banks and other financial institutions	2,176,678	34,541	32,818	2,244,037
Placements with banks and other financial institutions	1,100,435	–	–	1,100,435
Derivative financial assets	86	–	–	86
Financial assets held under resale agreements	18,915,305	–	–	18,915,305
Loans and advances to customers	131,836,512	–	–	131,836,512
Financial investments	91,659,903	–	–	91,659,903
Others	4,651,517	–	–	4,651,517
Total assets	270,876,104	34,587	32,906	270,943,597
Liabilities				
Borrowings from the central bank	1,893,459	–	–	1,893,459
Deposits from banks and other financial institutions	1,905,784	–	–	1,905,784
Placements from banks and other financial institutions	800,730	–	–	800,730
Financial assets sold under repurchase agreements	13,430,473	–	–	13,430,473
Deposits from customers	176,780,688	886	122	176,781,696
Debt securities issued	52,176,626	–	–	52,176,626
Others	2,880,382	33,076	–	2,913,458
Total liabilities	249,868,142	33,962	122	249,902,226
Net position	21,007,962	625	32,784	21,041,371
Off-balance sheet credit commitments	64,188,683	–	–	64,188,683

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet its repayment obligations.

The Bank plays an active part in managing liquidity risks and improves the related management system in terms of organisation, institution, system, management and mechanism. The organisational structure of the Group's liquidity risk management consists of the Board of Directors, senior management and its Risk Management Committee and Asset and Liability Management Committee, Department of Risk Management, Department of Asset and Liability Management, Department of Corporate Finance, Department of Retail Banking, Department of Personal Credit Assets Management, Department of Trade Finance, Department of Financial Market, Department of Technology Information and Audit Department of the Bank, which are responsible for formulating liquidity risk management strategy and establishing internal control mechanism to support the implementation and supervision of liquidity risk management strategy.

The measurement of liquidity risk of the Group adopts liquidity indicator and cash flow gap calculation. By stress testing, the Group sets up mild, moderate and severe scenarios to examine the capacity to withstand liquidity or liquidity crises and improve liquidity contingency measures. In terms of response to liquidity risks, the Group strengthens management and monitoring of liquidity limits; establishes related liquidity emergency leading groups, early-warning indicators for internal and external liquidity risks and indicators that could trigger contingency plans and monitors these indicators; builds up quality liquidity asset reserve and financing capability management; erects liquidity risk reporting mechanism, in which the asset and liability management department reports to the Asset and Liability Management Committee, senior management and the Board of Directors on issues related to the status, stress testing and contingency plans of liquidity risks on a regular basis.

The following tables provide an analysis of assets and liabilities of the Group by maturity grouping based on the remaining periods to repayment at the end of the reporting period:

	31 December 2021							
	Indefinite*	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	11,298,905	12,737,761	5,531	–	–	–	–	24,042,197
Deposits with banks and other financial institutions	–	866,394	114,363	258,307	675,842	–	–	1,914,906
Placements with banks and other financial institutions	–	–	2,700,264	–	–	–	–	2,700,264
Derivative financial assets	–	–	–	–	236	–	–	236
Financial assets held under resale agreements	–	–	16,600,885	7,171,402	2,579,705	–	–	26,351,992
Loans and advances to customers	3,057,678	3,657,179	4,619,992	12,978,645	57,810,114	34,157,796	34,725,988	151,007,392
Financial investments	2,198,908	30,380,133	1,135,882	5,008,901	12,935,363	31,450,870	9,456,612	92,566,669
Others	4,478,909	228,948	–	–	–	–	–	4,707,857
Total assets	21,034,400	47,870,415	25,176,917	25,417,255	74,001,260	65,608,666	44,182,600	303,291,513
Liabilities								
Borrowings from the central bank	–	–	–	316,650	2,482,567	–	–	2,799,217
Deposits from banks and other financial institutions	–	86,388	205,845	–	1,004,933	–	–	1,297,166
Placements from banks and other financial institutions	–	–	–	210,169	–	–	–	210,169
Derivative financial liabilities	–	–	–	–	–	403	–	403
Financial assets sold under repurchase agreements	–	–	14,176,199	1,037,035	132,498	–	–	15,345,732
Deposits from customers	–	61,010,636	5,102,433	5,434,948	50,819,077	76,840,086	–	199,207,180
Debt securities issued	–	–	2,596,252	14,585,095	35,787,454	3,999,433	1,998,955	58,967,189
Others	–	2,860,810	22,233	23,980	160,149	190,163	49,547	3,306,882
Total liabilities	–	63,957,834	22,102,962	21,607,877	90,386,678	81,030,085	2,048,502	281,133,938
Net position	21,034,400	(16,087,419)	3,073,955	3,809,378	(16,385,418)	(15,421,419)	42,134,098	22,157,575

	31 December 2020							
	Indefinite*	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	13,658,026	6,871,068	6,708	–	–	–	–	20,535,802
Deposits with banks and other financial institutions	–	1,279,985	104,591	200,661	658,800	–	–	2,244,037
Placements with banks and other financial institutions	–	–	800,060	–	300,375	–	–	1,100,435
Derivative financial assets	–	–	–	–	–	86	–	86
Financial assets held under resale agreements	–	–	13,615,032	4,610,021	690,252	–	–	18,915,305
Loans and advances to customers	2,614,488	3,288,856	8,870,557	14,573,381	46,473,166	32,312,294	23,703,770	131,836,512
Financial investments	1,509,399	25,375,979	655,327	3,636,466	13,237,435	32,833,947	14,411,350	91,659,903
Others	4,131,976	519,541	–	–	–	–	–	4,651,517
Total assets	21,913,889	37,335,429	24,052,275	23,020,529	61,360,028	65,146,327	38,115,120	270,943,597
Liabilities								
Borrowings from the central bank	–	–	–	210,139	1,683,320	–	–	1,893,459
Deposits from banks and other financial institutions	–	138,019	202,536	1,394	1,563,835	–	–	1,905,784
Placements from banks and other financial institutions	–	–	–	730	300,000	500,000	–	800,730
Financial assets sold under repurchase agreements	–	–	12,277,375	1,077,455	75,643	–	–	13,430,473
Deposits from customers	–	62,600,942	6,506,371	9,879,542	31,722,189	66,072,652	–	176,781,696
Debt securities issued	–	–	249,867	17,339,915	30,580,667	4,006,177	–	52,176,626
Others	–	2,432,235	14,931	14,113	150,193	241,476	60,510	2,913,458
Total liabilities	–	65,171,196	19,251,080	28,523,288	66,075,847	70,820,305	60,510	249,902,226
Net position	21,913,889	(27,835,767)	4,801,195	(5,502,759)	(4,715,819)	(5,673,978)	38,054,610	21,041,371

* 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 for 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 investments represents impaired investments or those overdue for more than one month. Equity investments are listed under the category of "indefinite".

The following tables are an analysis of contractual undiscounted cash flows of the non-derivative liabilities of the Group at the end of the reporting period:

				31 December 2021				
	Carrying amount	**Contractual undiscounted cash flow**	**Repayable on demand**	**Within one month**	**Between one month and three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**
Non-derivative liabilities								
Borrowings from the central bank	**2,799,217**	**2,838,398**	**–**	**–**	**329,051**	**2,509,347**	**–**	**–**
Deposits from banks and other financial institutions	**1,297,166**	**1,310,868**	**86,388**	**206,405**	**–**	**1,018,075**	**–**	**–**
Placements from banks and other financial institutions	**210,169**	**211,353**	**–**	**–**	**211,353**	**–**	**–**	**–**
Financial assets sold under repurchase agreements	**15,345,732**	**15,349,518**	**–**	**14,179,985**	**1,037,035**	**132,498**	**–**	**–**
Deposits from customers	**199,207,180**	**208,651,905**	**61,010,636**	**5,107,666**	**5,457,766**	**51,748,529**	**85,327,308**	**–**
Debt securities issued	**58,967,189**	**60,626,000**	**–**	**2,605,600**	**14,660,000**	**36,380,000**	**4,502,400**	**2,478,000**
Other liabilities	**3,306,882**	**3,346,187**	**2,861,365**	**23,875**	**25,768**	**167,950**	**211,841**	**55,388**
Total non-derivative liabilities	**281,133,535**	**292,334,229**	**63,958,389**	**22,123,531**	**21,720,973**	**91,956,399**	**90,041,549**	**2,533,388**

				31 December 2020				
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative liabilities								
Borrowings from the central bank	1,893,459	1,923,210	–	–	219,986	1,703,224	–	–
Deposits from banks and other financial institutions	1,905,784	1,955,658	138,019	202,863	11,403	1,603,373	–	–
Placements from banks and other financial institutions	800,730	840,352	–	–	5,975	313,194	521,183	–
Financial assets sold under repurchase agreements	13,430,473	13,432,971	–	12,279,873	1,077,455	75,643	–	–
Deposits from customers	176,781,696	185,640,179	62,606,323	7,361,735	10,356,990	33,638,833	71,676,298	–
Debt securities issued	52,176,626	53,068,343	–	250,018	17,401,706	31,142,432	4,274,187	–
Other liabilities	2,913,458	2,963,147	2,432,235	16,944	16,015	157,688	271,598	68,667
Total non-derivative liabilities	249,902,226	259,823,860	65,176,577	20,111,433	29,089,530	68,634,387	76,743,266	68,667

This analysis of contractual undiscounted cash flows of the non-derivative liabilities might be different from actual results.

The following tables analyse the contractual undiscounted cash flows of derivative financial instruments which held by the Group for trading purposes on a net basis. The remaining maturity date based on the remaining period at balance sheet date to the contractual maturity date. The amounts of derivative financial instruments included in each period are the contractual undiscounted cash flows.

	31 December 2021							
	Carrying amount	**Contractual undiscounted cash flow**	**Repayable on demand**	**Within one month**	**Between one month and three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**
Derivatives settled on net basis	**(167)**	**(493)**	**–**	**–**	**–**	**(90)**	**(403)**	**–**

	31 December 2020							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Derivatives settled on net basis	86	86	–	–	–	–	86	–

This analysis of contractual undiscounted cash flows of the derivative financial instruments might be different from actual results.

(d) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, human mistakes and information system failures, or impact from other external events.

The Group has specified issues of operational risks, including its manifestation, management mode, reporting procedure, reporting cycle and statistics of loss and improved comprehensive risk management system, with major initiatives as follows:

– Establishment of operational risk management system in a crisscrossing manner. On the one hand, the Group establishes an operational risk management framework that is compatible with its nature, scale, complexity and risk characteristics, including the operational risk management mechanism that involves its board of directors, board of supervisors, senior management, head office and branches. On the other hand, a three-tier risk prevention system of the front office, middle office and back office has been established for every major risk faced by the Group.

– Formation of business philosophy of compliance and robustness. The Group fosters favourable control environment, including constant advances and promotion in operational risk culture by the board of directors and senior management.

– Preference to low operational risk under the framework of "robust" risk preference. By conducting controls on operational risk including identification, measurement, resolution, monitoring and reporting, the Group establishes mechanisms for risk avoidance, loss prediction, prevention, control, reduction, financing to control operational risk within the carrying capacity of the Group and maximise its profits.

– Prevention of operational risks based on the means of inspection and supervision. All departments and branches of the head office actively perform their duties of supervision and management, conduct routine and special inspections on operational risks in major businesses, establish ledger of all problems identified for rectification and check-off. Based on the inspection by departments, the internal audit department fully uses the off-site audit system, business risk early-warning system and remote monitoring system to detect violations and pays constant attention to risk-prone problems to prevent operational risks. In the meantime, inspections and investigations are exercised on key businesses, key institutions and key personnel to prevent operational risks.

– Combination of punishment and incentives to encourage compliance and standard operations. Integral management will be implemented on personnel who violate operational standards for strict ascertainment of responsibility; employees are encouraged to spontaneously disclose and actively report operational risks; internal management, compliance operation, inspection and supervision and swindle prevention and control of the head office and branches shall be quantitatively assessed for penalty points; innovative implementation of compliance and internal control management of institutions shall be assessed for bonus points.

– Substantive achievements in carrying out system training and improving staff operation skills have been made for the management of operational risks of the Group.

40. FAIR VALUE

(a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

(ii) 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 the end of the reporting period.

(iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices at the end of the reporting period, or the present value of estimated future cash flows. 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 the end of the reporting period.

(iv) Derivative financial instruments

Fair values of interest rate swaps are estimated as the present value of estimated future cash flows, discounted at the market interest rates at the end of the reporting period. Fair values of credit risk mitigation tools issued-financial guarantee contracts are based on their quoted market prices at the end of the reporting period.

(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 and other financial institutions, placements with banks and other financial institutions, derivative financial assets, financial assets held under resale agreements, loans and advances to customers, and financial investments.

Deposits with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate to the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate to the fair values.

Derivative financial assets, financial investments at fair value through other comprehensive income, and financial assets at fair value through profit or loss are stated at fair value. The carrying amounts of financial investments at amortised cost are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently.

(ii) Financial liabilities

The Group's financial liabilities mainly include deposits from banks and other financial institutions, placements from banks and other financial institutions, derivative financial liabilities, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued.

The book value and fair value of debt securities issued are presented in Note 30. Derivative financial liabilities are stated at fair value. The carrying amounts of other financial liabilities approximate to their fair values.

(c) Fair value hierarchy

The following table presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13 *Fair Value Measurement.* The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1: Fair value measured using only Level 1 inputs, i.e., unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

– Level 2: Fair value measured using Level 2 inputs, i.e., observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and

– Level 3: Fair value measured using significant 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, and the discounted cash flow analysis. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and exchange rate. Where the discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is by reference to another instrument that is substantially the same.

	31 December 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements assets				
Financial investments at fair value through profit or loss				
– debt securities and interbank deposits	**–**	**3,048,856**	**94,390**	**3,143,246**
– fund investments	**–**	**30,012,395**	**–**	**30,012,395**
– investment management products	**–**	**367,738**	**2,036,552**	**2,404,290**
– other investments	**58,677**	**164,483**	**–**	**223,160**
Derivative financial assets	**–**	**236**	**–**	**236**
Financial investments at fair value through other comprehensive income				
– debt securities and interbank deposits	**–**	**4,618,512**	**–**	**4,618,512**
– investment management products	**–**	**691,541**	**–**	**691,541**
– equity investments	**–**	**–**	**120,700**	**120,700**
Loans and advances to customers measured at fair value through other comprehensive income				
– discounted bills	**–**	**30,896,556**	**–**	**30,896,556**
Total	**58,677**	**69,800,317**	**2,251,642**	**72,110,636**
Recurring fair value measurements liabilities				
Derivative financial liabilities	**–**	**403**	**–**	**403**
Total	**–**	**403**	**–**	**403**

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements assets				
Financial investments at fair value through profit or loss				
– debt securities	–	1,631,868	108,407	1,740,275
– fund investments	–	25,375,979	–	25,375,979
– investment management products	–	368,609	2,240,068	2,608,677
– other investments	–	–	50,155	50,155
Derivative financial assets	–	86	–	86
Financial investments at fair value through other comprehensive income				
– debt securities and interbank deposits	–	8,072,387	–	8,072,387
– investment management products	–	690,614	–	690,614
– equity investments	–	–	135,453	135,453
Loans and advances to customers measured at fair value through other comprehensive income				
– discounted bills	–	29,600,410	–	29,600,410
Total	–	65,739,953	2,534,083	68,274,036

The movements during the year ended 31 December 2021 in the balance of Level 3 fair value measurements are as follows:

	1 January 2021	Transfer into Level 3	Transfer out of Level 3	Total gains or losses		Purchases, issues, sales and settlements				31 December 2021	Unrealised gains or losses for the period included in profit or loss for assets held at the end of the year
				Recorded in profit or loss	Recorded in other comprehensive income	Purchases	Issues	Sales	Settlements		
Assets											
Financial investments at fair value through profit or loss											
– debt securities	108,407	–	–	(14,017)	–	–	–	–	–	94,390	(14,017)
– investment management products	2,240,068	–	–	(201,516)	–	–	–	–	(2,000)	2,036,552	(201,516)
– other investments	50,155	–	–	(155)	–	–	–	–	(50,000)	–	–
Subtotal	2,398,630	–	–	(215,688)	–	–	–	–	(52,000)	2,130,942	(215,533)
Financial investments at fair value through other comprehensive income											
– equity investments	135,453	–	–	–	(14,753)	–	–	–	–	120,700	–
Total	2,534,083	–	–	(215,688)	(14,753)	–	–	–	(52,000)	2,251,642	(215,533)

The movements during the year ended 31 December 2020 in the balance of Level 3 fair value measurements are as follows:

	1 January 2020	Transfer into Level 3	Transfer out of Level 3	Total gains or losses		Purchases, issues, sales and settlements				31 December 2020	Unrealised gains or losses for the period included in profit or loss for assets held at the end of the year
				Recorded in profit or loss	Recorded in other comprehensive income	Purchases	Issues	Sales	Settlements		
Assets											
Financial investments at fair value through profit or loss											
– debt securities	149,297	–	–	(40,890)	–	–	–	–	–	108,407	(40,890)
– investment management products	2,276,444	–	–	(35,376)	–	–	–	–	(1,000)	2,240,068	(35,376)
– other investments	59,097	–	–	(853)	–	–	–	–	(8,089)	50,155	(853)
Subtotal	2,484,838	–	–	(77,119)	–	–	–	–	(9,089)	2,398,630	(77,119)
Financial investments at fair value through other comprehensive income											
– equity investments	151,190	–	–	–	(15,737)	–	–	–	–	135,453	–
Total	2,636,028	–	–	(77,119)	(15,737)	–	–	–	(9,089)	2,534,083	(77,119)

During the year ended 31 December 2021 and the year ended 31 December 2020, there were no significant transfers among instruments in Level 1, Level 2 and Level 3.

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements are categorised within Level 3.

Quantitative information of Level 3 fair value measurement is set out below:

	Fair value as at 31 December 2021	**Valuation techniques**	**Unobservable inputs**
Financial investments at fair value through profit or loss			
– debt securities	**94,390**	**Discounted cash flow**	**Risk-adjusted discount rate, cash flow**
– investment management products	**2,036,552**	**Discounted cash flow**	**Risk-adjusted discount rate, cash flow**
Financial investments at fair value through other comprehensive income			
– equity investments	**120,700**	**Discounted cash flow**	**Risk-adjusted discount rate, cash flow**

	Fair value as at 31 December 2020	Valuation techniques	Unobservable inputs
Financial investments at fair value through profit or loss			
– debt securities	108,407	Discounted cash flow	Risk-adjusted discount rate, cash flow
– other investments	50,155	Discounted cash flow	Risk-adjusted discount rate, cash flow
– investment management products	2,240,068	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial investments at fair value through other comprehensive income			
– equity investments	135,453	Discounted cash flow	Risk-adjusted discount rate, cash flow

During the years ended 31 December 2021 and 2020, there was no significant change in the valuation techniques.

As at 31 December 2021 and 31 December 2020, unobservable inputs such as risk-adjusted discount rate and cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly equity investments and investment management products. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.

The sensitivity of the fair value on changes in unobservable inputs for Level 3 financial instruments is measured at fair value on an ongoing basis.

The fair value of financial instruments is, in certain circumstances, measured using valuation models which incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair value due to parallel movement of favourable or unfavourable 1 percent of change in fair value to reasonably possible alternative assumptions.

	At 31 December 2021			
	Effect on net profit		**Effect on other comprehensive income**	
	Favourable	**(Unfavourable)**	**Favourable**	**(Unfavourable)**
Financial investments at fair value through profit or loss				
– debt securities	**2,001**	**(1,960)**	**–**	**–**
– investment management products	**36,819**	**(35,554)**	**–**	**–**
Financial investments at fair value through other comprehensive income				
– equity investments	**–**	**–**	**7,317**	**(6,709)**

	At 31 December 2020			
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
Financial investments at fair value through profit or loss				
– debt securities	2,873	(2,787)	–	–
– other investments	375	(368)	–	–
– investment management products	34,060	(32,440)	–	–
Financial investments at fair value through other comprehensive income				
– equity investments	–	–	945	(790)

41. FIDUCIARY ACTIVITIES

(a) 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 statement of financial position. Surplus funding is accounted for as other liabilities.

	31 December 2021	31 December 2020
Entrusted loans	**9,752,254**	8,239,963
Entrusted funds	**9,752,741**	8,240,332

(b) Intermediary matchmaking service

As at 31 December 2021 and 31 December 2020, the balances of intermediary matchmaking service business were as follows:

	31 December 2021	31 December 2020
Intermediary matchmaking service business	**5,416,684**	7,222,838

42. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

The Group's credit commitments are in the form of approved loans with signed contracts, credit card commitments, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loan commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial 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.

	31 December 2021	31 December 2020
Loan commitments		
– Original contractual maturity within one year	**9,413,161**	2,163,216
– Original contractual maturity more than one year (inclusive)	**5,351,831**	7,604,160
Credit card commitments	**6,557,794**	6,677,521
Subtotal	**21,322,786**	16,444,897
Acceptances	**43,989,895**	42,685,919
Letters of credit	**5,797,724**	4,348,112
Letters of guarantees	**201,844**	709,755
Total	**71,312,249**	64,188,683

The Group may be exposed to credit risk in all the above credit businesses. The Group's 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 the expected future cash outflows.

(b) Credit risk-weighted amount for credit commitments

	31 December 2021	31 December 2020
Credit risk-weighted amounts for credit commitments	**35,111,798**	30,556,100

The credit risk-weighted amount for credit commitments represents the amount calculated with reference to the guidelines issued by the former CBRC.

(c) Capital commitments

As at the end of the reporting period, the Group's authorised capital commitments are as follows:

	31 December 2021	31 December 2020
Contracted but not paid for	**117,831**	129,275
Authorised but not contracted for	**–**	–
Total	**117,831**	129,275

(d) Outstanding litigations and disputes

As at 31 December 2021, the Group was the defendant in certain outstanding litigations and disputes with an estimated gross amount of RMB3 million (31 December 2020: RMB10 million). The Group has assessed the impact of the above outstanding litigation and disputes that may lead to an outflow of economic benefits. In the opinion of the Group's lawyers and external lawyers, it is unlikely for the Group to receive unfavourable ruling in these cases. Therefore, the Group did not make provision for the litigation. The directors of the Bank are of the view that these litigations will not have any material adverse effects on the Group's businesses, financial condition, results of operations or prospects.

(e) Bond underwriting commitments and redemption obligations

The Group has no outstanding bond underwriting commitments at the end of the reporting period.

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back its bonds if the holders decide to early redeem the bonds. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payable to the bond holders is calculated in accordance with relevant rules of the Ministry of Finance ("**MOF**") and the PBOC. The redemption price may be different from the fair value of similar instruments traded in the markets at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at 31 December 2021 or 31 December 2020:

	31 December 2021	31 December 2020
Redemption obligations	**3,006,715**	2,969,900

(f) Pledged assets

(i) Assets pledged as collateral

	31 December 2021	31 December 2020
For repurchase agreements:		
– Financial investments measured at amortised cost	**12,136,216**	13,102,283
– Discounted bills	**4,136,042**	1,391,874
Total	**16,272,258**	14,494,157

Financial assets pledged by the Group as collateral for liabilities are mainly debt securities for repurchase agreements.

(ii) Pledged assets received

The Group conducts resale agreements under standard terms of placements and holds collateral for these transactions. The Group's balance of the financial assets held under resale agreements is disclosed in Note 18. The fair value of such collateral accepted by the Group was RMB26,831 million as at 31 December 2021 (31 December 2020: RMB19,127 million). These transactions were conducted under standard terms in the normal course of business.

43. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Group holds interests

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 funds, trust schemes and asset management plans issued by financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised as at 31 December 2021 and 31 December 2020:

	31 December 2021		31 December 2020	
	Carrying amount	**Maximum exposure**	Carrying amount	Maximum exposure
Financial investments at fair value through profit or loss	**31,156,284**	**31,156,284**	28,034,811	28,034,811
Financial investments at fair value through other comprehensive income	**691,541**	**691,541**	690,614	690,614
Financial investments at amortised cost	**1,748,543**	**1,748,543**	18,238,227	18,238,227
Total	**35,596,368**	**35,596,368**	46,963,652	46,963,652

As at 31 December 2021 and 31 December 2020, the carrying amounts of the unconsolidated structured entities were equal to the maximum exposures.

(b) Structured entities sponsored by the Group in which the Group does not consolidate but holds interests

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. Interests held by the Group include investments in units issued by these structured entities and fees charged by providing management services. As at 31 December 2021 and 31 December 2020, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised were not material in the statement of financial position.

For the year ended 31 December 2021, the amount of fee and commission income received from the above-mentioned structured entities by the Group was RMB178 million (2020: RMB149 million).

As at 31 December 2021, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, was RMB52,081 million (31 December 2020: RMB38,335 million).

(c) Unconsolidated structured entities sponsored by the Group during the period in which the Group does not have interests as at 31 December 2021

For the year ended 31 December 2021, the aggregate amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January and matured before 31 December was RMB2,495 million (year ended 31 December 2020: RMB14,690 million).

44. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**31 December 2021**	31 December 2020
Assets			
Cash and deposits with the central bank		**23,991,095**	20,496,210
Deposits with banks and other financial institutions		**1,430,479**	1,841,945
Placements with banks and other financial institutions		**2,700,264**	1,100,435
Derivative financial assets		**236**	86
Financial assets held under resale agreements		**26,351,992**	18,915,305
Loans and advances to customers		**150,885,748**	131,578,344
Financial investments:			
Financial investments at fair value through profit or loss		**35,783,091**	29,775,086
Financial investments at fair value through other comprehensive income		**5,430,753**	8,898,454
Financial investments at amortised cost		**51,352,825**	52,986,363
Interest in an associate		**318,624**	294,119
Investment in a subsidiary	*22*	**25,500**	25,500
Property and equipment		**1,394,406**	1,478,441
Deferred tax assets		**1,708,339**	1,684,646
Other assets		**1,277,698**	1,173,927
Total assets		**302,651,050**	270,248,861

	As at 31 December 2021	As at 31 December 2020
Liabilities and equity		
Liabilities		
Borrowing from the central bank	**2,794,561**	1,893,459
Deposits from banks and other financial institutions	**1,297,221**	1,961,243
Placements from banks and other financial institutions	**210,169**	800,730
Derivative financial liabilities	**403**	–
Financial assets sold under repurchase agreements	**15,345,732**	13,430,473
Deposits from customers	**198,602,717**	176,076,245
Income tax payable	**64,839**	272,139
Debt securities issued	**58,967,189**	52,176,626
Other liabilities	**3,229,170**	2,627,898
Total liabilities	**280,512,001**	249,238,813
Equity		
Share capital	**5,838,650**	5,838,650
Capital reserve	**6,627,602**	6,627,602
Surplus reserve	**3,792,525**	3,623,310
General reserve	**3,151,208**	2,801,940
Fair value reserve	**(30,580)**	(64,335)
Impairment reserve	**3,448**	12,892
Deficit on remeasurement of net defined benefit liability	**(4,365)**	(765)
Retained earnings	**2,760,561**	2,170,754
Total equity	**22,139,049**	21,010,048
Total liabilities and equity	**302,651,050**	270,248,861

Approved and authorised for issue by the Board of Directors on 29 March 2022.

Hao Qiang	**Zhang Yunfei**	**Hou Xiuping**	
Chairwoman of the Board	*Executive Director*	*Chief Financial Officer*	(Company chop)

45. SUBSEQUENT EVENTS

The Group had no material events for disclosure subsequent to the balance sheet date and up to the date of this Financial Statements approved.

(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 the purpose of providing information only.

In accordance with the Listing Rules and Banking (Disclosure) Rules, the Group discloses the unaudited supplementary financial information as follows:

1 Liquidity coverage ratio, leverage ratio and net stable funding ratio

(a) Liquidity coverage ratio

	31 December 2021	**Average for the year ended 31 December 2021**
Liquidity coverage ratio (RMB and foreign currencies)	**322.30%**	**232.61%**

	31 December 2020	Average for the year ended 31 December 2020
Liquidity coverage ratio (RMB and foreign currencies)	327.19%	229.90%

Pursuant to the *Administrative Measures on the Liquidity Risk Management of Commercial Banks*, the minimum regulatory requirement of liquidity coverage ratio is 100%.

(b) Leverage ratio

	31 December 2021	31 December 2020
Leverage ratio	**6.18%**	6.53%

Pursuant to the *Administrative Measures on the Leverage Ratio of Commercial Banks* issued by the former CBRC which became effective on 1 April 2015, a minimum leverage ratio of 4% is required.

(c) Net stable funding ratio

	31 December 2021	30 September 2021	31 December 2020
Net stable funding ratio	**138.32%**	135.68%	141.19%

Pursuant to the *Administrative Measures on the Liquidity Risk Management of Commercial Banks*, a minimum net stable funding ratio of 100% is required.

The above liquidity coverage ratio, leverage ratio and net stable funding ratio are calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with PRC GAAP.

2 Currency Concentrations

	31 December 2021			
	US Dollars (RMB equivalent)	***HK Dollars (RMB equivalent)***	***Others (RMB equivalent)***	***Total***
Spot assets	**33,683**	**2,168**	**155**	**36,006**
Spot liabilities	**(33,071)**	**(48)**	**(169)**	**(33,288)**
Net position	**612**	**2,120**	**(14)**	**2,718**

	31 December 2020			
	US Dollars (RMB equivalent)	*HK Dollars (RMB equivalent)*	*Others (RMB equivalent)*	*Total*
Spot assets	34,587	32,698	209	67,494
Spot liabilities	(33,962)	(30,572)	(223)	(64,757)
Net position	625	2,126	(14)	2,737

As at 31 December 2021, the Group's structural position amounted to RMB32 million (31 December 2020: RMB33 million).

3 International claims

The Group is principally engaged in business operations within mainland China, and regards all claims on third parties in Hong Kong, Macau, Taiwan and other countries and areas 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 constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	31 December 2021		
	Banks and other financial institutions	**Non-bank private sector**	**Total**
Asia Pacific	**1,071**	**–**	**1,071**
Europe	**76**	**–**	**76**
Total	**1,147**	**–**	**1,147**

	31 December 2020		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	32,650	–	32,650
Europe	149	–	149
Total	32,799	–	32,799

4 Gross amounts of overdue loans and advances

	31 December 2021	31 December 2020
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	**77,547**	829,674
– between 6 months and 1 year (inclusive)	**1,355,861**	716,203
– between 1 year and 3 years (inclusive)	**997,495**	461,409
– over 3 years	**167,276**	174,258
Total	**2,598,179**	2,181,544
Percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	**0.05%**	0.61%
– between 6 months and 1 year (inclusive)	**0.87%**	0.53%
– between 1 year and 3 years (inclusive)	**0.64%**	0.34%
– over 3 years	**0.11%**	0.13%
Total	**1.67%**	1.61%

8. PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

This annual results announcement is prepared in both English and Chinese languages. If there is any inconsistency between Chinese and English versions, the Chinese version shall prevail.

By order of the Board
Jinshang Bank Co., Ltd.*
LI Weiqiang
Joint company secretary

Taiyuan, March 29, 2022

As at the date of this announcement, the Board comprises Ms. HAO Qiang and Mr. ZHANG Yunfei as executive directors; Mr. LI Shishan, Mr. XIANG Lijun, Mr. LIU Chenhang, Mr. LI Yang and Mr. WANG Jianjun as non-executive directors; and Mr. JIN Haiteng, Mr. SUN Shihu, Mr. WANG Liyan, Mr. DUAN Qingshan, Mr. SAI Zhiyi and Mr. YE Xiang as independent non-executive directors.

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