Stock Code: 601166

兴业银行
INDUSTRIAL BANK CO.,LTD.
好银行 助生活更美好

2021 ANNUAL REPORT

CHINA'S FIRST EQUATOR BANK

Important Notice

The Company's Board of Directors, Board of Supervisors, directors, supervisors and senior management members hereby warrant that the information contained in this annual report is free from false representation, misleading statement or material omission, and assume joint and several liabilities.

The fifth meeting of the tenth session of the Board of the Company was held on March 24, 2022. Thirteen directors shall attend the meeting, and thirteen directors actually attended it. Nine directors attended the meeting in main venue of the Company in Fuzhou and Beijing branch venue. Four directors including Chen Jinguang, Su Xijia, Ben Shenglin and Qi Yuan attended the meeting by video. The meeting considered and approved the 2021 annual report and the summary thereof.

The financial data and indicators contained in this annual report were prepared in compliance with the China Accounting Standards for Business Enterprises. Unless otherwise specified, they represented the consolidated data. The monetary sums were expressed in RMB in this annual report.

KPMG Huazhen LLP has audited the Company's 2021 financial statements in accordance with the Auditing Standards for CPAs of China and has issued a standard auditor's report with unqualified opinion.

The Company's Chairman Lyu Jiajin, president Tao Yiping and person in-charge of the accounting body Lai Furong hereby warrant that the financial statements in the 2021 annual report are true, accurate and complete.

The plan of dividends distribution for ordinary shares for the reporting period considered by the Board of Directors: based on the total capital of 20,774,190,751 shares, cash dividend of RMB10.35 (inclusive of tax) should be distributed for every 10 ordinary shares.

The plan of dividends distribution for preferred shares is as follows: the total nominal value of the preferred shares of "Industrial P1" is RMB13 billion and proposed dividends to be paid for 2021 are RMB722 million with an annual dividend yield of 5.55%; the total nominal value of the preferred shares of "Industrial P2" is RMB13 billion and proposed dividends to be paid for 2021 are RMB602 million with an annual dividend yield of 4.63%; the total nominal value of the preferred shares of "Industrial P3" is RMB30 billion and proposed dividends to be paid for 2021 are RMB1.47 billion with an annual dividend yield of 4.90%.

Investors are advised to read the full content of this annual report carefully. Perspective and forward-looking statements regarding future financial conditions, operating performance, business development and business plan contained in this report do not constitute any substantive commitment of the Company to investors. Investors should pay attention to investment risks.

The Board of Directors specially reminds investors that the risk factors the Company is subject to have been listed in detail in this report. Please refer to "Operation Discussion and Analysis" for risk factor the Company is subject to and the risk management analysis.

Chairman's Statement

In the year when the history of "two centuries" meets, we hold the baton of the development of Industrial Bank, and deeply feel the happiness of life and great responsibility. We sincerely thank all sectors of the society for their concern and love, and more than 60,000 cadres and employees for their unity and forge ahead. We got the first report card on the new way to catch the exam: more than 1 million corporate customers, and more than RMB10 trillion of assets on and off the balance sheet; the non-performing loan ratio and the balance of non-performing loan continued to reduce, and the provision-to-loan ratio and the provision coverage ratio rose again; we entered the third group of systemically important banks in China, and the ESG rating of MSCI remained the highest in China's banking industry for three consecutive years; and the loans exceeded RMB4 trillion, and the growth rates of green loans, inclusive micro loans and medium-and long-term manufacturing loans all exceeded 40%.

In the face of achievements, we must pay tribute to history. The Industrial Bank was founded for 34 years. From scratch to today's Industrial Bank, the duet of "change" and "unchanged" contains the Industrial Bank's password. What remains unchanged is the initial intention, "exploring ways for financial reform and making more contributions to economic construction" has become the source of all the spirits of the Industrial Bank and has been passed down from generation to generation. What has changed is the concept, from the orientation of "picking up what is left to fill what is missing" to the vision of "First-class Bank, Everlasting CIB", from triumphant progress to high-quality development, behind which is the vicissitudes of the times and the situation. Grasping the general trend and taking advantage of the trend ensures that we can always seize the big opportunities and avoid the big risks.

"All history is contemporary history". With the arrival of the new era, the Industrial Bank has absorbed historical nutrition, kept pace with the times, and gradually explored and formed a strategic system with "commercial bank + investment bank" as its core. We have gone through policy changes, market baptism and epidemic impact, but we still overcome difficulties to make progress, and our strategy showed strong vitality. Sticking to the initial heart, strengthening the new development concept and sticking to a blueprint to the end are not only our responsible attitude towards history, but also the confidence for us to dream forward. Especially at present, systemically important banks in China have marked a new orientation, so we must keep in mind "the utmost interests of the nation", build a firm system concept, take on heavier responsibilities, and accelerate the implementation of the strategy.

—— We should focus on the new triangular cycle of "technology-industry-finance" modern economy, speed up direct financing, sink the focus of indirect financing, provide diversified and full-cycle quality financial services for the real economy, promote the scientific and technological innovation, the integration of the first, second and third industries and the symbiosis of large, medium and small enterprises, promote the continuous optimization of customer structure and business structure, and lay a more solid foundation for development.

—— We should focus on the key task of the ecological civilization construction of "reducing pollution-reducing carbon-increasing green", take on the pioneer mission of first equator bank in China, continue to lead the trend of green financial innovation, help green water and green mountains turn into golden mountains and silver mountains, and desert wasteland turn into golden beaches and silver beaches, so as to further polish our characteristic advantages.

—— We should focus on the value chain of "asset construction-product creation-product sales", continuously improve the system of big investment banks, big asset management and big wealth, let the source of real economic value creation and the source of people's funds meet and merge, and play a moving movement of industry excellence and people's wealth, and constantly expand new space for development.

We are also well aware that strategic transformation is a protracted war that can't wait but can't be anxious. The business world is full of stories about small boats turning around easily and elephants dancing hard. To be broad and subtle and to concentrate on doing one's own thing well are the fastest path in the long journey.

—— We should make every effort to speed up digital transformation. In the era of the continuous development of science and technology and the interconnection of all things, the problem of information asymmetry has been greatly alleviated. The underlying logic of financial operation has changed from three financial statements to the fourth data statement, from the law of large numbers to big data, and from the "Pareto principle" to "The Long Tail". The financial sector has gradually shed its unapproachable cold face and become more inclusive and efficient. We should build a digital Industrial Bank in an all-round way, build branches and outlets on consumer Internet and industrial Internet Apps, and integrate our financial services into more scenes of enterprise production and people's lives, so as to promote industrial integration, public-private integration and urban-rural integration.

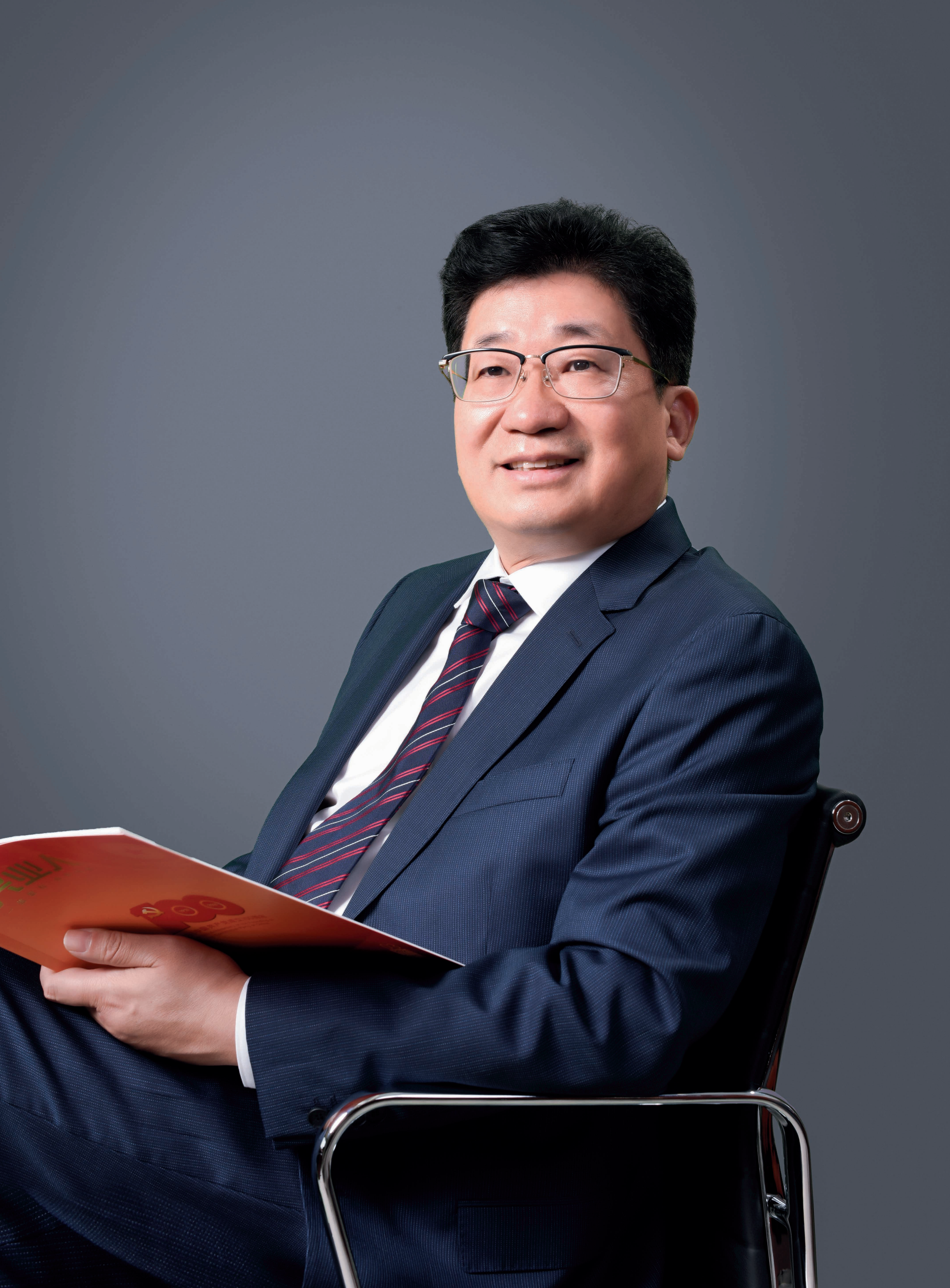
—— We should continue to push forward the reform of institutional mechanisms. After several months of brainstorming, we began to implement the organizational system reform of science and technology, retail and enterprise finance, increased scientific and technological support with unprecedented strength, and promoted public-private linkage with unprecedented determination. We urged the leaders of the head office to set up departmental functions across lines according to the division of strategic functions, encouraged the Bank to set up all kinds of task-oriented agile organizations, and constantly broke down the "departmental wall", the "line wall" and the "company wall" to enhance organizational vitality.

—— We should develop talents as the first resource in depth. Innovation is the life of the Industrial Bank, and talents are the foundation of driving innovation. We actively build a learning organization, increase investment in education and training, and help employees to continuously improve themselves and adapt to the rapidly changing times. We focus on key areas, vigorously optimize the talent structure, and implement the plan of 10,000 talents in science and technology, the plan of 10,000 talents in green, the plan of industry expert talents and the plan of strategic force multiplication. The first batch of 2,000 talents in science and technology have arrived as scheduled. We constantly break the shackles of thinking, encourage the pioneering spirit, encourage employees to creatively solve all kinds of practical problems in a compliant way, and let the classic song that love to fight and win be widely circulated.

—— We should properly make production safety. The century-old changes have continued to evolve, the shadow of the centennial COVID-19 epidemic has persisted, and the market has experienced sharp ups and downs, repeatedly refreshing our cognition, and the risks are frequent, fickle, and easy to infect. We should listen to the thunder in a silent place. While doing a good job in the prevention and control of traditional risks, we should also do a good job in stress testing of various new risks, make a good move, take the initiative, and strive to stay ahead of the risk curve and keep the bottom line where no major risks occur. In the digital age, in particular, we should keep enough awe of scientific and technological risks, adhere to the ethics of scientific and technological goodness, constantly improve the equipment, technology, models and algorithms, and fully protect the precious assets of the Bank and the sacred rights and interests of customers.

Looking back at history again, generations of trend-setters have made the contemporary lucky ones; looking to the future, today's dream-chasers are tomorrow's dream-builders. We must persist in party building to lead high-quality development, seize every day, strive for success, and live up to history, the times and the future.

Chairman: 吕家进



President's Statement

In 2021, we started a new journey of five-year development planning, adhered to the firm belief that a blueprint was drawn to the end, and continued to write the beautiful story of the Industrial Bank helping the people with hard work, dedication and ingenuity to present the centenary birthday of the party. At the end of the year, the Group's total assets increased to RMB8.6 trillion, the operating income reached RMB221.236 billion, and the net profit attributable to the parent company reached RMB82.68 billion; while the non-performing loan ratio and the balance of non-performing loans continued to reduce, the provision coverage ratio rose strongly to 268.73%; ROA and ROE reached 1.02% and 13.94% respectively, and value creation reached a new height.

Customers are always the source of value. We firmly implement the strategy of "commercial bank + investment bank", adhere to the development philosophy of "customers as the foundation, commercial banking as the carrier, and investment banking as the functional arm", and strive to solve the complex problems behind customers' diverse demands with systematic solutions, so as to share the value growth in the process of keeping the complexity to ourselves and giving the simplicity to customers. Over the past year, we have continuously strengthened the public-private linkage, the linkage between parent company and subsidiaries, the linkage between customer departments and product departments, and the linkage among the front, middle and back offices, built an ecosystem of investment banks and an investment ecosystem, and built comprehensive sub-branches and comprehensive account managers, so that the financial flowing water can smoothly flow to thousands of businesses and households. At the end of the year, the number of corporate customers exceeded 1 million, and the number of retail customers approached 80 million, the strategy of "commercial bank + investment bank" has achieved good results, and the implementation of the strategy has a bigger stage. With the simultaneous improvement of customer scale and quality, the big article on and off the balance sheets has gradually become full, the business structure has been continuously optimized, the non-interest income has increased rapidly, and the development of light capital, light assets and high quality has taken greater steps.

The strategy of "commercial bank + investment bank" is not the golden mean. Characteristic management and differential development have always been the philosophy and competition magic weapon of the Industrial Bank. Facing the development of the new era, we strive to polish the "three business cards" of green bank, wealth bank and investment bank, and further enhance our characteristic advantages in the process of beautifying the ecology, enriching the people and adding intelligence to the industry. Over the past year, the "double carbon" east wind has blown the north and south of the Yangtze River, and the first equator bank in China has taken on a new look. With "carbon rights + carbon sink", "financing + intelligence" and "trading + market making" as the main line, we have tried first and dared to do it, and carried out many of the first carbon financial businesses in China. The balance of green financing reached RMB1.4 trillion, and we continued to stand at the forefront of green development. When the horn of common prosperity blows, the main direction of residents' wealth allocation is faced with a historic change from real estate to financial assets. Big fish are raised by big water. We are striving for a big wealth management market, with a wealth management scale of nearly RMB1.8 trillion, and retail wealth sales exceeding RMB5 trillion. In addition, we have established the first private banking franchise institution, reconstructed the Internet open wealth management platform - "Qianda Money Manager", and helped each small goal and dream of getting rich. The development of direct financing has accelerated, and the role of the capital market has been enhanced. We have comprehensively improved the functions of investment bank, and bond underwriting, ABS, M&A financing, syndicated loans, bond investment and trading, FICC, and channel distribution have all blossomed. The moat of investment bank and financial market business has been further widened.

In the digital age, all walks of life are performing the life and death speed of digital transformation, and finance is also facing the most revolutionary changes in the history of industry development for thousands of years. We regard digital transformation as a battle of life and death, which runs through all aspects of strategic transformation. Over the past year, we have comprehensively promoted the pioneering, basic and strategic work, with an annual investment of more than RMB6 billion in science and technology, and the number of scientific and technological personnel has doubled. Moreover, we have promoted all the staff to learn, understand and use science and technology, and constantly optimized the "BA+SA" system, because we are well aware that it is difficult for an independent scientific and technological team to guarantee the success of digitalization. The ecological platform construction of F-side, G-side, B-side and C-side scenarios has blossomed in an all-round way, with more than 3,000 items, and digital single spark can start a prairie fire. "Connecting everything and ecological empowerment" is not only a dream. In just two years, the "Fujian Jin Fu Yun" has solved the problem that the financing needs of small and medium-sized micro-enterprises exceed RMB100 billion. We have started the pace of mode output, helped more provinces and cities in data value, digital industrialization and financial popularization, and took the initiative to act as a propaganda team and seeder in the new digital Long March.

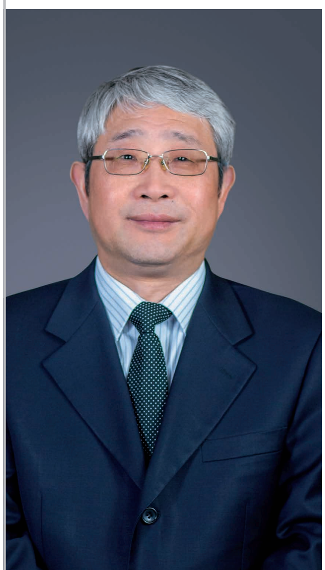
Risk prevention is the eternal theme of financial industry. Over the past year, we have made overall plans for development and security, adhered to prudent management, steadily promoted the adjustment of business structure in key areas, comprehensively resolved stock risks and prevented and controlled new risks, and continued to maintain a good level of asset quality in the industry. RMB 75 billion tier-two capital bonds and RMB 50 billion convertible bonds were successfully issued, further consolidating the capital strength and adding more confidence to the stability and far-reaching. We have done a good job in the prevention in COVID-19 epidemic by making preparations for a protracted war and fighting a tough battle. No cadres and employees were left behind, and financial services were constantly on the line.

Starlight does not live up to the staff of the Industrial Bank. Over the past year, the Company's work has been recognized by all levels of society, and its Fitch International rating has been upgraded to BBB, the ESG rating of MSCI remained the highest A grade in China's banking industry for three consecutive years. The Company ranked among the top 20 banks in the world and the top 200 enterprises in the world. What is more worth remembering is that we have become the first batch of systemically important banks in China.

The country's most fundamental interests, and the prosperity of the industry. Looking back on the little progress in the past year, as well as the trend since the National Financial Work Conference and the step-by-step progress of the Bank since its establishment 34 years ago, the longer it takes, the more sober we will be, and the prosperity of the country and the people will be realized. At this moment, we would like to express our incomparable respect and heartfelt thanks to the great motherland and all walks of life who are determined to move forward!

In 2022, the tiger roars in spring. Faced with challenges such as international geopolitical conflicts, repeated outbreaks of local COVID-19 epidemic, and "triple pressure" of economy, we should bear in mind the responsibilities of systemically important banks, keep in mind "the utmost interests of the nation", anchor the strategic direction, consolidate the basic market, lay out new racetracks, and ensure the actual performance and results with the executive force of "doing everything right and doing everything successfully", so as to greet the successful convening of the 20th CPC National Congress with outstanding achievements.

President:



Chen Jinguang
Director, Vice President

Chen Xinjian
Director, Vice President, Secretary of the Board

Sun Xiongpeng
Director, Vice President

Zhang Guoming
Supervisor

CONTENTS

2021 Honors and Awards

THE LIST OF "GLOBAL 500" IN 2021

196 | 500

The Company ranked **196th**
up 26 places from the previous year
entering **top 200** of the Global 500

《Fortune》

THE LIST OF "2021 TOP 1,000 GLOBAL BANKS"

19 | 1000

The Company ranked **19th** in terms of Tier **1** capital
up two places from the previous year
entering **top 20** banks in the world

The British Magazine《THE BANKER》

THE 2021 GLOBAL ENVIRONMENTAL SOCIAL AND GOVERNANCE (ESG) RATING

The Company was

Rated A

for the third consecutive year

MSCI
the world's largest index company

TOP 2000 GLOBAL COMPANIES IN 2021

50 | 2000

the Company ranked **50th**
up 7 places from the previous year
entering **top 50** listed companies in the world

The US Magazine《FORBES》

2021

Won the

" EXCELLENTDEPOSITORY " BANK OF THE YEAR AWARD

The Shanghai Gold Exchange

2021

Won the

" 2021 GLOBAL " GREEN FINANCE AWARD

The International Finance Forum (IFF)

Won the 2021

"BEST PRIVATE BANKING AWARD FOR DIGITAL WEALTH PLANNING IN ASIA"

Professional Wealth Management ("PWM") Magazine
under the Financial Times Group

Won the 2021

"CHINA CORPORATE SOCIAL RESPONSIBILITY EXCELLENT CASE AWARD"

At the **"China Corporate Social Responsibility Cloud Summit"**
organized by Xinhuanet

2021

Won the

BEST FINANCIAL INNOVATION AWARD

TOP TEN RETAIL BANK INNOVATION AWARD

TOP TEN WEALTH MANAGEMENT INNOVATION AWARD

TOP TEN FINANCIAL TECHNOLOGY INNOVATION AWARD

and other awards

《THE BANKER》

Won the

- **2021 Outstanding Financial Bond Underwriter**
- **Best National Commercial Bank**
- **Excellent Underwriter In exchange Market**
- **Outstanding Person In Serving Agriculture, Rural Areas, and Rural Residents**
- **Excellent Underwriting and Market Making Director**
- **Excellent Trader** and other awards

AGRICULTURAL DEVELOPMENT BANK OF CHINA

Won the

- **Core Underwriter** (highest honor for institution)
- **Excellent Market Maker**
- **Promotion of Green Development Concept Award**
- **Promotion of Opening Up Award**
- **Policy Mission Pilot Award**
- **Excellent Underwriting Director**
- **Excellent Underwriting Individual** and other awards

THE EXPORT-IMPORT BANK OF CHINA

GOLDEN JUBILEE AWARD

Won the

" 2021 EXTRAORDINARY " INVESTMENT VALUE COMPANY AWARD

《INVESTMENT TIMES》

2021

Won

" THE BANKOF " THE YEAR IN CHINA AWARD

The British Magazine 《THE BANKER》

GOLDEN SAIL AWARD

Won the

" 2021 OUTSTANDING " GROWTH VALUE LISTED COMPANY AWARD

《THE 21ST CENTURY BUSINESS HERALD》

The Company's green finance IT support platform "Green to Gold" system won the

"BEST GREEN FINANCE PRODUCT" AWARD

in the 2021 "Excellent Green Finance in China"

《ASIAMONEY》

GOLDEN BRIDGE AWARD

Won the

" MOST VALUABLE " COMMERCIAL BANK OF THE YEAR

award in the 2021

INVESTOR.COM

Tianma Award

Won the

" BEST BOARD OF " DIRECTORS FOR INVESTOR RELATIONS OF CHINESE MAIN BOARD LISTED COMPANIES

in the 12th Chinese Listed Company Investor Relations Selection

《SECURITIES TIMES》

Won the

- **Annual Bond Market Leader**
- **Outstanding Financial Bond Issuing Institution**
- **Outstanding ABS Initiator and Outstanding Bond Underwriting Institution**
- **Outstanding Local Bond Underwriting Institution**
- **Outstanding Underwriting Institution for Local Bond OTC Business**
- **Outstanding Asset Custody Institution**
- **Guarantee Awards such as Outstanding Contribution Institution for Product Business and Outstanding Underwriting Institution for China Bond Green Bond Index**

in 2021 Comprehensive Evaluation of China Bond Members

Definition

In this report, unless the context otherwise specified, the following terms have the meanings set forth below:

Industrial Bank/the Company	Industrial Bank Co., Ltd.
Group/the Group	Industrial Bank Co., Ltd. and its subsidiaries
Central Bank/PBOC	The People's Bank of China
CSRC	China Securities Regulatory Commission
CBIRC	China Banking and Insurance Regulatory Commission
KPMG Huazhen	KPMG Huazhen LLP
Industrial Financial Leasing	Industrial Bank Financial Leasing Co., Ltd.
Industrial Trust	China Industrial International Trust Limited
Industrial Fund	CIB Fund Management Co., Ltd.
Industrial Consumer Finance	Industrial Consumer Finance Co., Ltd.
CIB Wealth Management	CIB Wealth Management Co., Ltd.
Industrial Futures	Industrial Futures Co., Ltd.
CIB Research	CIB Economic Research and Consulting Co., Ltd.
CIB FINTECH	CIB FINTECH (Shanghai) Co., Ltd.
Industrial Asset Management	China Industrial Asset Management Co., Ltd.
Financial Services Cloud Company	Fujian Financial Services Cloud Co., Ltd.
Yuan	RMB Yuan

Corporate Profile and Key Financial Indicators

I. Corporate profile

Legal Chinese name: 兴业银行股份有限公司

(Abbreviation: 兴业银行)

Legal English name: INDUSTRIAL BANK CO., LTD.

II. Legal representative: Lyu Jiajin

III. Contact persons and details

Secretary of the Board of Directors: Chen Xinjian

Representative of securities affairs: Li Dapeng

Address: Industrial Bank Building, 398 Jiangbin Middle Avenue, Taijiang District, Fuzhou City, Fujian Province

Tel: (86)591-87824863

Fax: (86)591-87842633

Email: irm@cib.com.cn

IV. Basic information

Registered address: Industrial Bank Building, 398 Jiangbin Middle Avenue, Taijiang District, Fuzhou City, Fujian Province

History changes in registered address of the Company:

Date of change	Before change	After change
August 15, 1997	17 Hualin Road, Fuzhou, PRC	154 Hudong Road, Fuzhou, PRC
March 15, 2022	154 Hudong Road, Fuzhou, PRC	Industrial Bank Building, 398 Jiangbin Middle Avenue, Taijiang District, Fuzhou City, Fujian Province

Office address: Industrial Bank Building, 398 Jiangbin Middle Avenue, Taijiang District, Fuzhou City, Fujian Province

Postal Code: 350014

Website: www.cib.com.cn

V. Information disclosure and location of filing

Media and websites for disclosure of annual reports: China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Website designated by CSRC for publishing annual reports: www.sse.com.cn

Location of annual reports filing: the Company's office of the Board of Directors

VI. Brief introduction of company securities

Classes of securities	The stock exchange	Abbreviation	Code
A shares	Shanghai Stock Exchange	Industrial Bank	601166
Preferred shares	Shanghai Stock Exchange	Industrial P1	360005
		Industrial P2	360012
		Industrial P3	360032
Convertible corporate bonds	Shanghai Stock Exchange	Industrial convertible bonds	113052

VII. Other related information

Certified public accountants firm engaged by the Company: KPMG Huazhen LLP

Office address: 8/F, KPMG Tower, Oriental Plaza, 1 Dongchang'an Street, Dongcheng District, Beijing, PRC

Names of the signing accountants: Chen Sijie, Wu Zhongming

This report is prepared in both Chinese and English. Should there be any discrepancy in interpretation, the Chinese version shall prevail.

VIII. Key accounting data and financial indicators of the Company

(I) Key accounting data and financial indicators

Unit: RMB million

Item	2021	2020	Increase/decrease in 2021 compared with 2020 (%)	2019
Operating income	**221,236**	203,137	8.91	181,308
Profit before tax	**95,310**	76,637	24.37	74,503
Net profit attributable to the shareholders of the parent company	**82,680**	66,626	24.10	65,868
Net profit attributable to the shareholders of the parent company, after deduction of non-recurring gains and losses	**82,206**	66,218	24.14	65,458
Basic EPS (Yuan)	**3.77**	3.08	22.40	3.10
Diluted EPS (Yuan)	**3.77**	3.08	22.40	3.10
Basic EPS, after deduction of non-recurring gains and losses (Yuan)	**3.75**	3.06	22.55	3.08
ROA (%)	**1.02**	0.90	Up 0.12 percentage point	0.96
Weighted average ROE (%)	**13.94**	12.62	Up 1.32 percentage points	14.02
Weighted average ROE, after deduction of non-recurring gains and losses (%)	**13.86**	12.54	Up 1.32 percentage points	13.93
Cost-to-income ratio (%)	**25.68**	24.16	Up 1.52 percentage points	26.03
Cash flows from operating activities	**(389,771)**	(34,228)	Negative in the same period of last year	(588,009)
Net cash flow per share from operating activities (Yuan)	**(18.76)**	(1.65)	Negative in the same period of last year	(28.31)
Item	December 31, 2021	December 31, 2020	Increase/decrease in the end 2021 compared with the end of 2020 (%)	December 31, 2019
Total assets	**8,603,024**	7,894,000	8.98	7,145,681
Shareholders' equity attributable to the shareholders of the parent company	**684,111**	615,586	11.13	541,360
Owners' equity attributable to the ordinary shareholders of the parent company	**598,309**	529,784	12.93	485,518
Net assets per share attributable to the ordinary shareholders of the parent company (Yuan)	**28.80**	25.50	12.93	23.37
NPL ratio (%)	**1.10**	1.25	Down 0.15 percentage point	1.54
Provision coverage ratio (%)	**268.73**	218.83	Up 49.90 percentage points	199.13
Provision-to-loan ratio (%)	**2.96**	2.74	Up 0.22 percentage point	3.07

Notes: 1. Basic EPS and weighted average ROE were calculated based on "Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No.9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share (2010 Revision)".

2. As at the end of the reporting period, the Company issued an aggregate of RMB56 billion preferred shares (Industrial P1, Industrial P2 and Industrial P3) with non-cumulative dividends. The dividends of the preferred shares for 2021 will be distributed after approval by the general shareholders' meeting.

(II) 2021 quarterly financial data

Unit: RMB million

Item	The first quarter (January-March)	The second quarter (April-June)	The third quarter (July-September)	The fourth quarter (October-December)
Operating income	**55,663**	**53,292**	**55,092**	**57,189**
Net profit attributable to the shareholders of the listed company	**23,853**	**16,259**	**23,926**	**18,642**
Net profit attributable to the shareholders of the listed company, after deduction of non-recurring gains and losses	**23,823**	**16,289**	**23,926**	**18,168**
Net cash flow from operating activities	**(297,317)**	**78,977**	**131,570**	**(303,001)**

(III) Items and amounts of non-recurring gains and losses

Unit: RMB million

Item	2021
Gains and losses on the disposal of non-current assets	**(6)**
Government grants recognized in profit or loss	**613**
Net other non-operating income and expense	**107**
Impact on income tax	**(210)**
Total	**504**
Non-recurring gains and losses attributable to the shareholders of the parent company	**474**
Non-recurring gains and losses attributable to minority shareholders	**30**

(IV) Supplementary financial data

Unit: RMB million

Item	December 31, 2021	December 31, 2020	December 31, 2019
Total liabilities	**7,908,726**	7,269,197	6,596,029
Placements from banks and other financial institutions	**172,773**	179,161	190,989
Total deposits	**4,311,041**	4,042,894	3,759,063
Including: Demand deposits	**1,769,246**	1,614,827	1,463,908
Time deposits	**2,212,838**	2,113,615	2,003,549
Other deposits	**328,957**	314,452	291,606
Total loans	**4,428,183**	3,965,674	3,441,451
Including: Corporate loans	**2,223,895**	2,043,500	1,796,080
Personal loans	**1,879,932**	1,714,471	1,449,547
Discounted bills	**324,356**	207,703	195,824
Loan loss provisions	**130,909**	108,661	105,581
Including: Loan loss provisions at fair value through other comprehensive income	**1,032**	593	728

(V) Capital adequacy ratio

Unit: RMB million

Key indicator	December 31, 2021		December 31, 2020		December 31, 2019	
	Group	Bank	Group	Bank	Group	Bank
Net capital	**878,172**	**820,158**	762,803	710,825	684,547	639,539
Including: Core Tier 1 capital	**599,661**	**565,344**	529,366	502,701	485,821	464,747
Other Tier 1 capital	**85,999**	**85,802**	85,942	85,802	55,953	55,842
Tier 2 capital	**193,617**	**190,070**	148,409	143,209	143,659	139,821
Deductions	**1,105**	**21,058**	914	20,887	886	20,871
Total risk weighted assets	**6,102,620**	**5,818,668**	5,663,756	5,386,272	5,123,362	4,881,616
Capital adequacy ratio (%)	**14.39**	**14.10**	13.47	13.20	13.36	13.10
Tier 1 capital adequacy ratio (%)	**11.22**	**10.83**	10.85	10.54	10.56	10.24
Core Tier 1 capital adequacy ratio (%)	**9.81**	**9.35**	9.33	8.95	9.47	9.09

Note: data in this table are calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and based on data reported to regulatory authorities.

(VI) Supplementary financial indicators

Unit: %

Key indicator	Standard value	December 31, 2021	December 31, 2020	December 31, 2019
Deposit -to- loan ratio (converted to RMB)	-	**95.60**	92.54	85.76
Liquidity ratio (converted to RMB)	⩾ 25	**56.26**	67.39	75.07
Proportion of loans to the largest single borrower	⩽ 10	**1.52**	1.67	1.38
Proportion of loans to the top ten borrowers	⩽ 50	**9.53**	10.61	11.00
Migration ratio of normal loans	-	**2.27**	2.07	2.38
Migration ratio of special mention loans	-	**25.56**	31.23	38.81
Migration ratio of substandard loans	-	**50.97**	62.42	79.55
Migration ratio of doubtful loans	-	**30.12**	18.03	36.12

Notes: 1. Data in this table are those before consolidation, and data of subsidiaries are not included in this table.
2. Data in this table are calculated based on data reported to regulatory authorities.

(VII) Changes in shareholders' equity during the reporting period

Unit: RMB million

Item	Amount at the end of previous year	Increase during the period	Decrease during the period	Closing balance
Share capital	20,774	-	-	**20,774**
Other equity instruments	85,802	3,158	-	**88,960**
Capital reserve	74,914	-	-	**74,914**
Other comprehensive income	(749)	3,608	-	**2,859**
General reserve	87,535	10,409	-	**97,944**
Surplus reserve	10,684	-	-	**10,684**
Undistributed earnings	336,626	82,680	31,330	**387,976**
Equity attributable to the shareholders of the parent company	615,586	99,855	31,330	**684,111**

(VIII) Items measured at fair value

Unit: RMB million

Item	December 31, 2020	Changes in fair value for the period recognized in gains and losses	Accumulated changes in fair value recognized in equity	Provision for impairment made/ (reversed) in the period	December 31, 2021
Precious metals	4,807	(133)	-	-	**42**
Derivative financial assets	59,396	(2,270)	-	-	**34,460**
Derivative financial liabilities	61,513				**38,847**
Loans and advances to customers	209,067	1	9	439	**327,207**
Trading financial assets	823,927	4,422	-	-	**909,794**
Other debt investments	516,368	(255)	(1,231)	356	**484,624**
Other equity instrument investments	2,388	-	(27)	-	**3,148**
Trading financial liabilities	16,062	(298)	-	-	**47,830**

Management Discussion and Analysis

I. Main businesses of the Company and conditions of the industry

(I) Main businesses

Founded in August 1988, the Company is one of the first group of joint-stock commercial banks approved by the State Council and the People's Bank of China. On February 5, 2007, the Company was listed on the Shanghai Stock Exchange. Currently, the Company has developed into a comprehensive financial service group with banking business as the core, covering business areas such as leasing, trust, funds, consumption finance, wealth management, futures, research and consultation, digital finance and asset management. The Company has established a domestic and overseas service network that combines online and offline services, ranking among the top 20 global banks and top 500 global enterprises.

The Company is mainly engaged in commercial bank services, its main business scope includes: deposits taking; provision of short-, medium- and long-term loans; domestic and international settlement; bills acceptance and discounting; issue of financial bonds; agency issue, cashing and underwriting of government bonds; trading of government bonds and financial bonds; agency issue of negotiable securities except stock; trading and agency trading of negotiable securities except stock; asset custody; interbank borrowing and lending; trading or agency trading of foreign exchange; settlement and sales of foreign exchange; bank card business; L/C services and guarantee; agency collections and payments and agency insurance; safe-box services, financial consulting, credit investigation, consulting, witness business and other banking activities approved by the China banking regulation and administration agencies.

(II) Conditions of the industry and development trend during the reporting period

In 2021, China's economic growth rate continued to maintain the leading position in the world, new steps were taken in building a new development pattern, and new achievements were made in high-quality development. The fiscal policy remained active, with emphasis on the cooperation with risk prevention measures, scientific arrangement of expenditure scale, flexible adjustment of expenditure rhythm, and improvement of fiscal policy efficiency and capital utilization efficiency. The monetary policy was flexible, accurate, reasonable and moderate, and its forward-looking, stability, pertinence, effectiveness and autonomy were further improved, so as to ensure that the two-year average growth rate of the macro economy and the month-on-month growth rate were stable in a reasonable range. The financial regulatory authorities precisely implemented policies, focusing on the micro-governance and financial supervision of local financial institutions, and issued specific support policies in regional coordinated development, inclusive microfinance, financial support for high-end manufacturing and strategic emerging industries, and green finance. The policy coordination was stronger, and a good balance was made between the promotion of economic growth in a reasonable range and the dual control of energy consumption. Various policies were coordinated to stabilize inflation expectations, protect the smooth operation of market players, and promote the smooth conversion of new and old kinetic energy and high-quality development.

China's banking industry continued to improve in operation situation, the operating performance has improved rapidly driven by low base and multiple benefits, the profitability has improved steadily, the asset quality has improved significantly, the asset structure and credit structure have been adjusted rapidly under the guidance of policies, the quality and efficiency of the banking industry in serving the real economy have been further improved. The financing foundation of small and micro enterprises kept a good trend of increasing the amount, expanding the scope, lowering the price and optimizing the structure. Financial measures to boost rural revitalization were more solid, supporting the construction of agricultural and rural infrastructure, the improvement of the living environment and the construction of new urbanization, and promoting the integrated development of urban and rural areas. Green finance made great breakthroughs in standards formulation, incentive policies, international cooperation, etc. The banking industry strengthened green credit support, upgraded green financial services, and formed distinctive green financial models. Banks gave full play to the positive role of serving scientific and technological innovation, promoted the improvement of the multi-level, professional and characteristic technology and finance system, and provided strong support for realizing high-level scientific and technological self-reliance. The digital RMB pilot has been steadily expanded, and the application scenarios have blossomed everywhere. The pilot of pension wealth management products was officially launched, and the aging transformation of banking services was accelerated. The Cross-boundary Wealth Management Connect Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area was implemented, and cross-border financial development ushered in new opportunities. At the end of the transition period of the new asset management regulations, the pattern of the big wealth market has been reshaped, the product structure has been significantly improved, and the product system has been significantly enriched, so as to better serve the needs of residents' asset allocation structure adjustment, old-age security system and cross-border financial investment. The introduction of the list of systemically important banks in China has strengthened the prevention and control of systemic financial risks, and put forward higher requirements for the banking industry to consolidate the management foundation and promote the risk management ability.

II. Analysis of core competitiveness

Keeping in mind the original intention and mission of "exploring the path for financial reform and making contributions to economic development", guided by the ambitious goal of "First-class Bank, Everlasting CIB", the Company is committed to becoming an excellent integrated financial service group. It has inherited and promoted the excellent business gene of striving for innovation and fighting spirits, continued to cultivate business characters and professional advantages, focused on the direction of high-quality development, firmly promoted the change of business philosophy from product driven to customer driven, from high-rate growth to high-quality development and from scale bank to value-based bank, which laid a solid foundation for the Company's long-term and healthy development and enhanced the Company's market competitiveness.

Clear strategic objectives. The Company has been committed to the fundamental starting point of "serving the real economy, preventing and controlling financial risks", accurately grasped the development trend of financial marketization, integration and diversification, and planned the layout based on its own resource endowment. From "large wealth products under large asset management of a large investment bank" to the construction of "settlement, investment and transaction" bank, to the "1234" strategy system, the Company established and enhanced three golden brands of "green bank, wealth bank and investment bank". With the consistent development philosophy of "customers as the foundation, commercial banking as the carrier, and investment banking as the functional arm" and "applying a unified blueprint", the Company has maintained its strategic determination and achieved a clear and mature implementation path and more remarkable operational results.

Distinctive business characteristics. The Company has been persisting in focusing on customer and enhancing its technological empowerment and prominent innovation capability according to their needs. The Company has built new products and businesses in many segmented business areas and opens its own "blue ocean" with distinct operation characteristics. The Company is the first among its domestic peers to lay out the capital market, explore the innovation of financing instruments such as bonds, trusts, leasing and asset securitization, and lead the development of new businesses such as FICC, investment banking, asset management and asset custody. As the first equator bank in China, the Company has taken the lead in elevating sustainable development to the level of corporate strategy and corporate governance and has made green finance a core strategic business of the Group. The Company has gradually built up an intra-group, multi-level and comprehensive green financial products and services system, pioneered the social responsibility practice model of "righteousness in profit", and was awarded the MSCI global ESG rating of A for three consecutive years.

Complete service functions. The Company sticks to the multi-market and comprehensive development. Based on two dimensions of expanding bank business and multi-industry operation, the Company steadily pushed forward the comprehensive and intra-group integrated process, established a modern comprehensive financial service system focusing on banking and covering business areas including trust, leasing, funds, futures, asset management, consumption finance, wealth management, digital finance and research and consultation. Each subsidiary was deeply integrated into the "1234" strategic system, focused on main business, refined expertise, complemented functions and developed differently so as to jointly build a high-quality, efficient and professional comprehensive financial service system.

Standardized and efficient operation. The Company has been persisting in improving internal operation efficiency through standardized, professional and scientific management and continued to improve the corporate governance mechanism of "leadership of the Party Committee, strategic decision-making by the Board of Directors, implementation by the senior management, and supervision by the Board of Supervisors in accordance with the law". In accordance with national policy guidance and changes in the market environment, the Company continued to adjust organizational structure, optimize institutional mechanism, built a process bank, and took the lead in the industry in establishing an inclusive financial business system. The Company established a management structure with relative separation of customer and product departments, traditional and new business. The Company optimized supporting mechanisms and processes to enhance the endogenous power of transformation and development.

Deep cultural heritage. The Company has continuously upheld the core values of rationality, innovation, people-based and sharing, inherited and carried forward the excellent cultural genes formed in the process of long-term development, forming a cultural heritage with the characteristics of business promotion. The Company actively promoted the culture of dedication to fulfill its responsibilities, the culture of striving to win, the culture of collaboration to be pragmatic and responsible, and the culture of homeland to work together, which are the common value orientation and code of conduct of the whole group and guarantee the Company's stability and sustainable development.

III. Strategy implementation

During the reporting period, the Company adhered to the transformation direction of "light capital, light assets and high efficiency", adhered to the "1234" strategy as the core main line, made breakthroughs with three business cards of "green bank, wealth bank and investment bank" as the key points, and made digital transformation as the power engine to continuously adjust and optimize the business layout, achieving the coordinated and healthy development of scale, quality and efficiency, thus achieving a good start t in the 14th Five-Year Plan.

(I) The quality and efficiency of operation were steadily improved

Business performance continued to improve. The Company's transformation effect of "light capital, light asset and high efficiency" continued to appear, and the endogenous capital ability was constantly enhanced. The total assets were RMB8.60 trillion, representing an increase of 8.98% as compared with the end of last year. The risk weighted assets were RMB6.10 trillion, representing an increase of 7.75% as compared with the end of last year. The operating income was RMB221.236 billion, representing a year-on-year increase of 8.91%. The net profit attributable to the shareholders of the parent company was RMB82.68 billion, representing an increase of 24.10%. The ROE rose by 1.32 percentage points to 13.94%. The growth rate of the total assets, the operating income and the net profit was higher than that of the risk weighted assets. The proportion of risk weighted assets in total assets decreased by 0.81 percentage point as compared with the end of last year, and the core Tier 1 capital adequacy ratio increased by 0.48 percentage point to 9.81% as compared with the end of last year.

The ability to resist risks continued to improve. The Company successfully issued RMB 75 billion of secondary capital bonds and RMB50 billion of convertible bonds, and its capital strength was further enhanced. The non-performing loan ratio and the balance of non-performing loans continued to reduce, and the provision coverage ratio and the provision-to-loan ratio continued to increase. Among them, the non-performing loan ratio decreased by 0.15 percentage point to 1.10% as compared with the end of last year, and the balance of non-performing loans decreased by RMB942 million to RMB48.714 billion as compared with the end of last year. The provision coverage ratio increased by 49.90 percentage points to 268.73% as compared with the end of last year, and the provision-to-loan ratio increased by 0.22 percentage point to 2.96% as compared with the end of last year. The ability to resist risks was further improved, which forms a strong support for serving the development of the real economy and grasping the opportunities in the process of convention between old kinetic energy and new kinetic energy.

The quality of customers continued to improve. The Company has accelerated the transformation from product-centered to customer-centered, and the customer base and structure have improved significantly. During the reporting period, the number of corporate finance customers exceeded 1 million, up 16.31% from the end of last year to 1,082.4 thousand. Among them, the number of valid and above customers increased by 22.59% to 445.5 thousand compared with the end of last year, accounting for 2.11 percentage points to 41.16% of the total number of corporate finance customers; the number of science and innovation enterprise customers was 36.2 thousand, representing an increase of 13.75% as compared with the end of last year. The number of retail VIP customers increased by 7.20% from the end of last year to 3,698.9 thousand, and the number of private banking customers increased by 19.96% from the end of last year to 58.3 thousand. The coverage rate of major banks and non-bank peer corporate customers increased by 5 percentage points to 97.54% compared with the end of last year, among which the coverage rate of non-bank fund management cloud to major non-bank institutions increased by 17 percentage points to 92% compared with the end of last year. The consolidation of customer groups has laid a solid foundation for the construction of settlement banks. Demand deposits increased by 9.56% compared with the end of last year, and the proportion of deposits increased by1.10 percentage points to 41.04%.

External evaluation continued to improve. The Company became the first batch of domestic systemically important banks, ranked among the top 20 of the British Banker Global Bank 1000, advanced into the top 200 of Fortune Global 500, and advanced to the top 50 of Forbes 2021 Global Listed Companies 1000. Fitch's international rating has been upgraded from "BBB-" to "BBB", the ESG rating of MSCI remained the highest A grade in China's banking industry for three consecutive years, and the Company won the "2021 China Bank of the Year" award from British Banker.

(II) The implementation of the strategy has achieved remarkable results

The growth rate of off-balance sheet assets of the Group was greater than that of on-balance sheet assets. The Company continued to increase financial supply and accelerated the transition from holding assets to managing assets. The growth rate of the off-balance-sheet corporate financing balance was 21.90%, which was faster than that of the on-balance-sheet corporate financing balance of 8.59%. The growth rate of the off-balance-sheet non-traditional corporate financing balance, which can represent the effectiveness of investment banks, was 33.21%, which was significantly faster than that of other assets. The acquisition of high-quality assets effectively helped the construction of wealth bank. By the end of the reporting period, the growth rate of off-balance-sheet retail financing was 17.51%, which was 8.37 percentage points higher than that of on-balance-sheet retail deposits, making it an important growth pole for off-balance-sheet to catch up with on-balance-sheet financing.

The growth rate of green financing balance was greater than that of corporate financing balance. By the end of the reporting period, the balance of green financial financing on and off the balance sheet of the Group had increased by 19.98% compared with the end of last year, which was 4.49 percentage points faster than the growth rate of the balance of corporate financing of the Group. Among them, green loans meeting the requirements of the People's Bank of China increased by 42.11% compared with the end of last year, which was significantly faster than the growth of corporate loans.

The growth rate of non-interest net income was greater than that of interest net income. Under the main line of light bank construction, the dependence of operating income growth on capital consumption business continued to decline. The Group's net non-interest income increased by 26.73% year-on-year to RMB75.557 billion, accounting for 34.15% of the operating income, up 4.8 percentage points as compared with the end of last year, among which, the net fee and commission income increased by 13.18% to RMB42.68 billion, the proportion of the operating income was 19.29%, representing an increase as compared with the end of last year, and the net interest income increased by 1.51% year-on-year.

The revenue growth rate of subsidiaries was greater than that of the parent bank. The comprehensive development of the Group has accelerated, and the contribution of subsidiaries to the parent bank has been continuously improved. The operating income of subsidiaries increased by 25.46% year-on-year to RMB22.495 billion, representing 17.46 percentage points higher than that of the parent bank. The proportion of the operating income of subsidiaries to the Group's operating income increased by 1.34 percentage points to 10.17%.

(III) Three business cards increase the Company's advantages

During the reporting period, the Company actively grasped the opportunities of the times, such as double-carbon development, common prosperity and direct financing, and firmly polished three golden business cards, namely, green bank, wealth bank and investment bank, and maintained a good momentum of the development of each business.

1. The green bank stood at the forefront bravely

Focusing on the key areas of pollution reduction and carbon reduction, the Company actively built high-quality green assets, and continuously increased the project financing support for key areas such as energy conservation and environmental protection, clean production, and clean energy. The number of green customers and financing scale kept growing rapidly. As at the end of the reporting period, the number of the Group's green finance customers had reached 38 thousand; the balance of green financial financing was RMB1.39 trillion, representing an increase of 19.98% as compared with the end of last year. Among the 45 tier-one branches, the scale of 3 tier-one branches exceeded RMB100 billion, and the scale of 33 tier-one branches exceeded RMB10 billion. The balance of green loans in line with the People's Bank of China was RMB453.94 billion, up 42.11% compared with the end of last year. The weighted interest rate of new loans was 4.51%, and the non-performing loan ratio was 0.49%. The loan income rate after risk adjustment kept good. The balance of loans for clean energy industry increased by 92.38% compared with the end of last year. With the advantage of green financial brand, the Company issued a total of RMB145.456 billion of green financial bonds at home and abroad, providing long-term, stable and low-cost funds for green financial items. With the advantages of customer groups and the accumulation of items, after the introduction of carbon emission reduction support tools, the Company successfully obtained preferential funds of RMB5.009 billion for carbon emission reduction support tools, with a capital interest rate of 1.75%, and fully enjoyed the policy dividend.

Building a sustainable multi-level and wide-coverage comprehensive service system of green finance, and explore new formats of green finance. During the reporting period, the Company realized the scale of green investment banking financing of RMB115.6 billion through bond underwriting, M&A financing, syndicated loans, private placement of creditor's rights, etc., which nearly tripled year-on-year, among which, the underwriting scale of green non-gold bonds was RMB30.741 billion, representing a year-on-year increase of 288.05%. Diversified financial businesses such as green leasing, green trust and green fund have made steady progress, with the surviving scale of RMB102.751 billion as at the end of the reporting period. Focusing on key areas, the Company continued to consolidate and enhance its business advantages in the field of "water, soil and gas" pollution prevention and control, and built a benchmark sample of ecological construction in service areas. The balance of green financial financing in Fujian Province, along the Yangtze River and the Yellow River amounted to RMB98.725 billion, RMB632.077 billion and RMB252.503 billion respectively, up 43.15%, 16.07% and 9.96% compared with the end of last year respectively. The Company expanded and optimized its business layout in photovoltaic power generation, wind power generation, hydroelectric power generation and other industries, for example, the Company built a photovoltaic ecosystem through deep cooperation with core enterprises.

Promoting sustainable green product innovation and participate in the construction of carbon market in multiple dimensions. Around the national carbon market, the Company has gradually improved the carbon financial business layout at three levels: basic financial services in the carbon market, innovation of carbon financial products and "transaction + market making" in the carbon market. The Company has given full play to the advantages of the financial market, interconnecting with the registration and clearing and settlement platform of the national unified carbon market by taking the construction of the carbon financial market as an opportunity, and carrying out clearing and settlement services. The Company has reached strategic cooperation agreements with Shanghai Environment and Energy Exchange and Carbon Emissions Registration and Clearing (Wuhan) Co., Ltd., actively laid out the construction of the national carbon market, and carried out comprehensive cooperation in carbon trading, carbon financial innovation and green transformation of services. The Company has played the role of "financing + intelligence", accelerated the layout of carbon rights and carbon sink assets, implemented carbon neutral bonds, pledged financing of national carbon emission quotas, pledged financing of wetland carbon sinks and other businesses with "the first order" and "the first initiative", and carried out pledge business of carbon emission quotas in batches in many key areas. The Company participated in the formulation of China's green finance policies, standards and schemes, signed general-to-general cooperation agreements with many provinces, actively served the design of local governments' green finance policies and systems, and increased its chances of acquiring high-quality customers and high-quality items in the green industry.

Green operation practiced the social responsibility. In the domestic banking industry, the Company took the lead in adopting the initiative of "immediately implementing climate neutrality" stipulated in the United Nations Framework Convention on Climate Change, and proposed to achieve the carbon neutrality goal of the Group's own operation by 2030, and carried out the Group's "carbon screening" work to promote the emission reduction of its own operation. The Company actively carried out environmental and social risk assessment, and made a total of 1,592 items to judge the applicability of the equator principle, of which 919 items were subject to the equator principle, involving a total investment of RMB3,854.170 billion in items.

2. The wealth bank reached first-class

The Company gave full play to the advantages of asset side and peers side, strengthened cooperation with non-bank financial institutions in product creation and channel sharing with bank financial institutions, and built a more diversified and open "investment ecosystem", so that more, more stable and better wealth products can benefit thousands of families and help people of all ethnic groups in China move towards common prosperity. By the end of the reporting period, the Group's retail AUM scale was RMB2.85 trillion, representing a year-on-year increase of 9.01%. During the reporting period, the Company achieved a wealth bank income of RMB23.394 billion through wealth management, agency sales, asset custody, trust and fund subsidiaries, representing a year-on-year increase of 13.17%.The wealth management business income was RMB12.267 billion, representing a year-on-year increase of 20.42%, the income of fund sales for others was RMB2.029 billion, representing a year-on-year increase of 104%, and the custody business income was RMB3.553 billion, representing a year-on-year increase of 19.68%.

The product management system has been continuously improved. CIB Wealth Management gave full play to the core pivotal role of the Group's "green bank, wealth bank and investment bank", focused on the core business to improve professional ability, focused on the layout of fixed income+, mixed and equity products, increased the innovation of equity products and accelerated product transformation. By the end of the reporting period, the balance of the wealth management products managed by the Company was RMB1.79 trillion, up 21% compared with the end of last year. Net worth products that meet the new asset management regulations were RMB1.68 trillion, accounting for 94.13%, and the scale of wealth management products with equity was RMB326.96 billion, representing an increase of RMB142.9 billion compared with the end of last year. Through the circle of friends in the same industry, the Company introduced quantitative hedging and convertible bond strategies to enhance product competitiveness. The Company accelerated the layout of ESG products, and established the first tens of billions of ESG wealth management product in the whole market with head fund institutions. The amount of ESG-themed wealth management products exceeded RMB35 billion. The Company expanded the sales of its wealth management products in peer channels, and the sales of wealth management products to retail customers of 65 state-owned banks, joint-stock banks, regional commercial banks and rural financial institutions through "Wealth Cloud" exceeded RMB667.639 billion, representing a year-on-year of 429.18%. As at the end of the reporting period, the amount of wealth management products was RMB178.3 billion, double that of the end of last year, and the scale of special financial management accounts was RMB100.7 billion, up 248.44% compared with the end of last year. The comprehensive financial management ability ranked first in the banking industry for 17 consecutive quarters. The asset management units of the Group such as the Industrial Trust, the Industrial Fund and the Industrial Futures have developed steadily, and with the "specialization and perfection" of their respective fields, they have converged to form a "big and complete" group asset management. During the reporting period, the scale of active management products created by the three institutions increased steadily by 5.85% to RMB412.435 billion.

Strengthen the sales ability of wealth products and speed up the construction of "wealth management ecological circle". During the reporting period, the Company was approved to set up the first joint-stock bank private banking franchise institution, taking this as an opportunity to improve the sales ability of complex wealth products. The sales of private equity products and family double trust business grew rapidly, and the holdings doubled. The sales volume of private equity securities products increased by 56.85% to RMB71.8 billion, and the holdings reached RMB71.2 billion, doubling compared with the end of last year; the sales volume of private equity products increased by 36.08% to RMB2.9 billion, and the holdings reached RMB5.4 billion, doubling compared with the end of last year; the sales volume of family trust and discretionary business increased by 91.10% to RMB9.9 billion, and the holdings reached RMB19 billion, doubling compared with the end of last year. The sales of public funds products (non-monetary fund) increased steadily, with a sales volume of RMB128.347 billion, and the holdings increased by 25.83% to RMB154.875 billion. In view of the trend of wealth open platform, the Company upgraded the brand of "Qianda Money Manager", built an open platform for wealth sales of the whole group with the characteristics of the Industrial Bank, and built a "wealth management ecosystem" covering both the fund side and the asset side.

Build the best bank for continuous custody services. As at the end of the reporting period, the Company's asset custody scale was RMB14.12 trillion, driving the daily average of settlement deposits increased by 22.97% year-on-year to RMB225.690 billion. The custody scale of securities investment funds increased by 37.45% to RMB2.13 trillion compared with the end of last year, ranking first among joint-stock banks.

3. The investment bank achieved new success

Based on the position of resource integrator in the whole market, the Company started with customers' demand for investment, financing, trading, hedging, etc., integrated all business units within the Group internally, and united institutions such as public offering, securities firms, insurance, trust, private equity and government investment funds externally to build an "investment banking ecosystem", and comprehensively used diversified investment and financing tools such as mergers and acquisitions, syndicated loans, bond issuance (bond investment, bond market making) and equity finance to help enterprises to enhance their value with broader capital market service capabilities. At the end of the reporting period, the Group's financing balance to corporate customers (FPA) was RMB7.01 trillion, up 15.49% compared with the end of last year. The non-traditional off-balance-sheet financing balance which can represent off-balance-sheet investment banking business was RMB2.71 trillion (including debt financing instruments, equity finance instruments, corporate financing under asset management products, asset securitization business, overseas bonds, etc.), an increase of RMB674.889 billion and up 33.21% compared with the end of the previous year, and the proportion increased to 38.67%; the balance of traditional off-balance sheet financing was RMB1.12 trillion (including bank acceptance bills, letters of credit, guarantee letters, etc.), an increase of RMB13.072 billion and up 1.18% compared with the end of last year, and the proportion dropped to 16.03%; the balance of on-balance sheet financing was RMB3.17 trillion, an increase of RMB250.819 billion and up 8.59% compared with the end of last year, and the proportion dropped to 45.30%. The Company continued to keep the off-balance sheet non-traditional corporate financing increment/growth rate exceeding the on-balance sheet corporate financing increment/growth rate. During the reporting period, the Company realized the income of investment banking business of RMB4.529 billion, representing a year-on-year increase of 12.61%, and the settlement average daily deposits of key group clients of investment banks were RMB469.863 billion. Through exchange rate hedging, interest rate hedging, bond sales and bond lending, etc., the income of the agency FICC business was RMB3.82 billion, representing a year-on-year increase of 7.30%; the income from market-making transactions was RMB2.47 billion, representing a year-on-year increase of 233.78%. The Company continued to expand its investment business for settlement deposits. During the reporting period, local debt investment drove the low-cost special bond funds to deposit back RMB226.5 billion, representing a year-on-year increase of 23.5%.

The construction of investment banking ecosystem has been fruitful. The circle of partners of Xing Cai Zi, which includes all products of "shares, debts, loans and transfers", has expanded to 150, of which 96 are general contracting institutions. During the reporting period, the asset turnover scale reached RMB331.574 billion, representing a year-on-year increase of 47.39%. There were 96 equity "joint investment and loan" cooperative institutions, of which 35 were the top 50 in Zero2IPO and the top 30 in sub-sectors, helping the Company gradually open up the equity investment space. Through cooperation with head brokers, PE and VC institutions, the Company has made several equity investments and M&A financing items. The Company made great efforts to improve the ability of cross-market product creation and asset mining, and provided RMB115.6 billion of high-quality assets to the wealth management sector.

Improve the application level of diversified financing instruments. During the reporting period, the underwriting scale of non-financial corporate debt financing instruments increased by 8.88% year-on-year to RMB712.65 billion, and the scale of overseas bond underwriting increased by 42.23% year-on-year to USD7.437 billion, ranking first among Chinese joint-stock banks. M&A and syndicated financing continued to grow. During the reporting period, M&A financing reached RMB91.597 billion, representing a year-on-year increase of 28.51%, and the syndicated financing reached RMB168.514 billion, representing a year-on-year increase of 38.73%. The Company made in-depth layout and breakthrough in the equity business, opened up private fundraising channels, and raised RMB1.366 billion from Xingtou Preferred Main Fund. The Company promoted the investment to establish a wholly-owned subsidiary, CIB International Financial Holdings Co., Ltd., to build a higher-level platform for investment banking and asset management.

Strengthen the professional advantages of investment transactions. The Company continued to maintain its market leading position in the fields of bonds, interest rates, exchange rates, precious metals, etc., and has won many awards in the local and foreign currency markets granted by the China Foreign Exchange Trade System, the China Central Depository & Clearing Co., Ltd. etc., and consolidated the leading position of FICC business such as bond investment, fund investment and transaction market making among the same type of banks.

(IV) Digital empowerment was fully accelerated

The Company adhered to the goal of "building the ability to connect everything, and building the best ecological enabling bank", continuously strengthened the overall planning of digital transformation, refined the action plan, strengthened the mechanism guarantee, increased the investment in information technology, significantly enhanced the technological capability, and solidly enhanced the innovative leading role of information technology in business development. During the reporting period, the Company invested RMB6.364 billion in science and technology, representing a year-on-year increase of 30.89%, accounting for 2.88% of the operating income.

Ecological empowerment was more powerful. Each business line built an eco-financial service plan around the ecological circle, and enhanced the ecological service capability of scenarios. For the F-side, the Company has built a third-party open platform covering comprehensive financial services such as settlement, investment, financing, custody, payment, financial information, etc., and has continued to expand its circle of peer partners. The Company created a unified wealth platform and wealth management brand of "Qianda Money Manager", and empowered the construction of wealth bank. For the G-side, the Company used digital technology to create a new ecology in inclusive finance, and 110 financial institutions has settled in "Fujian Jin Fu Yun", with a total financing demand of RMB104.106 billion. The Company officially launched the "Industrial Universal" and promoted it outside the province. For the B-side, 1,015 new scene ecological platform construction items were added, with a total of 3,174 items, covering an average daily settlement deposit with a year-on-year increase of 68.57% to RMB201.1 billion. The head office-level comprehensive medical payment service platform had 39 customers online, and the head office-level education cloud platform provided payment services for 353 customers. The cooperation with a number of industrial Internet platforms has achieved initial results. For the C-side, due to iterative mobile banking development and integration into Harmony OS's ecology, the number of monthly active users (MAU) of APP reached 15,631,500, representing an increase of 16.85% compared with the end of last year.

The technical base was more solid. The Company promoted the construction of business, data and technology middle stations in an orderly manner, and accelerated the construction of platform-based organizations. The Company accelerated the construction of the Group's unified online wealth management platform, retail credit digital factory, remote banking service platform and other items, launched the online enterprise financial Internet portal, and basically built a new generation of cloud technology infrastructure. The Company strengthened exchanges and cooperation with the head Internet companies, jointly built innovative laboratories, and made phased progress in the construction of digital RMB.

The scientific and technological team continued to grow. The company implemented the plan of 10,000 scientific and technological talents. As of the end of the reporting period, the proportion of scientific and technological personnel was 6.45%, up by more than 1.5 percentage points compared with the end of the previous year. Through the construction of the "5+N" training system, the Company has updated the digital thinking, ideas and skills of employees, promoted everyone of the Group to learn, understand and know science and technology, and expanded the compound talent team of "BA (business analyst) +SA (system analyst)".

The system mechanism was more perfect. The Company has continuously improved the organizational model adapted to the digital transformation, stimulated the innovation potential, strengthened the scientific and technological support capability, and achieved initial results in agile iterative development. According to the goal of digital transformation, the Company built an evaluation system of digital transformation results around organizational capability, product and service capability, technical capability, information and data capability, talent capability and other dimensions, strengthening the overall management of the Group's science and technology structure, technical standards, quality supervision and so on, and further promoting digital governance.

IV. Key operation issues

(I) Asset-side management

In terms of credit business, the Company conscientiously implemented the major decision-making arrangements of the CPC Central Committee and the State Council, and firmly promoted the strategic transformation. The asset construction focused on the real economy credit, and the credit resources were inclined to the key areas of the real economy such as green, inclusive, small and micro, medium and long-term manufacturing. The loan growth rate in related fields all exceeded 40%, which was significantly higher than the overall loan growth rate. In terms of investment, during the reporting period, the central bank's prudent monetary policy was flexible, accurate, reasonable and moderate, and the market liquidity remained reasonable and sufficient. The Company further strengthened the portfolio management, optimized the investment structure, moderately increased the investment in standardized bonds such as national debt and local debt, and continued to reduce the scale of non-standard investment.

Looking forward to 2022, the Company will adhere to the main tone of "steady progress", and for a long time promote the implementation of the strategy and accelerate the implementation of the business strategy. In terms of the expansion of credit assets, the Company will accelerate the adjustment of credit structure, and continue to increase support in key areas of the real economy such as green and low carbon, inclusive finance, advanced manufacturing, rural revitalization, specialization and innovation, and new infrastructure. The Company will actively promote the diversified development of retail, and establish brand characteristics in photovoltaic lending, auto finance, credit card and other fields. In terms of business layout, the Company will strengthen the research and judgment of market interest rate trend, combine with the guidance of regulatory policies, do a good job in portfolio management, reasonably arrange the pace of establishing positions, grasp the trading opportunities in the band and optimize the investment structure.

(II) Liability-side management

During the reporting period, the Company strengthened its strategic orientation, actively adjusted and optimized its liability structure, and reasonably controlled its liability costs. In terms of settlement deposits, the company has always insisted on encouraging operating institutions to actively expand their core liabilities with low costs and strong stability, continuously promoting the construction of "settlement bank", integrating system platforms, coordinating the connection of scenarios, speeding up digital transformation, perfecting the "Net Weaving Project", continuing to develop batch businesses such as withholding and payment, acquiring bills on the whole network, continuously expanding the basic customer groups, and driving the steady growth of settlement deposits. As of the end of the reporting period, the Company's demand deposits increased by 9.56% compared with the end of last year, accounting for 41.04% of deposits, up 1.10 percentage points compared with the end of last year, and the overall deposit cost decreased by 4 BP to 2.22%. Based on the judgment of the market interest rate, the Company made overall arrangements for market-oriented active debt absorption, rationally controlled the inter-bank capital absorption, effectively controlled the liability costs, and kept the inter-bank capital cost at a low level of 2.18%, which provided strong support for stabilizing the interest spread. The Company increased the issuance of interbank certificates of deposit. Compared with the end of last year, the balance of interbank certificates of deposit increased by RMB177.890 billion, and the interest rate of newly issued interbank certificates of deposit was 2.71%, which led to the decrease of the overall liability costs and the improvement of stability. The Company accelerated the issuance of various long-term bonds, effectively supplemented the medium and long-term stable sources of funds, and improved the debt stability.

Looking forward to 2022, the Company will continue to consolidate its liability base, keep its liability scale growing steadily, and further optimize its liability structure. The Company will persist in setting up scenarios, setting up platforms, doing operations, expanding agency collection, payment and issuance services, and driving low-cost liabilities to settle through more settlements. The Company will combine the changes in the market situation, rationally arrange various sources of funds such as certificates of large-amount deposits, structured deposits and interbank liabilities, and optimize the types and term structure of liabilities. The Company will continue to grasp the favorable window of the market, accelerate the issuance of various financial bonds, and continuously improve the stability of liabilities.

(III) Interest rate spread performance

During the reporting period, the Company's net interest margin was 2.29%, representing a year-on-year decrease of 7 BP. The main reason was that the Company actively responded to the national policy guidance, effectively benefited the real economy, and at the same time increased the transformation of strategic emerging areas, laid out ahead of time, and consolidated the customer base and high-quality item base, resulting in a decrease in loan income rate. In terms of the asset-side, the Company reasonably controlled the pace of credit resources. In the first half of the year, the Company seized the opportunity of strong social financing demand, increased credit supply, and the proportion of high-yield assets among interest-earning assets increased steadily. During the reporting period, the average daily loan size accounted for 58.64% of the interest-earning assets, representing a year-on-year increase of 3.18 percentage points. In terms of the liability-side, the Company continued to consolidate the results of high-cost debt management and control, and further actively reduced the high-cost structured deposits. At the same time, the Company seizes the favorable environment of reasonable and abundant market liquidity, and took the costs as the guide to continuously optimize the liability structure and reduce the liability costs.

Looking forward to 2022, facing the complicated external situation, the Company will continue to strengthen the asset-liability portfolio management, speed up the adjustment of business structure, expand the customer base and stabilize the interest margin level.

(IV) Non-interest income

During the reporting period, the Company deepened its strategic transformation and further optimized its revenue structure, achieving a net non-interest income of RMB75.557 billion, representing a year-on-year increase of 26.73%. The net non-interest income accounted for 34.15% of the operating income, representing a year-on-year increase of 4.80 percentage points. The net fee and commission income was RMB42.68 billion, representing a year-on-year increase of 13.18%. Other non-interest net income was RMB32.877 billion, representing a year-on-year increase of 50.04%. The rapid growth of other non-interest net income was mainly due to the Company's ability to build high-quality bond assets in combination with the liquidity fluctuation and interest rate trend in the bond market, and at the same time, the Company actively grasped the band opportunities, strengthened the circulation and enhanced the comprehensive income.

In terms of handling fees and commission income, the wealth bank business increased rapidly, and the handling fee income of the wealth management business with light capital and weak cycle and the retail wealth agency sales was RMB17.617 billion, representing a year-on-year increase of 24.64%, among which, the wealth management business accelerated its transformation and upgrading, achieving an income of RMB12.267 billion, representing a year-on-year increase of 20.42%, and the income of fund agency sales was RMB2.029 billion, representing a year-on-year increase of 104%. The construction of "investment ecosystem" has made positive progress, and the advantages of investment bank business have been further consolidated, with the investment bank business income reaching RMB4.529 billion, representing a year-on-year increase of 12.61%, of which the bond underwriting income was RMB2.907 billion. The transformation of custody business accelerated, and the proportion of valuation products such as public funds increased, and the income from the custody business reached RMB3.553 billion, representing a year-on-year increase of 19.68%. In line with customers' financial needs and the development trend of mobile payment, the bank card and payment settlement income reached RMB15.449 billion, representing a year-on-year increase of 15.23%.

In 2022, the Company will continue to deepen its strategic transformation, further dig the demand for customer-centered financial services, and promote the sustained and rapid development of non-interest business. The Company will polish the business card of wealth bank, optimize the screening system of wealth bank products and managers, and meet the diversified asset allocation needs of customers. The Company will promote the construction of a unified, open and shared wealth management platform, enhance big data analysis, empower precise marketing and increase the grasp of wealth bank business. The Company will polish the business card of investment banking, innovatively drive the development of investment bank business on the basis of consolidating the advantages of bond business, and enhance the service capability and competitiveness in complex and high-end fields such as syndicated, mergers and acquisitions, equity investment, financial consulting, asset securitization, etc. The Company will enhance the contribution of custody business, continuously optimize the structure of custody business, increase the proportion of products such as public funds, trust and net wealth management, increase the expansion of large insurance accounts, public offerings of REITs, private equity funds and account supervision products, and improve the comprehensive benefits. The Company will give full play to the traditional advantages of treasury business, strengthen research and empowerment, grasp the market rhythm in a forward-looking way, optimize the bond portfolio, continuously improve the trading level and layout ability of bond business, and promote comprehensive income. The Company will continue to maintain the dominant market position of interest rate bonds, interest rate derivatives and exchange rate derivatives, continuously improve FICC's core competitiveness, meet customers' increasing demand for wealth appreciation and hedging, and promote the rapid growth of FICC business.

(V) Risk management and asset quality

1. Basic information

During the reporting period, the Company steadily promoted the "1234" strategy, strengthened risk empowerment and promoted high-quality business development. In line with the national development strategy, the Company took the initiative to grasp new development opportunities, enhanced the flexibility and pertinence of the credit authorization policy, made efforts to promote the integration of risk management and business development, and promoted key branches to grab the whole market quality assets and characteristic branches to grab special quality assets, so as to comprehensively enhance the comprehensive competitiveness and ensure the stability and long-term success of various businesses. The Company actively promoted the digital transformation of risk management, and the Group's intelligent risk control item was launched in the first stage, which realized the functions of one-stop inquiry of risk information, screening of risk items, hard control of risk item system and maintenance and rectification of group customers, and comprehensively improved the refined level of risk management. The Company further strengthened the assessment and investigation of risk hotspots and key areas, and enhanced the initiative and forward-looking of risk management. The Company has always adhered to the asset quality control principle of "ensuring classification, quality, disposal and benefit", continuously improved the quality and efficiency of risk disposal of non-performing assets, and continuously optimized the key asset quality indicators. In recent years, the consumption of write-off resources was small, and the cash recovery ratio of assets deposited in account sales cases was high, which fully demonstrated the Company's risk cost control advantages and the effectiveness of special asset management.

As at the end of the reporting period, the Company's non-performing loan balance was RMB48.714 billion, representing a decrease of RMB942 million from the end of the previous year; the non-performing loan ratio was 1.10%, representing 0.15 percentage point from the end of the previous year; the loan provision coverage ratio was 268.73%, up 49.90 percentage points from the end of the previous year; the provision-to-loan ratio was 2.96%, up 0.22 percentage point from the end of the previous year; the cash recovery of assets of written-off accounts with records preserved was RMB12.645 billion, up 25.12% from the previous year.

At the end of the reporting period, the Company's concern and overdue indicators increased slightly compared with the end of last year, mainly because: according to the regulatory requirements, the Company strictly adopted the credit card loans overdue recognition standard in the fourth quarter, and the overdue recognition time was earlier than the original rules, and some overdue and concerned loans were added, but most of them were temporary overdue, and customers could repay the loans after the reminder, so that they would not further migrate to non-performing. This adjustment is considered as a one-time factor, and the overdue chain growth of subsequent credit cards will return to normal. After the expiration of the protection period of the customer policy of deferring principal and interest, some customers could not resume normal operation and repayment ability, and the epidemic relief policy withdrew, resulting in the increase of some overdue and special mention loans. Due to poor management or lack of good faith and other reasons, the defaults of a few real estate enterprises increased, increasing some overdue and special mention loans. The Company classified the unexpired potential risk items into the special mention or bad category according to the principle of prudence, with the purpose of forward-looking risk disposal, making full provision, and strengthening the constraint on problem customers. At the end of the reporting period, only 56% of the balance of the abnormal loans of the Company's special mention and below was overdue, and the Company's risk classification and asset impairment policy was more strictly.

The Company has taken a series of effective measures to strengthen credit card risk management and control, listed deferred debt service and credit risk management and control of real estate enterprises as the key points of asset quality management and control, established an early warning management mechanism for potential risk customers, regularly organized risk investigation, and continuously promoted the disposal of risk items, so as to ensure the stable operation of the Company's asset quality in 2022.

2. Asset quality in key areas

In line with the general trend of high-quality, digital and green development, and in combination with the macroeconomic situation and industry development prospects, the Company actively grasped new development opportunities, strengthened dynamic monitoring and early warning of its businesses, so as to ensure the stable asset quality in key areas.

(1) Risk control of credit card business

During the reporting period, the Company actively responded to changes in the business environment, relying on technology empowerment and big data applications to promote the iteration of quantitative scoring models and continuously improve the risk management level. The Company promoted the application iteration of differentiated risk control strategies, reconstructed a multi-dimensional, refined and integrated risk stratification system, and effectively prevented and controlled business risks. The Company continued to deepen the territorial collection mode of "headquarters-branch linkage", accelerated the collection of resources and effectively reduced non-performing assets. During the reporting period, the overall trend of credit card asset quality of the Company improved, and the generation rate of non-performing loans and the amount of new non-performing loans dropped significantly year-on-year. At the same time, in order to support the prevention and control of COVID-19 epidemic and protect consumers' rights and interests, the Company gave certain repayment grace to customers who had cash flow shortage due to the COVID-19 epidemic to maintain customers' willingness to repay, which reflected the "warmth" of inclusive finance. The amount of bad disposal decreased compared with last year, but it did not affect the good marginal trend of credit card asset quality. By the end of the reporting period, the balance of the Company's credit card loans was RMB436.483 billion, with a non-performing rate of 2.29%, which was 0.13 percentage points higher than that at the end of last year, but the overall risk was controllable. It is expected that in 2022, the credit card business will return to normal, and achieve healthy and steady development, and the quality of related assets will maintain a steady and positive trend.

(2) Risk management and control of real estate business

During the reporting period, the Company strictly implemented the central economic and financial policies, adhered to the positioning of "housing is for living in, not for speculation", and steadily decreased the concentration of real estate loans, which was in line with the transitional rectification plan. The company has established a complete system mechanism of real estate business management strategy, including the following requirements: the on-balance sheet and off-balance sheet businesses are subject to the same access criteria, and the real estate business is dominated by self-operated assets, so as to prevent the real estate market risk from infecting the wealth management business and other related products, and effectively control the risk boundary; the head office uniformly controls the access of real estate developers and implements unified credit granting, giving priority to subjects and items, and continuously optimizing the real estate credit structure according to the "four-fold strategy"; the real estate business is mainly distributed in economically developed first-and second-tier cities or central cities with a trillion-dollar GDP. The asset valuation in these areas is generally more stable, and the default probability and default loss are generally small; the Company gives full play to the advantages of "commercial bank + investment bank", actively responds to various risk factors, and effectively reduces the credit business of problem developers by means of closed operation of items and M&A financing. During the reporting period, before the regulatory authorities issued guidance on M&A business, the Company had disposed of RMB6.2 billion of risk assets in the real estate industry through item M&A.

By the end of the reporting period, the balance of the Company's domestic self-operated loans, bonds, non-standard and other businesses invested in the real estate sector was RMB1,653.258 billion, with a non-performing ratio of 1.34%, and the overall asset quality was good, including:

the personal real estate mortgage loans with sufficient risk dispersion and sufficient collateral value were RMB1,121,169 million, accounting for 67.82%; the balance in first-and second-tier cities accounted for 70.75%, and the rest of mortgage items were concentrated in the Pearl River Delta, Yangtze River Delta and the main urban areas of some economically developed cities in central China; the LTV value (the ratio of the balance of individual housing mortgage loans to the total value of mortgaged property) was 44.38%, and the collateral was very sufficient. This part of the loans had little risk and good returns.

The balance of public financing business with high-quality developers and high-quality items as the main financing objects was RMB532.089 billion, accounting for 32.18%. Except for the bond investment of RMB84.424 billion (including RMB16.999 billion in bonds with high-quality real estate enterprises as the main issuers and RMB67.425 billion in mortgage-backed securitization products), the remaining RMB447.665 billion had corresponding real estate items and collateral, and the balance of items in first-tier cities such as Beijing, Shanghai, Guangdong and Shenzhen accounted for 52%, and the balance accounted for 37% in provincial capitals and cities with more than one trillion GDP and stable real estate market, accounting for 89% in total. Other items were also concentrated in the main urban areas of economically developed cities such as Pearl River Delta and Yangtze River Delta. Each of items had a good development prospect and sufficient collateral. At the end of the reporting period, the Company's provision coverage ratio for corporate real estate financing business was 305.14%, which was higher than the Company's average provision coverage ratio, and its ability to offset risk losses was strong.

The Company's real estate business was mainly self-operated assets on the balance sheet, and the scale of off-balance sheet business involving no credit risk was generally small. As at the end of the reporting period, the Company's domestic businesses that do not bear credit risks, such as non-guaranteed wealth management, consignment sales and bond underwriting, had invested in the real estate sector totaling RMB130.051 billion, including RMM55.755 billion in bond underwriting, RMB47.185 billion in wealth management funds and RMB27.111 billion wealth management consignment sales. The main issuers or underlying asset financiers were central enterprises, local state-owned enterprises and well-managed head real estate enterprises, such as Poly, China Resources, Capital and OCT. The Company has established a strict audit system for the marketability of wealth management products. The underlying financiers of wealth management products were mainly the Company's credit customers, all of which were listed in the white list of real estate enterprises engaged in the Company's self-operated business, and the underlying financiers of wealth management products were mainly state-owned real estate enterprises with higher qualifications, and all assets under wealth management were normal.

(3) Credit risk control of local government financing platform

The Company resolutely implements the economic and financial policies of the CPC Central Committee, gives full play to its comprehensive financial advantages, serves the high-quality development of local economy, and jointly maintains regional economic and financial stability. In the process of development, the Company adheres to the principle of marketization to control business risks, and prevents and resolves hidden debt risks of local governments according to laws and regulations. According to the current statistics, as of the end of the reporting period, the balance of the Company's full-scale local government financing platform debt was RMB307.715 billion (including actual and contingent credit, bond investment, self-operated and wealth management fund investment, etc.), of which the balance of the corporate loans of domestic local government financing platforms was RMB209.316 billion, representing a decrease of RMB30.38 billion compared with the end of last year, accounting for 4.73% of the total loans and advances of the Company, representing a decrease of 1.31 percentage points compared with the end of the previous year. During the reporting period, the business scale decreased by RMB69.293 billion compared with the end of the previous year, of which RMB20.325 billion was replaced by special bonds of local governments, and RMB48.968 billion was recovered in cash, indicating that governments at all levels have both repayment willingness and repayment sources for local government debts. As at the end of the reporting period, the ratio of non-performing assets of the Company's local government financing platform debts was 1.97%, but the scale of non-performing assets was only RMB6.062 billion, which had little impact on the asset quality as a whole, mainly because the local governments in individual regions lacked the awareness of performance. The Company urged local governments to take effective measures to resolve risks by adjusting and classifying them, and achieved remarkable results.

During the reporting period, the Company promoted the orderly control of local government debt risk by serving the high-quality development of regional economy, including: giving full play to comprehensive financial advantages, supporting the high-quality development of regional economy, jointly maintaining regional economic and financial stability, and ensuring the sustainability of local government debt repayment sources; complying with the central government's policy and rhythm arrangement to resolve local government debt risks, actively communicating with local governments, giving full play to the advantages of the Company's strategy of "commercial bank + investment bank", actively connecting with other repayment sources such as special debt replacement funds, and steadily reducing the stock business scale; strengthening the management of plans, formulating risk prevention and mitigation plans for the debts of local government financing platforms by one household and one policy to prevent and control the default risk.

In 2022, the Company will continue to adhere to the principles of compliance and marketization and maintain good cooperative relations with local governments, including: strictly implementing the central economic and financial policies and putting an end to any new form of hidden debt business of local governments; taking the high-quality development of regional economy as the breakthrough point to actively increase the credit supply for green economy, housing lease, rural revitalization, new urbanization, local high-quality industries and advantageous areas; arranging a certain amount of bond investment as a convenient borrowing tool for local government debt continuation, and preventing and controlling the default risks of local government financing platforms. As the central government has clear political discipline requirements, systematic policy support and reasonable deadline arrangement for the resolution of local government debt risks, it is expected that with the mutual cooperation of the central government, local governments and financial institutions, there will be no systematic default risk of the debts of financing platform.

3. Financial market risk management and control system

The inter-bank financial market business is the Company's traditional advantage and operating characteristics, and it is also an important evaluation factor of systemically important banks. In order to strengthen risk management and control in the interbank and financial markets, in 2012, referring to the international leading peers, the Company embedded a specialized risk management and control department in the interbank and financial market business lines. This system provided a reliable guarantee for the Company's professional business development and the effectiveness of risk management, and helped the Company gain a leading position in the interbank and financial markets. In recent years, with the change of regulatory policy orientation and market development trend, the Company has fully implemented the new development concept, actively promoted the transformation and upgrading of its interbank and financial market business, and returned to its business origin. At the same time, the Company has strengthened risk management and control, enhanced its investment and research capabilities, accelerated its digital transformation, and further consolidated the advantages of moat. The main risk control measures were as follows.

During the reporting period, the Company combined with the strategy of "commercial bank + investment bank" to further strengthen the construction of risk control team in business lines, and encouraged the integration of risk control middle office and business front office. On one hand, the Company vigorously introduced professionals in key areas such as market risk, credit risk and digital risk control; on the other hand, the Company proactively strengthened the cultivation and reserve of risk control talents in strategic emerging businesses such as equity and bulk commodities, and at the same time, the Company strengthened the requirements of risk management line for the vertical leadership and post-supervision assessment of the embedded risk control team, ensuring the comprehensiveness, independence and prudence of risk management, and consolidating the institutional advantages and control effectiveness of embedded risk management.

Combining with the structural reform requirements of the financial supply side, the Company strengthened the classified management and risk management of interbank customers. The Company continued to strengthen the hierarchical and classified management of interbank customers, gave full play to the information advantages and risk control experience of the interbank financial market for many years, always kept the sense of risk control in the leading market, and identified customer risks in a forward-looking manner. In recent years, the Company has not only suffered no major business losses, but also actively cooperated with the regulatory authorities to dispose of high-risk financial institutions in a safe and orderly manner, actively provided market liquidity, withstood the market test in the process of promoting the risk clearing of financial institutions and maintaining the stability of the financial market, and was recognized by the regulatory authorities. At the same time, the Company was committed to returning to the source of liquidity management of inter-bank business, and by relying on its first-mover advantage of being a primary dealer in the open market, covering a wide range of inter-bank customers and having strong cooperation stickiness, the Company accelerated the transformation to standardized online business and improved the safety margin of business

Implementing the penetrating management principle to effectively identify, measure and manage the risks of various financial products. In accordance with the regulatory requirements of the Measures for the Administration of the Large Exposures of Commercial Banks, etc., the Company strictly implemented the penetrating management principle in the process of investing in various financial products to effectively identify, measure and manage risks. For traditional businesses such as credit risk and credit in financial market business, the Company has unified access standards, overall control of risk exposure and overall daily monitoring, established a concentration control system closely linked with the dimensions of net capital, industry limit and unified credit granting, constantly improved the update and maintenance mechanism of counterparty whitelist and implemented unified management of collateral to ensure effective control of various risks in financial market investment and trading business.

Establishing the concept of risk budget by means of capital management, and constantly improving the ability and efficiency of market risk management. Taking the implementation of the final edition of Basel Accord as the starting point, the Company measured risk assets and carried out capital management in strict accordance with the capital adequacy ratio requirements of systemically important banks in advance, taking into account the accounting standards for business enterprises and the requirements of bank capital supervision, distinguishing bank books from trading books, establishing a dynamic market risk limit management system linking total assets, annual profit targets and core Tier 1 capital, and carefully evaluating expected profits and losses by combining normalized market analysis and stress tests, so as to establish the risk budget concept and a resource constraint mechanism. Under this framework, and according to its own resource endowment and professional ability, the Company continuously optimized its business structure, increased risk resource investments in businesses or varieties for which the Company has pricing advantages such as interest rate and credit, reasonably used hedging tools to mitigate risks, simultaneously strengthened market research and pre-judgment, continuously improved market risk management ability and efficiency to meet the needs of business development, and effectively supported pro-cyclical grasp of long-term market trends and counter-cyclical capture of band trading opportunities..

V. Discussion and analysis on future development

(I) Industry pattern and trend

In 2022, facing the impact of the COVID-19 pandemic in the century and the accelerated evolution of the century-old changes, the external environment will become more complicated, severe and uncertain. "Stability" will become the main tone of China's economic work, the direction of high-quality development will not change, the policy systems will work together, and relevant policies in key areas will be corrected in time.

Steady progress will run through. Faced with the triple pressures of "demand contraction, supply shock and expected weakening", the downward pressure on the economy will increase, but the fundamentals of China's strong economic resilience and long-term improvement will remain unchanged. China will adhere to the general tone of "prioritizing stability while pursuing progress", emphasizing that economic construction will be the center, and stable growth in the short term will be placed in a more important position. China will continue to promote "stability on the six fronts (employment, financial operations, foreign trade, foreign investment, domestic investment, and expectations)" and "security in six areas (job, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments)", and strive to stabilize the macro-economic market, keep the economy running in a reasonable range, and keep the overall social stability to welcome the successful convening of the 20th CPC National Congress. The "steady improvement of quality" is still ahead of the "reasonable growth of quantity". China will adhere to the medium and long-term high-quality development direction, implement the new development concept completely, accurately and comprehensively, speed up the construction of a new development pattern, comprehensively deepen reform and opening up, persist in innovation-driven development and promote high-quality development.

Policies and systems work together. Facing many structural challenges and problems in the process of high-quality development, China will make a good combination of seven policies, including macro-policy, micro-policy, structural policy, science and technology policy, reform and opening-up policy, regional policy and social policy, to promote the organic combination of steady growth, structural adjustment and reform, and to protect the overall situation of stable development. The macro policy will give full play to the "counter-cyclical" steady growth role of domestic demand, intensify efforts, and make efforts to advance appropriately, accurately and effectively. The fiscal policy will be more active, improve efficiency, pay attention to accuracy and sustainability, ensure the intensity of fiscal expenditures, implement a new policy of tax reduction and fee reduction, and moderately advance infrastructure investment to make up for the dilemma of insufficient domestic demand. The monetary policy will be flexible and moderate, and the liquidity will be reasonable and sufficient. The fiscal and monetary policies will be coordinated and linked to form a joint force.

Strengthening consensus in key areas. The Central Economic Work Conference stresses the need to correctly understand and grasp five major theoretical and practical issues, such as the strategic goal and practical ways to achieve common prosperity, the characteristics and behavior rules of capital, the supply guarantee of primary products, the prevention and resolution of major risks, and the "peak carbon dioxide emissions" and "carbon neutrality". China will adhere to the principle of "reforming from the bottom, establishing new rules before breaking old ones and doing things slowly but surely", so as to make sure to go in the right direction. The elaboration of these strategic, overall and forward-looking issues by the central government has clarified the thinking and pointed out the direction for financial institutions to do a good job in management.

Under the new situation, high-quality development has become the optimal solution under multiple constraints of the banking industry. The goals of regional coordination, independent science and technology, common prosperity and green development, as well as the virtuous circle of science, technology, industry and finance, have been put in a more prominent position. The alternation of new and old growth kinetic energy will create more new incremental space and provide more opportunities for the transformation and development of the banking industry. In terms of green finance, "double-carbon" promotes the development of green finance into the fast lane, and green finance is expected to achieve "both quantity and quality". Finance supports green industries while helping high-carbon industries to transform and upgrade, paying more attention to the adequacy and balance of financing. In terms of inclusive finance, under the background of deepening rural revitalization and common prosperity, inclusive finance will accelerate its development, the COVID-19 pandemic will accelerate the development of online financial services and digital financial platforms, digital inclusive finance will usher in a new breakthrough, rural revitalization financial products will accelerate innovation, and integrated financial service schemes such as financing, settlement, wealth management, etc., serving new agricultural subjects will come to the fore. In terms of cross-border finance, the entry into force of "the belt and road initiative" and the Regional Comprehensive Economic Partnership (RCEP) will further promote regional economic ties and the flow of production factors, incite more cross-border financial needs and match richer financial services. In terms of science and technology finance, the financial support for industrial base reengineering and the cultivation of advanced manufacturing clusters has been strengthened, and the innovation of financial products such as credit loans and intellectual property mortgage loans has continued to develop which has promoted the banking industry to actively participate in various venture capital investments and better helped China solve the problem of "sticking neck" in core technology. In terms of capital market services, the full implementation of the registration system will promote the banking industry to build a comprehensive financial service plan covering the whole life cycle of enterprises, broaden the financing channels of enterprises, meet the business needs of customers in different scenarios such as IPO, refinancing, mergers and acquisitions, stock pledge and employee incentives, and provide a new direction for the transformation and development of the banking industry.

(II) The Company's development strategy and business objectives

In 2022, the Company will continue to adhere to the guidance of Xi Jinping's new era of socialism with Chinese characteristics, thoroughly implement the spirit of the Fifth and the Sixth Plenary Sessions of the 19th CPC Central Committee and the Central Economic Work Conference, adhere to the main tone of "prioritizing stability while pursuing progress", enhance development confidence, maintain strategic strength, implement the "1234" strategy and the strategy of "four stabilities and four progressives" for a long time, consolidate the basic market, lay out a new track, and open the "second growth curve". The Company will take solid steps in promoting high-quality development and building a value bank, and make greater contributions to social and economic development.

Adhering to the steady growth of scale and the improvement of development quality. The company will adhere to the basic business logic of commercial banks, focus on the three nodes of "customer, business and benefit", bring business growth by consolidating the customer base, bring benefit improvement by optimizing the business structure, and reflect high-quality development through actual performance and results. The Company will adhere to the customer-centered values, always regard expanding customer scale and improving customer quality as the top priority, set up the thinking of "going beyond finance to be finance", provide financial service schemes for various financial problems and non-financial scenarios, expand customer flow, expand customer sources, conform to the online trend of customers, strengthen digital operation, and enhance wholesale customer acquisition ability. The Company will insist on making the off-balance sheet bigger and stronger and optimizing the on-balance sheet structure. On-balance-sheet assets will continue to tilt to the key areas and weak links of the real economy, improving the ability to expand low-cost liabilities and creating a more stable balance sheet. The Company will promote the faster development of off-balance-sheet light assets and light capital business, the smoother circulation of off-balance-sheet assets, the more efficient connection between off-balance-sheet supply and demand, and the multi-channel diversion of financial running water drip irrigation to the real economy and people's livelihood security. The Company will persist in expanding social benefits, increasing innovation, continuously creating value for customers, driving the coverage of various products and embedding of various businesses, so that benefits can naturally converge. The Company will persist in combining righteousness with profit, "promoting blood circulation" and "making blood" for the society, actively fulfill its social responsibility and create a good brand image.

Adhering to the stability of the traditional field and entering the new track. The Company will persist in promoting the deepening of the strategy, polishing the three business cards of "green bank, wealth bank and investment bank", making it a "stable" stabilizer in the traditional field and an accelerator for the "entry" of the emerging track. The green bank should "increase motivation" for all fields. The Company will form a more perfect service system around "financing + intelligence", "carbon rights + carbon sink" and "trading+market making", build large-scale assets and businesses of green finance, deepen the relationship with all parties in the market, and promote the Company to more effectively cut into local "two new and one heavy" investments, green building renovation, green low-carbon transformation of traditional industries, low-carbon circular economy development, green living consumption of residents and "two mountains transformation" in rural areas, thus forming more business growth points. The wealth bank should drive all kinds of businesses to "get rich together". With the help of the establishment of private banking franchise, the launch of financial subsidiaries and the brand accumulated over the years, the Company will continue to promote the quality, quantity and rapid development of wealth management business, let wealth fly into the homes of ordinary people, attract more enterprises and business owners, attract more long-tail customers and rural residents, strengthen the follow-up customer management, and "build bridges and pave the way" for the faster development of settlement business, inclusive finance, rural finance, etc. The investment bank should help all kinds of enterprises move forward. The Company will adhere to the concept of a big investment bank, integrate the functions of public goods internally, build an investment bank ecosystem externally, and form a stronger service capability, so as to better help the transformation of local government financing mode, the development of science and technology and specialized new enterprises, the return of overseas listed enterprises, the landing of troubled enterprises and the revitalization of non-performing assets.

Adhere to the "outlet development" to be stable and "digital development" to advance. The Company has a deep understanding of a series of changes in the digital age, and closely focuses on the three aspects of "productivity, mode of production and production relations", constantly reforming and innovating, and speeding up the transformation of business model. Strengthening the scientific and technological strength. The Company will adhere to the strategy of "developing the bank through science and technology", enhance the digital thinking and ability of all employees, continue to increase the investment in science and technology, promote the construction of business, data and technology, and lay a solid foundation for digital development. Enhancing platform synergy. The Company will continue to promote the optimization of branch outlets' labor mode and enhance offline comprehensive service capabilities. The Company will speed up the construction of online scenario platform, and gradually build a new ecological management model centered on the industrial chain and supply chain. The Company will do a good job of "connecting heaven and earth" online and offline, promote mutual transformation of customers, and ensure that all kinds of customers can get high-quality and efficient financial services. Enhancing organizational vitality. The Company will promote the implementation of organizational structure reform programs in science and technology, retail, enterprise finance, Fujian and other areas, improve the supporting system and mechanism of flexible and agile organizations, implement the market-oriented employment mechanism, and stimulate the vitality of all employees.

Insisting on steady business development and advanced security. The Company recognizes the complicated and severe situation, and on the basis of the three lines of defense, strengthens the sense of hardship, the bottom line thinking and the ability to tackle difficulties in coordination of all employees, so as to ensure stability and far-reaching. The Company will adhere to the combination of national conditions and market conditions, and smoothly promote the adjustment of large-scale business. The Company will enhance the overall situation awareness, keep in mind "the utmost interests of the nation", insist on not establishing new rules whiling breaking old ones, keep a high degree of vigilance, and strive to be ahead of the market curve in risk response. The Company will adhere to the integration of risk management and business development, and prudently promote new kinetic energy. On the basis of strictly observing the policy bottom line, the compliance bottom line and the legal high-voltage line, the Company will fully understand the market changes and the essence of risk, help the business break through with new risk management thinking, technology and mode, and resolve the risk challenges in its development. The Company will persist in drawing inferences from others and continuously improve the long-term mechanism. We will strengthen the pre-judgment and prevention of "black swan" and "grey rhinoceros", further tighten the system cage, weave the COVID-19 pandemic prevention and control network, and keep the safety production line.

Based on the above development strategy and business strategy, in 2022, the Company will set an aggressive development goal, strive to achieve the steady growth of the Group's total assets, net operating income and net profit, continue to adjust and optimize the asset-liability structure, reasonably control the cost-income ratio, and keep the non-performing loan ratio and capital adequacy ratio stable. The Company will promote wealth and private banking, wealth management sales and other transformation businesses to maintain a rapid growth pace, and further expand the new scale of wealth management. On the basis of expanding the total scale of green financing, the Company will increase the central bank's green loans, further strengthen the advantages of big investment banks, give full play to their market-making trading ability, and increase non-interest income.

VI. Major operations during the reporting period

(I) Overview

1. Overall operations

(1) As at the end of the reporting period, the total assets of the Company reached RMB8,603.024 billion, representing an increase of 8.98% as compared with the end of previous year; the balance of local and foreign currency deposit was RMB4,311.041 billion, representing an increase of 6.63% compared with the end of previous year; the balance of local and foreign currency loan reached RMB4,428.183 billion, representing an increase of 11.66% compared with the end of previous year; total assets of overseas branches of the company amounted to RMB186.244 billion, accounting for 2.16% of total assets.

(2) During the reporting period, the operating income of the Company recorded RMB221.236 billion, up 8.91% year-on-year, of which net fee and commission income reached RMB42.680 billion, up 13.18% year-on-year. Net profit attributable to the shareholders of the parent company reached RMB82.680 billion, representing a year-on-year increase of 24.10%. Weighted average ROE was 13.94%, representing a year-on-year increase of 1.32 percentage points; total return on assets reached 1.02%, representing a year-on-year increase of 0.12 percentage point, cost-to-income ratio was 25.68%, representing a year-on-year increase of 1.52 percentage points.

(3) As at the end of the reporting period, the balance of the Company's NPLs stood at RMB48.714 billion, down RMB942 million compared with the end of previous year with NPL ratio of 1.10%, down 0.15 percentage point compared with the end of previous year. During the reporting period, the provisions amounted to RMB130.909 billion, representing a year-on-year growth of 20.47%, the provision-to-loan ratio was 2.96% at the end of the reporting period, up 0.22 percentage point compared with the end of previous year, and the provision coverage ratio was 268.73%, up 49.90 percentage points.

2. Composition of operating income and operating profit

During the reporting period, operating income of the Company was RMB221.236 billion, and its operating profit was RMB95.199 billion.

(1) The Company divided its regional branches into ten segments by importance and comparability, namely, head office (including the headquarters and its affiliated operating units), Fujian, Beijing, Shanghai, Guangdong, Zhejiang, Jiangsu, Northeast and other regions, Western China and Central China.

Unit: RMB million

Segment	Operating income	Change over previous year (%)	Operating profit	Change over previous year (%)
Head office	**94,075**	**8.37**	**25,115**	**1.78**
Fujian	**28,320**	**15.71**	**13,574**	**24.08**
Beijing	**6,504**	**(0.87)**	**4,297**	**221.39**
Shanghai	**6,836**	**24.45**	**3,694**	**(4.60)**
Guangdong	**12,615**	**6.78**	**6,388**	**(18.60)**
Zhejiang	**9,188**	**17.54**	**5,122**	**40.87**
Jiangsu	**12,338**	**7.61**	**7,171**	**(7.67)**
Northeast and other regions	**17,963**	**6.88**	**10,993**	**611.52**
Western China	**14,212**	**1.92**	**7,040**	**7.14**
Central China	**19,185**	**6.88**	**11,805**	**41.28**
Total	**221,236**	**8.91**	**95,199**	**24.37**

(2) The amount, proportion and year-on-year changes of the items of operating income

Unit: RMB million

Item	Amount	Percentage in total operating income (%)	Increase/decrease year-on-year (%)
Interest income from loans	**211,807**	**53.54**	**6.87**
Interest income from placements	**8,722**	**2.20**	**27.35**
Interest income from deposits in Central Bank	**5,641**	**1.43**	**(1.57)**
Interest income from deposits in banks and other financial institutions	**1,762**	**0.45**	**6.21**
Interest income from resale agreements	**2,475**	**0.63**	**(8.74)**
Gain and loss, and interest income from investments	**107,848**	**27.26**	**(1.20)**
Fee and commission income	**47,567**	**12.02**	**11.98**
Interest income from financing lease	**5,274**	**1.33**	**2.23**
Other income	**4,506**	**1.14**	**Negative in the same period of last year**
Total	**395,602**	**100**	**7.54**

3. Financial position and operating results

(1) Changes of key financial indicators and descriptions

Unit: RMB million

Item	December 31, 2021	December 31, 2020	Increase/ decrease over previous year (%)	Brief description
Total assets	**8,603,024**	7,894,000	8.98	Steady growth in various asset business and overall optimization of asset structure
Total liabilities	**7,908,726**	7,269,197	8.80	Steady growth in various liability business and overall optimization of liability structure
Shareholders' equity attributable to the shareholders of the parent company	**684,111**	615,586	11.13	Transfer of net profits for the current period
Item	**2021**	2020	Increase/ decrease over the same period of previous year (%)	Brief description
Operating income	**221,236**	203,137	8.91	Steady growth in the interest-bearing assets, liabilities and costs under effective control, steady growth in net interest income; faster growth in net non-interest income
Net profit attributable to the shareholders of the parent company	**82,680**	66,626	24.10	Year-on-year fast increase in operating income, reasonable control of expenses and costs, consolidating asset quality and strengthening risk prevention
Weighted average ROE (%)	**13.94**	12.62	Up 1.32 percentage points	Fast increase in net profit and improvement of weighted average ROE
Net cash flows from operating activities	**(389,771)**	(34,228)	Negative in the same period of last year	Optimization of asset and liability structure, strengthening the construction of standardized assets such as on-balance sheet loans and optimization of the structure of investment business

(2) Main items with changes over 30% in the accounting statement

Unit: RMB million

Main accounting item	December 31, 2021	December 31, 2020	Increase/ Decrease over previous year (%)	Brief description
Deposits with banks and other financial institutions	**66,251**	95,207	(30.41)	Decrease in deposits with banks and other financial institutions
Placements with banks and other financial institutions	**351,822**	191,939	83.30	Increase in short-term placements with banks
Right-of-use asset	**9,581**	N/A	N/A	New added item under the new lease standard
Borrowing from Central Bank	**95,777**	290,398	(67.02)	Decrease in borrowing from Central Bank
Financial assets sold under repurchase agreements	**265,576**	123,567	114.92	Increase in bonds sold under repurchase agreements
Lease liabilities	**9,053**	N/A	N/A	New added item under the new lease standard
Other comprehensive income	**2,859**	(749)	Negative in the same period of last year	Increase in balance of fair value changes of other debt investment included in other comprehensive income

Main accounting item	December 31, 2021	December 31, 2020	Increase/ decrease over the same period of previous year (%)	Brief description
Investment gains	**28,478**	26,154	8.89	Being fairly interrelated, the overall gains from those three accounting items after consolidation amounted to RMB31.657 billion, representing a year-on-year increase of 52.93%, which was primarily due to the increase in gains from bond-related trading financial assets
Gains from changes in fair value	**2,178**	(6,267)	Negative in the same period of last year	
Foreign exchange gains and losses	**1,001**	813	23.12	

(II) Analysis of the balance sheet

1. Asset

As at the end of the reporting period, the total assets of the Company stood at RMB8,603.024 billion, up 8.98% compared with the end of previous year, of which loans (excluding accrued interest) increased by RMB462.509 billion or 11.66% compared with the end of previous year; and various net investments increased by RMB105.965 billion or 3.66% compared with the end of previous year.

Unit: RMB million

Item	December 31, 2021		December 31, 2020	
	Balance	Percentage (%)	Balance	Percentage (%)
Net loans and advances to customers	**4,310,306**	**50.10**	3,867,321	48.99
Investment note (1)	**3,002,328**	**34.90**	2,896,363	36.69
Financial assets purchased under resale agreements	**141,131**	**1.64**	123,350	1.56
Finance lease receivables	**103,957**	**1.21**	100,616	1.27
Deposits with banks	**66,251**	**0.77**	95,207	1.21
Placements with banks and other financial institutions	**351,822**	**4.09**	191,939	2.43
Cash and balances with Central Bank	**447,446**	**5.20**	411,147	5.21
Others note (2)	**179,783**	**2.09**	208,057	2.64
Total	**8,603,024**	**100**	7,894,000	100

Notes: (1) Included the trading financial assets, debt investments, other debt investments, other equity instrument investments and long-term equity investments.

(2) Included precious metals, derivative financial assets, fixed assets, construction in progress, right-of-use assets, intangible assets, goodwill, deferred income tax assets and other assets.

The details of loans are set out as follows:

(1) Classification of loans

Unit: RMB million

Type	December 31, 2021	December 31, 2020
Corporate loans	**2,223,895**	2,043,500
Personal loans	**1,879,932**	1,714,471
Discounted bills	**324,356**	207,703
Total	**4,428,183**	3,965,674

As at the end of the reporting period, corporate loans accounted for 50.22%, down 1.31 percentage points as compared with the figure at the end of previous year; personal loans accounted for 42.45%, down 0.78 percentage point as compared with that at the end of the previous year; and discounted bills accounted for 7.32%, up 2.08 percentage points as compared with the figure at the end of previous year. During the reporting period, the Company proactively grasped the situation of the changing economy and reasonably ascertained the credit layout for main businesses and continued to keep stable and balanced development of key businesses.

(2) Loan distribution by industry

As at the end of the reporting period, the top five industries that received the largest proportion of bank loans were: "personal loans", "manufacturing", "leasing and commercial service", "real estate" and "discounted bills ".

Unit: RMB million

Industry	December 31, 2021			December 31, 2020		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Agriculture, forestry, husbandry and fishery	**9,608**	**0.22**	**1.37**	9,148	0.23	4.43
Mining	**67,626**	**1.53**	**0.62**	58,636	1.48	2.34
Manufacturing	**437,716**	**9.89**	**1.57**	373,532	9.43	2.74
Production and supply of power, heat, gas and water	**117,743**	**2.66**	**0.21**	87,242	2.20	1.19
Construction	**149,833**	**3.38**	**1.07**	134,205	3.38	1.48
Transportation, logistics and postal service	**146,287**	**3.30**	**1.28**	121,472	3.06	0.76
Information transmission, software and IT service	**28,450**	**0.64**	**1.91**	26,540	0.67	0.70
Wholesale and retail	**247,648**	**5.59**	**4.51**	250,564	6.32	3.74
Accommodation and catering	**5,025**	**0.11**	**0.35**	4,972	0.13	0.22
Finance	**27,562**	**0.62**	**0.00**	32,658	0.82	1.65
Real estate	**336,830**	**7.61**	**1.08**	317,522	8.01	0.92
Leasing and commercial services	**378,765**	**8.55**	**0.35**	356,050	8.98	0.41
Scientific research and technical service	**18,465**	**0.42**	**1.37**	15,451	0.39	0.46
Water conservation, environment and public facility administration	**231,926**	**5.24**	**0.45**	231,766	5.84	0.36
Residential services, repair and other related services	**1,972**	**0.05**	**3.11**	1,956	0.05	1.15
Education	**3,033**	**0.07**	**0.00**	2,453	0.06	0.00
Sanitation and social services	**8,968**	**0.20**	**3.81**	10,809	0.27	3.23
Culture, sporting and entertainment	**6,234**	**0.14**	**0.88**	7,949	0.20	0.38
Public administration, social security and social organizations	**204**	**0.01**	**0.00**	575	0.01	0.00
International organization	**0.00**	**0.00**	**0.00**	0.00	0.00	0.00
Personal loans	**1,879,932**	**42.45**	**1.01**	1,714,471	43.23	1.04
Discounted bills	**324,356**	**7.32**	**0.01**	207,703	5.24	0.01
Total	**4,428,183**	**100**	**1.10**	3,965,674	100	1.25

During the reporting period, the Company followed the general trend of high-quality, digital and green development, took the initiative to seize new development opportunities, further focused on key industries and key areas, implemented a differentiated credit policy of "protecting, controlling and compressing", and actively guided credit resources to the business areas meet ESG requirements, low energy consumption, low emission, low pollution, high efficiency and good market prospects, further improved the refinement level of risk policies and better served the business development. From the industry dimension, the Company subdivided four categories: priority support, moderate support, prudent support and restricted support and implemented different management requirements to guide credit resources to areas with good market prospects, active support from industrial policies and anti-cyclical risks, so as to achieve optimal adjustment of industry structure. The Company focused on business opportunities for quality customers in strategic emerging industries, advanced manufacturing, scientific and technological innovation, import substitution and other industries which are in a period of rapid development and have broad market prospects. According to the changing trend of national policy orientation, industry upgrading and integration, and two-level differentiation of enterprises, the Company supported the credit demand of key industries such as automobile, medicine, modern logistics, education, culture, household appliances, etc. that benefit from the "internal circulation" strategy, and took "mainstream market and mainstream business" as the main axis to prevent low-end market risks. The Company continued to strictly control industries with overcapacity, paid attention to the differentiation of enterprises in the industry in accordance with the principle of "controlling increment, optimizing stock and adjusting structure", and adhered to the strategy of "double excellence" in advantageous areas and high-quality leading enterprises. The Company strictly abided by the compliance bottom line and the risk bottom line, paid more attention to industries with great ecological hazards, prevented potential risks, and dug green financial opportunities. During the reporting period, the Company's credit risk was still under certain pressure due to factors such as industrial structure adjustment and macroeconomic deleveraging. However, the Company complied with the regulatory guidance, kept the high pressure of asset quality control, and increased the clearance of non-performing assets. The balance of non-performing loans and the ratio of non-performing loans decreased compared with the end of previous year.

For details of the credit and environmental requirements of some industries in the above table, please refer to "Environmental and Social Responsibilities".

(3) Loan distribution by geographical region

Unit: RMB million

Region	December 31, 2021		December 31, 2020	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Head office	**511,398**	**11.55**	422,941	10.67
Fujian	**472,429**	**10.67**	410,418	10.35
Guangdong	**516,058**	**11.66**	483,612	12.19
Jiangsu	**429,137**	**9.69**	406,890	10.26
Zhejiang	**383,254**	**8.65**	339,335	8.56
Shanghai	**201,100**	**4.54**	178,025	4.49
Beijing	**221,082**	**4.99**	212,119	5.35
Northeast	**146,771**	**3.32**	138,484	3.49
Western China	**529,921**	**11.97**	471,454	11.89
Central China	**618,765**	**13.97**	549,639	13.86
Other regions	**398,268**	**8.99**	352,757	8.89
Total	**4,428,183**	**100**	3,965,674	100

The Company's loan distribution by geographical region remained stable. The Company's operations are mainly in Guangdong, Fujian, Jiangsu, Zhejiang, Beijing, Shanghai and other economically developed regions. In line with the national regional development strategy, the Company implemented regional differentiation in credit policies, actively supported the credit funding needs of major national strategic planning regions such as Guangdong, Hong Kong and Macao, Yangtze River Delta, Beijing, Tianjin and Hebei, and Yangtze River Economic Belt, and fully explored business opportunities in the development of large urban clusters by combining key regional industries and characteristic businesses. The Company actively implemented the national "30•60" target, strengthened the risk management and control of high energy consumption industries, and accelerated the structural adjustment and compression of existing customers in other regions except those supported by national policies or those with obvious resource endowment advantages.

(4) Forms of loan guarantee

Unit: RMB million

Security type	December 31, 2021		December 31, 2020	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Unsecured loans	**1,193,021**	**26.94**	1,054,966	26.60
Guaranteed loans	**876,315**	**19.79**	812,622	20.49
Secured by mortgage	**1,720,791**	**38.87**	1,573,352	39.68
Secured by collateral	**313,700**	**7.08**	317,031	7.99
Discounted bills	**324,356**	**7.32**	207,703	5.24
Total	**4,428,183**	**100**	3,965,674	100

As at the end of the reporting period, the proportion of the Company's unsecured loans increased by 0.34 percentage point as compared with the figure at the end of previous year; the proportion of guaranteed loans decreased by 0.70 percentage point as compared with that at the end of previous year; the proportion of loans secured by mortgage and collateral decreased by 1.72 percentage points as compared with the figure at the end of previous year, while the proportion of loans secured by discounted bills increased by 2.08 percentage point as compared with the figure at the end of previous year.

(5) Loans granted to the top ten borrowers

Unit: RMB million

Customer	December 31, 2021	Percentage in total loans (%)
Customer A	**12,428**	**0.28**
Customer B	**8,440**	**0.19**
Customer C	**7,906**	**0.18**
Customer D	**7,549**	**0.17**
Customer E	**7,520**	**0.17**
Customer F	**7,500**	**0.17**
Customer G	**7,070**	**0.16**
Customer H	**7,021**	**0.16**
Customer I	**6,386**	**0.14**
Customer J	**6,342**	**0.14**
Total	**78,162**	**1.76**

The loan balance of the Company's largest single borrower as at the end of the period was RMB12.428 billion, accounting for 1.52% of the Company's net capital before consolidation, which conformed to the requirement by the regulatory departments that the proportion of loan balance of a single borrower could not exceed 10% of a bank's net capital.

(6) Structure of personal loans

Unit: RMB million

Item	December 31, 2021			December 31, 2020		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Personal residential and business mortgage loans	**1,121,169**	**59.64**	**0.49**	1,053,059	61.42	0.53
Personal business loans	**203,102**	**10.80**	**0.52**	140,837	8.21	0.67
Credit cards	**436,482**	**23.22**	**2.29**	409,826	23.90	2.16
Others	**119,179**	**6.34**	**2.08**	110,749	6.47	2.19
Total	**1,879,932**	**100**	**1.01**	1,714,471	100	1.04

The Company reduced its concentration on personal property mortgage loans and increased inclusive personal business loans. Personal housing and commercial housing loans decreased by 1.78 percentage points compared with the end of previous year. Personal business loans increased by 2.59 percentage points compared with the end of previous year. Credit card balances decreased by 0.68 percentage points compared with the end of previous year. As at the end of the reporting period, the NPL ratio of personal loans recorded 1.01%, representing a decrease of 0.03 percentage point compared with the end of previous year.

The Company continued to innovate and improve the risk management mechanism of personal loan business, and strengthened the management and control of key risk areas of personal loan business. The Company actively faced the new situation of personal loan business transformation and development, accelerated the promotion of technological empowerment, built a customer risk portrait system, continuously improved the level of quantitative risk control, optimized the risk identification and early warning model, improved the management and control function of business process system, and constantly helped to improve the refined management level of the whole process of personal loan business by digital means.

The details of investment are set out as follows:

(1) Analysis of total investment

As at the end of the reporting period, the Company's net investment increased by RMB105.965 billion or 3.66% to RMB3,002.328 billion from the figure at the end of previous year.

① Classification based on accounting item

Unit: RMB million

Item	December 31, 2021		December 31, 2020	
	Balance	Percentage (%)	Balance	Percentage (%)
Trading financial assets	**909,794**	**30.30**	823,927	28.45
Debt investments	**1,601,030**	**53.33**	1,550,131	53.52
Other debt investments	**484,624**	**16.14**	516,368	17.83
Other equity instrument investments	**3,148**	**0.11**	2,388	0.08
Long-term equity investments	**3,732**	**0.12**	3,549	0.12
Total	**3,002,328**	**100**	2,896,363	100

② Classification based on issuer

Unit: RMB million

Item	December 31, 2020		December 31, 2020	
	Balance	Percentage (%)	Balance	Percentage (%)
Government bonds	**1,096,245**	**36.25**	965,629	33.22
Central bank bills and financial bonds	**110,070**	**3.64**	120,647	4.15
Corporate bonds and asset-backed securities	**402,212**	**13.30**	416,137	14.32
Other investments	**1,411,694**	**46.69**	1,401,010	48.19
Long-term equity investments	**3,732**	**0.12**	3,549	0.12
Total	**3,023,953**	**100**	2,906,972	100
Accrued interest	**20,692**		20,893	
Impairment provision	**(42,317)**		(31,502)	
Net value	**3,002,328**		2,896,363	

(2) Long-term equity investments

As at the end of the reporting period, the book value of the Company's long-term equity investments was RMB3,732 million, and the details are set out as follows:

① The Company held 294.40 million shares of Bank of Jiujiang Co., Ltd. with a proportion of equity interest of 12.23% and a book value of RMB3,408 million.

② CIB Wealth Management Co., Ltd. held the book value of other long-term equity investment of RMB324 million in total at the end of the reporting period.

Deposits with banks and other financial institutions are set out as follows:

As at the end of the reporting period, the Company had a balance (excluding accrued interests) of RMB66.487 billion in deposits with banks and other financial institutions, decreased by RMB28.862 billion or 30.27% from the figure at the end of the previous year.

Unit: RMB million

Item	December 31, 2021		December 31, 2020	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits with domestic banks	**35,529**	**53.44**	44,227	46.39
Deposits with other domestic financial institutions	**7,500**	**11.28**	5,114	5.36
Deposits with foreign banks	**23,368**	**35.15**	45,923	48.16
Deposits with other foreign financial institutions	**90**	**0.14**	85	0.09
Total	**66,487**	**100**	95,349	100
Accrued interest	**171**		195	
Impairment provision	**(407)**		(337)	
Net value	**66,251**		95,207	

The placements with banks and other financial institutions are set out as follows:

As at the end of the reporting period, the Company had a balance of RMB352.706 billion in placements with banks and other financial institutions (excluding accrued interest), increased by RMB160.807 billion or 83.80% from the figure at the end of previous year.

Unit: RMB million

Item	December 31, 2021		December 31, 2020	
	Balance	Percentage (%)	Balance	Percentage (%)
Placements with domestic banks	**16,092**	**4.56**	12,957	6.75
Placements with other domestic financial institutions	**220,639**	**62.56**	139,264	72.57
Placements with foreign banks	**115,975**	**32.88**	39,678	20.68
Total	**352,706**	**100**	191,899	100
Accrued interest	**542**		671	
Impairment provision	**(1,426)**		(631)	
Net value	**351,822**		191,939	

Details of financial assets purchased under resale agreements are set out as follows:

As at the end of the reporting period, the Company recorded a balance of RMB142.312 billion in financial assets purchased under resale agreements (excluding accrued interest), representing an increase of RMB18.164 billion or 14.63% compared with the end of previous year.

Unit: RMB million

Item	December 31, 2021		December 31, 2020	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	**142,312**	**100**	124,148	100
Total	**142,312**	**100**	124,148	100
Accrued interest	**66**		182	
Impairment provision	**(1,247)**		(980)	
Net value	**141,131**		123,350	

2. Liabilities

As at the end of the reporting period, the total liabilities of the Company stood at RMB7,908.726 billion, representing an increase of RMB639.529 billion or 8.80% from the figure at the end of previous year.

Unit: RMB million

Item	December 31, 2021		December 31, 2020	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits from banks and other financial institutions	1,710,879	21.63	1,487,079	20.46
Placements from banks and other financial institutions	173,778	2.20	180,171	2.48
Financial assets sold under repurchase agreements	265,576	3.36	123,567	1.70
Deposits from customers	4,355,748	55.08	4,084,242	56.19
Bonds payable	1,120,116	14.16	947,393	13.03
Others note	282,629	3.57	446,745	6.14
Total	7,908,726	100	7,269,197	100

Note: included borrowing from Central Bank, trading financial liabilities, derivative financial liabilities, employee benefits payable, tax payable, provisions, lease liabilities and other liabilities.

The specific composition of customer deposits is set out as follows:

As at the end of the reporting period, the Company's balance of customer deposits (excluding accrued interest) was RMB4,311.041 billion, an increase of RMB268.147 billion or 6.63% compared with the figure at the end of previous year.

Unit: RMB million

Item	December 31, 2021		December 31, 2020	
	Balance	Percentage (%)	Balance	Percentage (%)
Demand deposits	**1,769,246**	**41.04**	1,614,827	39.94
Incl: Corporate	**1,434,288**	**33.27**	1,290,261	31.91
Personal	**334,958**	**7.77**	324,566	8.03
Time deposits	**2,212,838**	**51.33**	2,113,615	52.28
Incl: Corporate	**1,754,633**	**40.70**	1,711,733	42.34
Personal	**458,205**	**10.63**	401,882	9.94
Other deposits	**328,957**	**7.63**	314,452	7.78
Subtotal	**4,311,041**	**100**	4,042,894	100
Accrued interest	**44,707**		41,348	
Total	**4,355,748**		4,084,242	

The deposits from banks and other financial institutions are set out as follows:

As at the end of the reporting period, the Company had a balance of RMB1,703.802 billion in deposits from banks and other financial institutions (excluding accrued interest), an increase of RMB221.290 billion or 14.93% from the figure at the end of previous year.

Unit: RMB million

Item	December 31, 2021		December 31, 2020	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits from banks	**350,262**	**20.56**	395,853	26.70
Deposits from other financial institutions	**1,353,540**	**79.44**	1,086,659	73.30
Subtotal	**1,703,802**	**100**	1,482,512	100
Accrued interest	**7,077**		4,567	
Total	**1,710,879**		1,487,079	

Placements from banks and other financial institutions are set out as follows:

As at the end of the reporting period, the Company had a balance of RMB172.773 billion in placements from banks and other financial institutions (excluding accrued interest), a decrease of RMB6.388 billion or 3.57% from the figure at the end of previous year.

Unit: RMB million

Item	December 31, 2021		December 31, 2020	
	Balance	Percentage (%)	Balance	Percentage (%)
Placements from banks and other financial institutions	**142,964**	**82.75**	177,063	98.83
Placements from other financial institutions	**29,809**	**17.25**	2,098	1.17
Subtotal	**172,773**	**100**	179,161	100
Accrued interest	**1,005**		1,010	
Total	**173,778**		180,171	

Details of financial assets sold under repurchase agreements are set out as follows:

As at the end of the reporting period, the Company recorded a balance of RMB265.420 billion in financial assets sold under repurchase agreements (excluding accrued interest), representing an increase of RMB142.027 billion or 115.10% from the figure at the end of previous year.

Unit: RMB million

Type	December 31, 2021		December 31, 2020	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	**233,230**	**87.87**	82,358	66.74
Bills	**32,190**	**12.13**	41,035	33.26
Subtotal	**265,420**	**100**	123,393	100
Accrued interest	**156**		174	
Total	**265,576**		123,567	

(III) Analysis of the income statement

During the reporting period, the Company delivered steady and healthy growth in various businesses, with steady growth in interest-bearing assets and liabilities and costs under effective control. There was a stable increase in net interest income. The net non-interest income achieved a fast growth. The cost-to-income ratio maintained at a relative low level. Various provisions were made sufficiently; and the net profit attributable to shareholders of the parent company reached RMB82.680 billion, up 24.10% year-on-year.

Unit: RMB million

Item	2021	2020
Operating income	**221,236**	203,137
Net interest income	**145,679**	143,515
Net non-interest income	**75,557**	59,622
Business tax and surcharges	**(2,207)**	(2,086)
Operating and administrative expense	**(55,468)**	(48,262)
Impairment loss	**(67,010)**	(75,427)
Other operating costs	**(1,352)**	(815)
Net non-operating income and expense	**111**	90
Profit before tax	**95,310**	76,637
Income tax	**(11,494)**	(8,956)
Net profit	**83,816**	67,681
Profit and loss of minority shareholders	**1,136**	1,055
Net profit attributable to the shareholders of the Company	**82,680**	66,626

1. Net interest income

During the reporting period, the net interest income of the Company was RMB145.679 billion, representing an increase of RMB2.164 billion or 1.51% year-on-year.

Unit: RMB million

Item	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Interest income				
Interest income from corporate and personal loans	**205,997**	**65.36**	192,224	63.34
Interest income from discounted bills	**5,810**	**1.84**	5,973	1.97
Interest income from investments	**79,370**	**25.18**	82,999	27.35
Interest income from the amount due from the Central Bank	**5,641**	**1.79**	5,731	1.89
Interest income from placements with banks and other financial institutions	**8,722**	**2.77**	6,849	2.26
Interest income from resale agreements	**2,475**	**0.79**	2,712	0.89
Interest income from deposits in banks and other financial institutions	**1,762**	**0.56**	1,659	0.55
Interest income from financing lease	**5,274**	**1.67**	5,159	1.70
Other interest income	**107**	**0.04**	172	0.05
Subtotal of interest income	**315,158**	**100**	303,478	100
Interest expense				
Interest expense on borrowings from the Central Bank	**7,133**	**4.21**	5,485	3.43
Interest expense on deposits	**90,866**	**53.61**	88,617	55.40
Interest expense on bonds issuance	**30,783**	**18.16**	27,757	17.35
Interest expense on deposits from banks and other financial institutions	**33,873**	**19.99**	30,631	19.15
Interest expense on placements from banks and other financial institutions	**4,230**	**2.50**	4,463	2.79
Interest expense on repurchase agreements	**2,278**	**1.34**	2,843	1.78
Other interest expenses	**316**	**0.19**	167	0.10
Subtotal of interest expense	**169,479**	**100**	159,963	100
Net interest income	**145,679**		143,515	

Various business of the Company grew steadily. The net interest spread was 2.02%, representing a decrease of 9 BP year-on-year; the net interest margin was 2.29%, representing a decrease of 7 BP. The daily average balance, annualized average yield and cost rate of the Company's asset and liability items are as follows:

Unit: RMB million

Item	2021		2020	
	Average balance	Average yield (%)	Average balance	Average yield (%)
Interest-bearing assets				
Corporate and personal loans and advances	**4,207,300**	**5.03**	3,738,045	5.30
Based on loan type:				
Corporate loans	**2,220,033**	**4.33**	1,979,907	4.57
Personal loans	**1,767,219**	**6.22**	1,544,586	6.59
Discounted bills	**220,048**	**2.64**	213,552	2.80
Based on loan term:				
General short-term loans	**1,525,117**	**5.81**	1,400,569	6.17
Medium and long-term loans	**2,462,135**	**4.77**	2,123,924	4.98
Discounted bills	**220,048**	**2.64**	213,552	2.80
Investments	**1,946,030**	**3.96**	2,022,103	4.00
Deposits in the Central Bank	**359,700**	**1.57**	373,511	1.53
Deposits in and placements with banks and other financial institutions (including financial assets purchased under resale agreements)	**539,336**	**2.42**	510,422	2.20
Finance lease	**121,970**	**4.32**	95,422	5.41
Total	**7,174,336**	**4.36**	6,739,503	4.47

Item	2021		2020	
	Average balance	Average cost ratio (%)	Average balance	Average cost ratio (%)
Interest-bearing liabilities				
Deposits from customers	**4,100,923**	**2.22**	3,925,545	2.26
Corporate deposits	**3,369,962**	**2.22**	3,240,932	2.25
Demand deposits	**1,430,186**	**1.10**	1,300,463	0.98
Time deposits	**1,939,776**	**3.03**	1,940,469	3.10
Personal deposits	**730,961**	**2.25**	684,613	2.30
Demand deposits	**310,511**	**0.30**	289,713	0.30
Time deposits	**420,450**	**3.68**	394,900	3.77
Deposits in and placements from banks and other financial institutions (including financial assets sold under repurchase agreements)	**1,855,965**	**2.18**	1,756,068	2.17
Borrowings from the Central Bank	**238,374**	**2.99**	171,628	3.20
Bonds payable	**1,044,343**	**2.95**	927,713	2.99
Total	**7,239,605**	**2.34**	6,780,954	2.36
Net interest spread		**2.02**		2.11
Net interest margin		**2.29**		2.36

Standard for measuring net interest margin:

(1) Gains deriving from monetary funds and bond fund investment business shall not be classified as interest income, and their corresponding interest-bearing liabilities and interest expense shall be adjusted accordingly.

(2) The Company has adopted the New Financial Instruments Standard since January 1, 2019. The interest income of trading financial assets was not presented within interest income and their corresponding interest-bearing liabilities and interest expense shall be adjusted accordingly.

2.Net non-interest income

During the reporting period, the net non-interest income of the Company was RMB75.557 billion, representing an increase of RMB15.935 billion or 26.73% year-on-year.

Unit: RMB million

Item	2021	2020
Net fee and commission income	**42,680**	37,710
Gain and loss from investment	**28,478**	26,154
Gain and loss from changes in fair value	**2,178**	(6,267)
Gain and loss from exchange	**1,001**	813
Gain from disposal of asset	**(10)**	3
Other income	**613**	510
Income from other businesses	**617**	699
Total	**75,557**	59,622

During the reporting period, the Company realized fee and commission income of RMB42.680 billion, up RMB4.970 billion or 13.18% year-on-year. Items like gain and loss from investment, gain and loss from changes in fair value, and gain and loss from exchange were highly interrelated. After consolidation, the overall profit and loss reached RMB31.657 billion, representing an increase of RMB10.957 billion year-on-year, which was due to the fact that the Company actively grasped opportunities from periodic change in interest rates and the gains from trading financial assets in relation to bonds increased.

The specific composition of net fee and commission income is set out as follows:

Unit: RMB million

Item	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Fee and commission income:				
Fee income from payment and settlement	**2,268**	**4.77**	1,730	4.07
Fee income from bank cards	**13,182**	**27.71**	11,678	27.49
Fee income from agency business	**7,153**	**15.04**	4,948	11.65
Fee income from guarantee commitment	**1,544**	**3.25**	1,612	3.79
Fee income from trading business	**1,235**	**2.60**	1,326	3.12
Fee income from custody business	**3,553**	**7.47**	2,969	6.99
Fee income from consulting service	**14,668**	**30.84**	13,369	31.47
Fee income from trust business	**1,099**	**2.31**	1,914	4.51
Fee income from lease business	**560**	**1.17**	701	1.65
Other fee income	**2,305**	**4.84**	2,230	5.26
Subtotal	**47,567**	**100**	42,477	100
Fee and commission expense	**4,887**		4,767	
Net fee and commission income	**42,680**		37,710	

3. Operating and administrative expense

During the reporting period, the operating expense of the Company was RMB55.468 billion, up RMB7.206 billion or 14.93% year-on-year.

Unit: RMB million

Item	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Accrued payroll	**34,689**	**62.54**	29,071	60.24
Depreciation and amortization	**5,551**	**10.01**	2,433	5.04
Lease expense	**430**	**0.78**	3,134	6.49
Other general and administrative expenses	**14,798**	**26.68**	13,624	28.23
Total	**55,468**	**100**	48,262	100

During the reporting period, centering on the financial resources allocation principle of "steady progress, transformation and innovation", the Company increased expenses for key areas including financial technology and construction of brand and customer bases. Operating expenses increased and the cost-to-income ratio was 25.68%, maintaining at a low level.

4. Impairment loss

During the reporting period, the Company's impairment loss was RMB67.010 billion, down RMB8.417 billion or 11.16% year-on-year.

Unit: RMB million

Item	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Impairment loss of loans	**45,484**	**67.87**	49,220	65.26
Impairment loss of debt investments	**20,931**	**31.24**	19,886	26.36
Impairment loss of other debt investments	**356**	**0.53**	2,483	3.29
Impairment loss of off-balance sheet assets	**(1,309)**	**(1.95)**	(840)	(1.11)
Impairment loss on finance lease receivable	**(154)**	**(0.23)**	56	0.07
Other impairment loss	**1,702**	**2.54**	4,622	6.13
Total	**67,010**	**100**	75,427	100

During the reporting period, the Company accrued a loan impairment loss of RMB45.484 billion, down RMB3.736 billion year-on-year. The Company made adequate provision for loan losses in accordance with the relevant provisions of the Accounting Standards for Business Enterprises based on the expected credit loss model as well as quantitative parameters of risk such as the customer's default probability and default loss rate, taking into consideration macro forwarding adjustments.

5. Income tax

During the reporting period, the effective income tax rate of the Company was 12.06%. The difference between the income tax expense and the amount calculated based on the 25% statutory tax rate is set out as follows:

Unit: RMB million

Item	2021
Profit before tax	**95,310**
Statutory tax rate (%)	**25**
Income tax calculated at statutory tax rate	**23,828**
Effect on tax due to adjustment on the following items:	
Tax-exempt income	**(15,077)**
Non-deductible items	**2,535**
Adjustment on the tax of previous years	**208**
Income tax expense	**11,494**

(IV) Analysis of the cash flow statement

Unit: RMB million

Item	2021	2020
Cash flow from operating activities	**(389,771)**	(34,228)
Cash flow from investing activities	**79,654**	234,002
Cash flow from financing activities	**124,588**	29,636

During the reporting period, the net cash outflow from operating activities was RMB389.771 billion, representing an increase of RMB355.543 billion as compared with last year, mainly due to a year-on-year decrease in borrowing from Central Bank and adjustment and optimization of business structure of trading financial assets.

Net cash inflow from investing activities was RMB79.654 billion, representing a decrease of RMB154.348 billion as compared with previous year, mainly due to a year-on-year increase in the increment of investment business.

Net cash inflow from financing activities was RMB124.588 billion, representing an increase of RMB94.952 billion as compared with previous year, mainly due to the year-on-year increase in interbank deposit business.

(V) Analysis of loan quality

1. Five-category loan classification

Unit: RMB million

Item	December 31, 2021		December 31, 2020		Increase/ decrease in balance at the end of the reporting period compared with that at the end of last year (%)
	Balance	Percentage (%)	Balance	Percentage (%)	
Normal	**4,312,002**	**97.38**	3,861,611	97.38	11.66
Special mention	**67,467**	**1.52**	54,407	1.37	24.00
Substandard	**23,461**	**0.53**	27,827	0.70	(15.69)
Doubtful	**15,421**	**0.35**	16,015	0.40	(3.71)
Loss	**9,832**	**0.22**	5,814	0.15	69.11
Total	**4,428,183**	**100**	3,965,674	100	11.66

As at the end of the reporting period, the balance of the Company's NPLs stood at RMB48.714 billion, down RMB942 million from the figure at the end of the year with NPL ratio of 1.10%, down 0.15 percentage point from the end of last year. The balance of special mention loans was RMB67.467 billion, up RMB13.060 billion from the end of last year. The proportion of the special mention loans in the total loans was 1.52%, up 0.15 percentage point from the end of last year. During the reporting period, credit risks in certain regions and industries continuously became exposed due to deleveraging in macro economy and ongoing adjustment in industrial structure. The Company strengthened control of asset quality and established an asset quality control system for potential risky assets, and risks were disposed of in a forward-looking manner, therefore, the balance of non-performing loan and NPL ratio declined compared with the end of last year, and asset quality remained stable.

2. Provision for and write-off of loan impairment

Unit: RMB million

Item	Amount
Opening balance	**108,661**
Provision during the reporting period	**45,484**
Write-off and transfer-out during the reporting period	**(32,795)**
Write-back during the reporting period of write-off in previous years	**10,602**
Changes in exchange rates and others	**(1,043)**
Closing balance	**130,909**

The Group uses new financial instrument standards and has recorded adequate loan loss allowance on the basis of forward-looking adjustment in macro-economic outlook, expected credit loss model, customer default probability, loss given default and other quantitative risk metrics.

3. Changes in overdue loans

Unit: RMB million

Item	December 31, 2021		December 31, 2020	
	Balance	Percentage (%)	Balance	Percentage (%)
1-90 days (inclusive) overdue	**27,371**	**42.13**	19,716	37.69
91-360 days (inclusive) overdue	**23,436**	**36.06**	19,761	37.77
361 days-3 years (inclusive) overdue	**12,407**	**19.09**	11,570	22.11
Over 3 years overdue	**1,769**	**2.72**	1,272	2.43
Total	**64,983**	**100**	52,319	100

As at the end of the reporting period, the balance of the Company's overdue loans was RMB64.983 billion, up RMB12.664 billion from the end of last year, of which overdue corporate loans increased by RMB3.837 billion and overdue personal loans increased by RMB1.897 billion respectively, and credit cards overdue increased by RMB6.930 billion. The main reason for the increase of overdue loans was that due to the adjustment of industrial structure, changes in external environment and other factors, the number of enterprises with reduced solvency, tight capital and broken capital chain has increased, the income of some customers has been greatly affected, the default risk of personal loans and credit card business has increased, and the overdue period has obviously increased.

4. Changes in restructured impairment loans

Unit: RMB million

Item	December 31, 2021		December 31, 2020	
	Balance	Percentage in total loans (%)	Balance	Percentage in total loans (%)
Restructured impairment loans	**5,823**	**0.13**	3,840	0.10

In accordance with regulatory principle and judgment on substantive risks, the Company strengthened the collection and resolution of restructured loans. As at the end of the reporting period, the Company's restructured impairment loan balance stood at RMB5,823 million, increasing by RMB1,983 million from the end of last year, and accounting for 0.13% of total loan balances (up 0.03 percentage point from the end of last year). In accordance with relevant regulatory requirements, the Company continuously consolidated restructuring quality.

5. Foreclosed assets and impairment provision

Unit: RMB million

Item	December 31, 2021		December 31, 2020	
	Amount	Provision for impairment	Amount	Provision for impairment
Foreclosed assets	**537**	**124**	584	137
Incl: Buildings	**527**	**123**	544	133
Land use rights	**9**	**-**	39	3
Others	**1**	**1**	1	1
Less: Impairment provision	**(124)**	**-**	(137)	-
Net value of foreclosed assets	**413**	**-**	447	-

During the reporting period, the balance of foreclosed assets of the Company decreased by RMB47 million from the end of last year, and the provision for impairment of the Company decreased by RMB13 million from the end of last year.

(VI) Capital management

1. Capital management overview

During the reporting period, the Company implemented the main development line of "light capital, light assets and high efficiency", rationally arranged the total amount of risk-weighted assets according to the annual capital adequacy ratio management target set by the board of directors, optimized the allocation and control mechanism of risk-weighted assets, and tilted the limited capital resources to customers, industries and regions that are green, inclusive and beneficial to the "four-fold strategy", thus promoting the continuous improvement of capital use efficiency. As at the end of the reporting period, the Group's core Tier 1 capital adequacy ratio was 9.81%, up 0.48 percentage point compared with the end of the previous year, and the Company continued to practice the development path of supporting business with domestic capital.

During the reporting period, the Company formulated the Medium-term Capital Management Plan (2021-2023) on the basis of the development strategic plan for 2021-2025, and submitted it to the board of directors and shareholders' meeting for deliberation and approval. According to the medium-term capital planning arrangement, the Company initiated the issue of convertible bonds and secondary capital bonds, and completed the issue of RMB50 billion convertible bonds and RMB75 billion secondary capital bonds, and redeemed RMB30 billion secondary capital bonds and RMB10 billion secondary bonds during the reporting period. As at the end of the reporting period, the capital adequacy ratio of the Group was 14.39%, up 0.92 percentage points compared with the end of the previous year, and the capital adequacy level was greatly improved, which provided necessary capital guarantee for ensuring the sustainable growth of various businesses and enhancing the ability to resist risks.

During the reporting period, the Company strengthened the Group's consolidated capital management by centrally considering the needs of consolidated subsidiaries for regulatory compliance, shareholder returns, business development and risk coverage, tracking and monitoring the capital allocation and use of consolidated subsidiaries, and maintaining a stable capital adequacy level and reasonable capital structure of consolidated subsidiaries. During the reporting period, each capital regulatory indicators of consolidated subsidiaries met the regulatory requirements.

During the reporting period, the Company was selected as the third group of systemically important banks in China, with an additional core Tier 1 capital requirement of 0.75 percentage points. The Company earnestly fulfilled the requirements of domestic systemically important bank supervision, formulated the Measures for the Management of Recovery and Disposal Plan, and formulated the management plan of the Group's recovery plan and disposal plan.

In 2022, the Company will continue to strengthen capital management, optimize the on-balance sheet and off-balance sheet business structure and management process, follow the progress of international capital regulation reform, prospectively promote the adjustment and optimization of business structure in accordance with management requirements of capital intensive operation, fully play the role of the assessment baton and deepen the concept of capital saving to all levels to effectively improve the level of capital return ensure that the capital adequacy level achieves the targets for medium-term capital management.

2. Implementation of the New Capital Accord

Since the official issuance of the Capital Rules for Commercial Banks (Provisional), the Company has constructed a relatively complete first pillar framework system and the second pillar framework system under the New Capital Accord, which has effectively improved the risk and capital management capability. On this basis, in order to comply with the latest capital supervision trend at home and abroad and realize the strategic goal of capital conservation as soon as possible, the Company has started the construction of Basel Accord III Item in 2020. The Company has made in-depth research and judgment in the fields of three pillars, risk-weighted assets, data and systems, made forward-looking benchmarking of the new Basel III standards, and comprehensively carried out the reform of venture capital measurement system, so as to ensure that the implementation requirements of new capital regulations can be met after the formal promulgation of domestic Basel III regulatory regulations in the future. During the reporting period, the company promoted the construction of Basel III Item with high quality and efficiency, improved the organizational governance structure of Basel system, initially launched some capital measurement systems, improved the ICAAP system, continuously optimized the internal assessment system, deepened the application of internal assessment results, and continuously improved the implementation and construction level of the Basel Accord.

3. Capital adequacy ratio

Unit: RMB million

Item	December 31, 2021		December 31, 2020	
	Group	Bank	Group	Bank
Total capital	**879,277**	**841,216**	763,717	731,712
1. Core Tier 1 capital	**599,661**	**565,344**	529,366	502,701
2. Other Tier 1 capital	**85,999**	**85,802**	85,942	85,802
3. Tier 2 capital	**193,617**	**190,070**	148,409	143,209
Capital deductions	**1,105**	**21,058**	914	20,887
1. Core Tier 1 capital deductions	**1,105**	**21,058**	914	20,887
2. Other Tier 1 capital deductions	**-**	**-**	-	-
3. Tier 2 capital deductions	**-**	**-**	-	-
Net capital	**878,172**	**820,158**	762,803	710,825
Minimum capital requirement	**488,210**	**465,493**	453,101	430,902
Reserve capital and counter-cyclical capital requirement	**152,565**	**145,467**	141,594	134,657
Core Tier 1 capital adequacy ratio (%)	**9.81**	**9.35**	9.33	8.95
Tier 1 capital adequacy ratio (%)	**11.22**	**10.83**	10.85	10.54
Capital adequacy ratio (%)	**14.39**	**14.10**	13.47	13.20

(1) The table above and data of this chapter were prepared in accordance with relevant requirements in the Notice of China Banking Regulatory Commission on New CAR Reporting, with the capital adequacy ratio.

The calculation range for the consolidated capital adequacy ratio of the Company included the Industrial Bank Co., Ltd. and financial institutions complying with requirements on the calculation range of the consolidated capital adequacy ratio in Section I, Chapter II of the Capital Rules for Commercial Banks (Provisional). To be specific, this applied to the banking group jointly comprised of Industrial Bank Co., Ltd., Industrial Bank Financial Leasing Co., Ltd., China Industrial International Trust Limited, CIB Fund Management Co., Ltd., Industrial Consumer Finance Co., Ltd. and CIB Wealth Management Co., Ltd..

(2) The Company adopted the weighting approach for credit risk measurement. As at the end of the reporting period, under the off-site regulation reporting system of CBIRC, the Company recorded the total credit risk exposure was RMB9,628.560 billion, and the credit risk weighted assets reached RMB5,526.030 billion, up 7.27% year-on-year, among which the balance of securitized assets was RMB149.256 billion, the risk exposure was RMB149.214 billion and the risk weighted assets reached RMB54.484 billion.

The Company adopted the standard approach for market risk measurement. As at the end of the reporting period, the total amount of the market risk capital requirement was RMB16.635 billion. The market risk-weighted asset was 12.5 times of the market risk capital requirement. The amount of market risk-weighted assets was RMB207.941 billion.

The Company adopted the basic indicator approach for operating risk measurement. As at the end of the reporting period, the total amount of operating risk capital requirement was RMB29.492 billion. The operating risk-weighted asset was 12.5 times of the operating risk-weighted capital requirement. The amount of operating risk-weighted assets was RMB368.649 billion.

4. Leverage ratio

As at the end of the reporting period, in accordance with the Measures for the Administration of the Leverage Ratio of Commercial Banks, the information about the Company's leverage ratio is as follows:

Unit: RMB million

Item	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Net Tier 1 capital	**684,555**	**664,538**	**638,400**	**639,376**
Balance of on- and off-balance sheet assets after adjustment	**10,185,031**	**10,063,450**	**9,628,560**	**9,450,852**
Leverage ratio (%)	**6.72**	**6.60**	**6.63**	**6.77**

Please refer to the Investor Relations column at the Company's website (www.cib.com.cn) for details of leverage ratio.

The company has disclosed the 2021 Capital Adequacy Ratio Report of Industrial Bank Co., Ltd., and according to the Regulatory Requirements on the Disclosure of Capital Composition Information of Commercial Banks, the Company further disclosed detailed information such as the capital composition table, the explanation table of related subjects and the main features of capital instruments in the reporting period in the above report. Please refer to the Investor Relations column of the Company's website (www.cib.com.cn) for details.

(VII) Liability quality management

The Company has established and improved the management system of liability quality, and the board of directors and senior management have effectively managed and monitored the liability quality. The board of directors bears the ultimate responsibility for the liability quality management, and the senior management bears the specific management of liability quality. For liability quality management, the Company adheres to the principles of comprehensiveness, initiative, compliance and coordination, and the liability quality management strategy is compatible with its own business strategy, risk preference and overall business characteristics. The core elements of liability quality management include six aspects: the stability of liability source, the diversity of liability structure, the rationality of matching liability with assets, the initiative of liability acquisition, the appropriateness of liability cost, and the authenticity of liability items, which meet the requirements of the Measures for Liability Quality Management of Commercial Banks. The identification, measurement, monitoring and control system of liability quality is perfect. During the reporting period, all indicators of the Company's liability quality management are normal, meeting the requirements of the current rules and regulations.

1. Liquidity coverage ratio

In accordance with the Measures for Information Disclosure regarding Liquidity Coverage of Commercial Banks, information about the Company's liquidity coverage ratio was as follows:

Unit: RMB million

Item	December 31, 2021
Qualified high-quality current assets	1,146,577
Net cash outflow during the next 30 days	825,734
Liquidity coverage ratio (%)	138.86

2. Net stable funding ratio

In accordance with the Measures for Information Disclosure regarding Net Stable Funding Ratio of Commercial Banks, information about the Company's net stable funding ratio was as follows:

Unit: RMB million

Item	December 31, 2021	September 30, 2021	June 30, 2021
Net stable funding ratio (%)	106.46	103.43	103.10
Available stable funding	4,817,746	4,523,015	4,402,599
Required stable funding	4,525,421	4,373,038	4,270,347

(VIII) Other financial information disclosed according to regulatory requirements

1. Information of structure entities under control of the Company

For information of consolidated structure entities and structure entities which were not consolidated but managed by or entitled to equity by the Company, refer to the Notes VII.45 to the FINANCIAL STATEMENTS.

2. Information of financial bonds held

(1) Categories and par value of financial bonds held as at the end of the reporting period

Unit: RMB million

Category	Par value
Bonds of policy banks	39,817
Commercial bank bonds	28,947
Bonds of non-banking financial institutions	38,213
Total	106,977

(2) Top ten financial bonds held at the end of the reporting period

Unit: RMB million

Name of bond	Par value	Annual yield rate (%)	Maturity date
Bond 1	3,070	2.85	09/06/2023
Bond 2	3,000	4.09	08/04/2022
Bond 3	3,000	4.04	26/01/2022
Bond 4	2,870	3.11	04/03/2024
Bond 5	2,620	3.41	07/06/2031
Bond 6	2,000	3.10	09/06/2025
Bond 7	1,300	2.50	26/11/2025
Bond 8	1,200	2.50	25/11/2025
Bond 9	1,200	3.35	24/03/2026
Bond 10	1,150	3.22	24/12/2024

3. Derivative financial instruments held at the end of the reporting period

Unit: RMB million

Item	Nominal value	Fair value	
		Asset	Liability
Exchange rate derivatives	1,707,928	14,984	15,280
Interest rate derivatives	5,104,796	18,989	21,448
Precious metals derivatives	64,022	423	1,939
Credit derivatives and others	13,504	64	180
Total		34,460	38,847

4. Situation of interest receivable

According to the requirements of Notice of Revising and Issuing the Format of 2018 Consolidated Financial Statements issued by the Ministry of Finance, the interest of financial instruments accrued by the Company based on the effective interest rate method is reflected in the corresponding financial instrument statement Item, and the interest that has expired but has not yet been collected is listed in "other assets".

Withdrawal of bad debt provision for interest receivable: during the reporting period, based on the expected credit loss model, the Company checked the interest receivable and made provision for loss of corresponding financial instruments.

Write-off procedures and policies: the write-off of bad debts of the Company shall be carried out in strict accordance with the conditions stipulated in the Administrative Measures for Write-off of Bad Debts of Financial Enterprises (2017 Edition) issued by the Ministry of Finance, and submitted to the authorized approver for approval according to the Company's internal authorization regulations. For items that meet the conditions of bad debt write-off, the Company will handle them according to the procedures of reporting by breaches and approval by the head office: the relevant departments of the branch will organize the reporting and examination of bad debt write-off, which will be reported to the head office after being approved by the branch leader; after being reviewed by relevant departments of the head office, depending on the amount of bad debts, the bad debts will be written off after being submitted to the president, the strategy committee of the board of directors or the board of directors for approval. In the write-off of bad debts, the Company abides by the principle of "meeting the recognition conditions, providing valid evidence, keeping the account write-off on file, and urging the power". After the bad debts are written off, the Company will strictly implement the management responsibility after the write-off, and take various means to continue to pursue the projects with recourse.

Unit: RMB million

Item	December 31, 2020	Increase in the period	Recovered in the period	December 31, 2021
Interest receivable note	33,737	309,884	307,101	**36,520**

Note: include accrued interest of cash and balances with Central Bank, deposits with banks and other financial institutions, placement with banks and other financial institutions, financial assets purchased under resale agreements, loans and advances to customers, debt investments and interest receivable of other debt investments, and interest receivable of other assets.

5. Provision for impairment of other receivables

Unit: RMB million

Item	December 31, 2021	December 31, 2020	Provision for impairment	Provision method
Other receivables	**14,588**	18,125	1,941	At the end of the period, other receivables were tested individually and collectively to make provision for impairment by taking into account of aging analysis.

6. Situation of off-sheet items that may have material impact on the financial position and operating results

Unit: RMB million

Item	December 31, 2021	December 31, 2020
Letters of credit	**158,352**	148,465
Letters of guarantee	**106,912**	108,561
Bank acceptance	**835,418**	822,341
Unused credit cards commitments	**466,625**	444,176
Irrevocable loan commitments	**21,714**	27,137

VII. Business overview

(I) Business institutions

1. Overview of business units

Unit	Business Address	Number of outlets	Number of employees	Size of assets (RMB million)
Head Office	Industrial Bank Building, 398 Jiangbin Middle Avenue, Taijiang District, Fuzhou, Fujian Province	1	3,972	2,725,619
Financial Markets	167 Yincheng Road, Pudong New District, Shanghai	1	119	1,216,951
Credit Card Center	500 Lai'an Road, Pudong New District, Shanghai	1	991	425,808
Private Banking Department	167 Yincheng Road, Pudong New District, Shanghai	1	67	926
Beijing Branch	20 Chaoyangmen North Avenue, Chaoyang District, Beijing	76	2,409	655,073
Tianjin Branch	11 Baoding Road, Heping District, Tianjin	73	1,238	81,926
Shijiazhuang Branch	1 Weiming South Avenue, Qiaoxi District, Shijiazhuang	60	1,662	85,896
Taiyuan Branch	1 Changfeng West Street, Wanbolin District, Taiyuan	75	1,646	132,259
Hohhot Branch	5 Xing'an South Road, Xincheng District, Hohhot	40	1,027	67,331
Shenyang Branch	77 Wenhua Road, Heping District, Shenyang	44	1,178	73,170
Dalian Branch	85A Yide Avenue, Zhongshan District, Dalian	21	493	66,353
Changchun Branch	283 Jiefang Road, Nanguan District, Changchun	30	1,278	60,001
Harbin Branch	88 Huanghe Road, Nan'gang District, Harbin	29	856	49,058
Shanghai Branch	168 Jiangning Road, Jing'an District, Shanghai	85	2,486	596,339
Nanjing Branch	2 Changjiang Road, Xuanwu District, Nanjing	133	3,365	409,072
Suzhou Branch	125 Wangdun Road, Suzhou Industrial Park, Suzhou	19	665	76,223
Hangzhou Branch	40 Qingchun Road, Shangcheng District, Hangzhou	103	2,717	379,975
Ningbo Branch	905 Baizhang East Road, Yinzhou District, Ningbo	29	660	60,877
Hefei Branch	99 Fuyang, Luyang District, Hefei	45	1,263	102,730
Fuzhou Branch	398 Jiangbin Middle Avenue, Taijiang District, Fuzhou	65	1,506	269,104
Xiamen Branch	78 Hubin North Road, Siming District, Xiamen	29	1,289	132,316
Putian Branch	199 Liyuan Middle Road, Licheng District, Putian	12	350	20,266
Sanming Branch	Building 362, Qianlong New Village, Meilie District, Sanming	12	367	16,895
Quanzhou Branch	Industrial Bank Building, Fengze Street, Fengze District, Quanzhou	36	1,163	87,332
Zhangzhou Branch	491 Zhanghua Middle Road, Xiangcheng District, Zhangzhou	21	627	43,712
Nanping Branch	399 Binjiang Middle Road, Yanping District, Nanping	16	352	18,763
Longyan Branch	298 Longyan Avenue, Xinluo District, Longyan	14	398	25,600

Unit	Business Address	Number of outlets	Number of employees	Size of assets (RMB million)
Ningde Branch	6 Tianhu East Road, Jiaocheng District, Ningde	13	328	29,295
Nanchang Branch	1568 Honggu Middle Avenue, Honggutan New District, Nanchang	48	903	56,391
Ji'nan Branch	7000 Jingshi Road, High-tech District, Ji'nan	116	2,789	214,070
Qingdao Branch	886 Tongan Road, Laoshan District, Qingdao	29	652	103,346
Zhengzhou Branch	288 Jinshui Road, Jinshui District, Zhengzhou	44	1,533	137,831
Wuhan Branch	108 Zhongbei Road, Wuchang District, Wuhan	71	1,510	153,839
Changsha Branch	192 Shaoshan North Road, Furong District, Changsha	44	1,360	141,618
Guangzhou Branch	101 Tianhe Road, Tianhe District, Guangzhou	129	3,348	441,812
Shenzhen Branch	4013 Shennan Boulevard, Futian District, Shenzhen	52	1,667	437,117
Nanning Branch	146 Minzu Boulevard, Qingxiu District, Nanning	29	979	68,695
Haikou Branch	7 Jinlong Road, Longhua District, Haikou	13	366	11,463
Chongqing Branch	1 Honghuang Road, Jiangbei District, Chongqing	60	1,280	96,157
Chengdu Branch	936 Shijicheng Road, Gaoxin District, Chengdu	121	1,961	128,390
Guiyang Branch	2 Tongbao Road, Guanshanhu District, Guiyang	17	575	49,568
Kunming Branch	363 Jinbi Road, Xishan District, Kunming	28	872	55,258
Xi'an Branch	1 Tangyan Road, Yanta District, Xi'an	78	1,303	118,636
Lanzhou Branch	75 Qingyang Road, Chengguan District, Lanzhou	13	392	19,374
Xining Branch	54 Wusi West Road, Chengxi District, Xining	5	210	17,286
Urumqi Branch	898 Weitai South Road, Toutunhe District, Urumqi	38	733	56,229
Yinchuan Branch	239 Shanghai West Road, Jinfeng District, Yinchuan	3	148	7,986
Lhasa Branch	6 Yangdao Road, Taiyang Island, Chengguan District, Lhasa	1	131	6,820
Hong Kong Branch	1 Harbour View Street, Central, Hong Kong	1	244	179,401
Netting and summation adjustment within the system				(2,035,579)
Total		2,024	57,428	8,374,578

Note: data in the table above do not include subsidiaries. Only Tier 1 branches (sorted by the administrative regions) which were in operation as at the end of the reporting period are listed in the table above, while data of Tier 2 branches and other subbranches are included in the data of Tier 1 branches according to the management structure.

2. Overview of major subsidiaries

Unit: RMB million

Name of subsidiary	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Industrial Bank Financial Leasing Co., Ltd.	9,000	121,294	19,835	3,421	3,041	2,250
China Industrial International Trust Limited	10,000	68,652	22,411	5,531	1,188	932
CIB Fund Management Co., Ltd.	1,200	4,475	4,001	1,212	637	491
Industrial Consumer Finance Co., Ltd.	1,900	61,790	6,948	8,391	2,927	2,230
CIB Wealth Management Co., Ltd.	5,000	9,507	9,162	3,940	3,716	2,806

(1) Industrial Bank Financial Leasing Co., Ltd

Industrial Bank Financial Leasing Co., Ltd. is a wholly-owned subsidiary of the Company with registered capital of RMB9 billion. Business scope includes financial leasing, selling and buying of financial leasing asset, fixed-income security investment, acceptance of lessee's lease deposits, setting up project companies in domestic bonded areas to engage in finance lease business, among others.

As at the end of the reporting period, Industrial Financial Leasing has total assets of RMB121.294 billion and total liabilities of RMB101.459 billion. Owners' equity amounted to RMB19.835 billion. Total leasing assets on balance sheet amounted to RMB114.247 billion, which included RMB108.864 billion financing leasing assets and RMB5.383 billion operating leasing assets (including sublease). During the reporting period, operating income was RMB3.421 billion, operating profit was RMB3.041 billion, and the net profit was RMB2.250 billion.

During the reporting period, Industrial Financial Leasing successfully issued RMB5 billion green financial bonds with the term of three years, creating the lowest cost of the Company's previous financial bond issuance; deeply cultivating the fields of carbon reduction such as new energy, the green field achieved an investment of RMB23.050 billion, among which, the investment in new energy business amounted to RMB10.881 billion, and the balance of green leasing assets amounted to RMB48.301 billion, accounting for 41.64% of leasing assets. During the reporting period, construction machinery and vehicle business was comprehensively expanded, the investment reached RMB11.961 billion, representing a year-on-year increase of 45.31%; the balance of the assets amounted to RMB12.933 billion, accounting for 11.15% of leasing assets and representing an increase of 3.8 percentage points as compared with the end of the previous year. Science and technology empowerment have taken a solid step. Through vehicle system big data collection + online model approval, the Company has met the "short, frequent and urgent" financing needs of end customers on the basis of ensuring risk management and control, and achieved a new beginning of fully entering the end market and developing inclusive finance. The Company optimized the regional and industry structure layout, and continuously reduced the leasing business of government credit related, leased property and high pollution and high energy consumption industries, and put 34 listed and planned listed company customers around the fields of information and communication, healthy consumption, energy conservation and environmental protection, and new energy, with an amount of RMB8.638 billion. The Company actively promoted the use of professional products. During the reporting period, the Company invested RMB17.551 billion in leasing and direct leasing professional products, with a balance of RMB22.501 billion, representing an increase of RMB9.178 billion compared with the end of the previous year.

(2) China Industrial International Trust Limited

China Industrial International Trust Limited is a holding subsidiary of the Company with a registered capital of RMB10 billion and the Company holds 73% of the equity interest. The business covers fund trust, movable property trust, immovable property trust, negotiable securities trust, other property or property right trust and other businesses stipulated by laws and regulations or approved by the CBIRC.

As at the end of the reporting period, Industrial Trust's total assets amounted to RMB68.652 billion, owners' equity was RMB22.411 billion and the asset under management was RMB346.409 billion. During the reporting period, the operating income was RMB5.531 billion, the total profit was RMB1.193 billion and the net profit was RMB932 million. The subsisting size of trust business of Industrial Trust reached RMB274.025 billion, among which, the subsisting size of active management trust business reached RMB79.806 billion, accounting for 29.12%. The Company made full use of diversified financial services and actively served major strategies such as green development, blue economy and rural revitalization. During the reporting period, the Company successfully issued the first single carbon emission green trust plan in Fujian Province and the first ESG-themed securities investment trust in the industry. The Company cooperated with China Environmental Protection Foundation to set up the first green charity trust with the theme of biodiversity protection in China. The Company actively participated in the blue bond investment and the distribution of green customer bond products, and invested a total of RMB952 million in supporting rural revitalization. The stock management scale of family trust business exceeded RMB16 billion, and the number of customers exceeded 1,000. The business scale and the number of customers have doubled.

(3) CIB Fund Management Co., Ltd.

With a registered capital of RMB1.2 billion, of which the shareholding of the Company reaches 90%, CIB Fund Management Co., Ltd., a holding subsidiary of the Company, is principally engaged in fundraising, sales agency services, asset management for specific clients, asset management and other business as permitted by the CSRC. As at the end of the reporting period, CIB Fund has established four branches across the nation, including Shanghai, Beijing, Shenzhen and Fuzhou as well as the wholly-owned fund subsidiary CIB Asset Management Co., Ltd..

As at the end of the reporting period, the total assets of CIB Fund reached RMB4.475 billion, representing an increase of 13.93% as compared to the end of previous year; owner's equity was RMB4.001 billion, representing an increase of 13.99% as compared to the end of previous year. During the reporting period, it recorded operating revenue of RMB1.212 billion, net profit of RMB491 million and a ROE of 13.08%. As at the end of the reporting period, public funds CIB Fund amounted to RMB254.043 billion, of which, the size of non-monetary funds under management was RMB154.317 billion, representing an increase of 19.59% as compared with the end of the previous year.

During the reporting period, the Company made a forward-looking layout of "fixed+" business for the fixed income business, built a fixed income product line covering various risk-return gradients, and provided investors with rich investment choices. The Company improved the refined product management, clarified the product investment strategy, investment style and product positioning, and built high-quality funds with fixed income. The products such as Industrial Opportunity Bond A, Industrial Income Enhancement Bond A and Industrial Annual Profit Fixed Bond achieved better income performance. For the equity business, the Company strengthened the capacity building of the investment research team and gradually improved the talent echelon construction. The Company accelerated the layout of equity funds, focusing on the layout of the track of economic transformation and industrial upgrading, successively issuing thematic funds such as medical care, high-end manufacturing and new energy, and issued two all-market holding funds. The two-year holding hybrid fund of Industrial Xingrui raised nearly RMB8 billion, and the layout of equity product lines continued to expand.

(4) Industrial Consumer Finance Co., Ltd.

Industrial Consumer Finance Co., Ltd. is a controlling subsidiary of the Company. It has a registered capital of RMB1.9 billion, of which the Company had a stake of 66%. It is engaged in provision of personal finance loans, deposit-taking from shareholders' domestic subsidiaries as well as domestic shareholders, lending to domestic financial institutions, issuance of financial debts, domestic interbank lending, advisory and agency services related to consumer finance, fixed income securities investment and other business approved by the regulatory authorities in banking industry.

As of the end of the reporting period, the total assets of Industrial Consumer Finance amounted to RMB61.790 billion, representing a year-on-year increase of 38.67%, and the balance of various loans amounted to RMB58.056 billion, representing a year-on-year increase of 41.86%. During the reporting period, the operating income and net profit amounted to RMB8.391 billion and RMB2.230 billion, representing a year-on-year increase of 29.78% and 65.14%, respectively.

Industrial Consumer Finance insists on deeply cultivating the segmentation of consumer finance, integrating ESG development concept into the practice of inclusive finance, actively exploring and applying cutting-edge financial technology, building a new risk control system and digital operation capability, broadening the boundaries of products and services, and enabling business innovation and high-quality development. During the reporting period, Industrial Consumer Finance actively promoted the preferential education loan - "Xing Cai Plan", participated in the establishment of "Xing Cai Inspirational Growth Base", and created a comprehensive platform for students covering work-study, skills training and career planning. Industrial Consumer Finance actively fulfilled social responsibilities, advocated green consumption, strengthened the protection of consumers' rights and interests, publicized financial knowledge, guided customers to establish rational consumption concepts, and guarded against financial risks. Industrial Consumer Finance also continued to promote diversified financing, completed a syndicated loan raising totaling RMB1.2 billion with the term of two years, issued two tranches of financial bond with total amount of RMB3 billion and issued three ABS production with total amount of RMB6.048 billion.

(5) CIB Wealth Management Co., Ltd.

CIB Wealth Management Co., Ltd. is a wholly-owned subsidiary of the Company with a registered capital of RMB5 billion. Its business covers the public issuance of wealth management products for the unspecified social public, and investment and management of entrusted investor properties; the non-public issuance of wealth management products to qualified investors, and investment and management of entrusted investor properties; financial advisory and consulting services; other businesses approved by the CBIRC.

CIB Wealth Management adhered to the service tenet of "one trust for you wholeheartedly", steadily promoted the quality and efficiency of wealth management business, forges the core competitiveness of investment and research, products, risks and operations, consolidated the traditional advantages of fixed income, strove to improve the multi-asset and multi-strategy products and investment and research capabilities, and was committed to gradually establishing an all-round and comprehensive asset management institution. As at the end of the reporting period, the scale of CIB Wealth Management products exceeded RMB1.35 trillion, total assets amounted to RMB9.507 billion and the net assets amount to RMB9.162 billion. During the reporting period, the operating income achieved RMB3.940 billion and net profit was RMB2.806 billion.

OTHER IMPORTANT SUBSIDIARIES

(6) Industrial Futures Co., Ltd.

Industrial Futures Co., Ltd. is a holding subsidiary of the Company with a registered capital of RMB0.5 billion. Business scope includes: commodity futures brokerage, financial futures brokerage, futures investment consulting and asset management business. Industrial Futures is a member of Shanghai Futures Exchange, Zhengzhou Commodity Exchange, Dalian Commodity Exchange and Shanghai International Energy Exchange, and is also a transaction settlement member of China Financial Futures Exchange. Industrial Futures has established a wholly-owned risk management subsidiary - Industrial Yinqi Commodity Trading Co., Ltd.. It has 14 subsidiaries in Shanghai, Beijing, Jiangsu, Zhejiang, Fujian, Guangdong, Shenzhen and other areas, forming a nationwide presence in major economic centers of China and established footholds in areas that it specializes in.

As at the end of the reporting period, Industrial Futures has total assets of RMB11.239 billion, an increase of 18.40% from the end of the previous year. Its aggregate customers' equity amounted to RMB10.097 billion, an increase of

25.28% from the end of the previous year. Its asset management business amounted to RMB11.031 billion, and was rated as "A" class future company for two consecutive years. It actively contributed to the national strategy of the poverty alleviation and rural revitalization. Based on the industry characteristics, Industrial Futures insisted on the requirement of target, deepened industry support and fulfilled social responsibilities. During the reporting period, Industrial Futures launched an "insurance + futures" project covering seventeen rural revitalization work place with a nominal principal of RMB428 million.

(7) CIB Economic Research and Consulting Co., Ltd.

CIB Economic Research and Consulting Co., Ltd. is a wholly-owned subsidiary of the Company with a registered capital of RMB60 million. CIB Research is committed to providing research services in the areas of macroeconomics, green finance, exchange rate commodities, broad asset allocation, industry research and credit research for all parties involved in the financial market.

During the reporting period, CIB Research continued to explore the establishment of research system that serves the high-quality development of economy and matches the demand of development requirement of commercial banks, and actively served the Group, market and customers. It paid close attention on the economic situation, accurately grasped macroeconomic changes and interest rate trends. CIB Research: focused on the market and launch a series of reports on economic cycle, common prosperity, interest rate derivatives and institutional behavior in the bond market; carried out in-depth research on "peak carbon dioxide emissions" and "carbon neutrality", explored the development of green businesses such as green credit, green bonds and green retailing, and continuously published the Industrial Green Prosperity Index (GPI); accurately judged the trend of foreign exchange and commodities, expanded the research on US debt, overseas macro and global liquidity analysis, continuously improved the research framework of foreign exchange commodities, strengthened the research on trading strategies of foreign exchange commodities, and grasped the changes of foreign exchange market; closely focused on the balance sheet of commercial banks, tracked the market and all kinds of assets, established a research system of debt liquidity management, capital replenishment and asset allocation, and actively explored the business trends of commercial banks such as asset management and wealth management; increased the promotion of "regional+industry" research, expanded the coverage of sub-industry research, and established a multi-level industry research report system; tracked the credit market dynamics and the changes of enterprise credit qualifications, continuously expanded the coverage of credit research, further optimized the methodology of credit research, and improved the bond pricing model and other research tools. As at the end of the reporting period, CIB Research signed 28 new clients, and the total number of clients exceeded 240, covering various financial institutions such as banks, insurance, securities and funds, as well as various market participants such as governments and enterprises.

(8) CIB FINTECH (Shanghai) Co., Ltd.

CIB FINTECH (Shanghai) Co., Ltd. is a holding subsidiary of the company. As the Company's technology core and innovation incubator, CIB FINTECH has the full responsibility for the Company's technology research and development and digital innovation. Meanwhile, it provides solutions and export technology products and services for the digital transformation of commercial banking through cutting-edge technologies such as cloud computing, artificial intelligence, open APIs, process robots, and blockchain.

In terms of R&D of the Group, CIB FINTECH has completed key projects such as comprehensive value analysis project of enterprise and financial customers, in-depth integration project of Industrial Steward, peer portal, portfolio management and analysis evaluation system of wealth management subsidiaries, and value-added platform of agency enterprises. Digital RMB supports corporate and personal wallet and acquiring business. CIB FINTECH promoted the orderly "digital industrial" eco-banking system and Basel Accord III project community. CIB FINTECH explored the agile and flexible organization, and made multi-functional linkage for 40 days to complete the supply chain financial capsule project online. Focusing on the intelligent and automatic upgrade of the "turning green into gold" system, CIB FINTECH upgraded the wealth technology system based on the customer's 360 customer view, real-time data service and intelligent marketing, and set up the asset management platform of investment bank with platform and sharing, and continuously empowered three business cards of "green bank, wealth bank and investment bank". In terms of ecological construction, CIB FINTECH has opened its banking platform to carry 7 categories of ecological scenarios with a total of 1,166 partners, with a total of 670 APIs in 12 categories on the shelves, and 1.396 billion calls during the reporting period. For the F-side, CIB FINTECH launched a unified portal for the interbank and financial markets, and 38 small and medium-sized banks were newly launched for the output of science and technology. For the G-side, CIB FINTECH launched the supervision platform of housing rental funds, and the platforms such as electronic certificate system of medical insurance were further promoted. For the B-side, CIB FINTECH launched platforms such as "Industrial Universal", Smart Community Cloud, Education Cloud and Medical Cloud, and the "Goodwill Da", and the supply chain bill platform was successfully connected to the Shanghai Stock Exchange. For the C-side, CIB FINTECH realized the unified mall and unified points project for external operation, and the mobile banking launched the branch's characteristic financial service ecology and "Hao Xing Dong" to realize the improvement of tens of millions of service capabilities. In terms of new technology empowerment, CIB FINTECH has built a technology middle station and a data middle station, and the container cloud should be implemented to the best. The low-code development platform "Xing Mo Fang" covered 43 branches, and the daily average API service of the data middle station exceeded 1.75 million. CIB FINTECH continued to promote the application of algorithm models in small and micro enterprise financing, special asset valuation and other scenarios, with a total of 89 models built, 977 RPA process robots on the line, over 1,800 deployed robots, and over 45 million alternative execution businesses, saving over 550,000 working hours.

(9) China Industrial Asset Management Co., Ltd.

China Industrial Asset Management Co., Ltd., a holding subsidiary of the Company with a registered capital of RMB1.95 billion, was registered with the approval of the People's Government of Fujian Province and the former CBRC and has the qualification to massively acquire and dispose non-performing assets of financial institutions as a provincial asset management company. Its business scope includes: participating in massive acquisition, transferring and disposal of financial institutions' non-performing assets within Fujian Province; acquiring, transferring and disposing nonfinancial institutions' non-performing assets; debt restructuring and corporate restructuring; debt-to-equity swap, managing, investing in and disposing equity assets; bankruptcy management; investment and asset management; asset securitization; fund custody management, among others.

Focusing on "Serving Group and Serving Fujian", Industrial Asset Management actively served regional financing risk prevention and elimination and the optimization of financial ecology. During the reporting period, all business maintained stable and health development, the quality and efficiency of the operation and management had been continuously improved and the operation achieved the expected results. As of the end of the reporting period, Industrial Asset Management had total assets of RMB25.164 billion. During the reporting period, it achieved a net operating income of RMB802 million, a year-on-year increase of 35.11% and recorded a net profit of RMB314 million, a year-on-year increase of 26.32%.

Based on its functional orientation, Industrial Asset Management has further promoted the integration of the Group's special-funded businesses, steadily promoted market-oriented purchasing and storage, and accelerated the innovation and transformation of special-funded businesses. During the reporting period, the Company collected and deposited various types of special assets involving creditor's right of a total amount of approximately RMB21.470 billion, representing a year-on-year increase of RMB5.693 billion; and disposed of various types of special assets involving creditor's right of a total amount of approximately RMB5.886 billion, representing a year-on-year decrease of RMB9.782 billion.

(10) Fujian Financial Service Cloud Co., Ltd.

Fujian Financial Service Cloud Co., Ltd. is a holding subsidiary of the Company with a registered capital of RMB100 million. With the goal of building a "network digital inclusive finance ecology with mutual promotion and mutual benefit", Financial Service Cloud continued to explore the practice and operation of financial digitalization around the three aspects of "data intelligence, open service and diversified ecology", and strove to create a digital twin in inclusive finance.

During the reporting period, Financial Service Cloud deeply served Fujian's high-quality development beyond, further optimized and improved Financial Service Cloud Platform, deeply connected government and bank enterprises, helped policy implementation, facilitated information exchange, and matched banks and enterprises. By the end of the reporting period, the total assets of Financial Service Cloud were RMB30.25 million. 110 financial institutions have settled, covering major banks operating in the province. There were 164.8 thousand registered enterprises. A total of 92.9 thousand financing demands were issued, amounting to RMB333.378 billion; a total of 31.1 thousand financing needs were solved, amounting to RMB104.106 billion, up 163% and 136% year-on-year respectively. The average amount was RMB3,342,400, about 98% of which was inclusive micro-loans. Financial Service Cloud Platform has successfully built "Fujian model" and gradually moved to the whole country. As one of the cooperation projects between Fujian and Ningxia, Ningxia enterprise financing service platform has been officially put into operation. Financial Service Cloud explored the new ecology of digital inclusive finance, adhered to the concept of "open sharing, connecting everything", built an online platform of "Industrial Universal", and built "six clouds" service systems such as cloud financing, cloud payment, cloud account opening, cloud wealth, cloud registration, cloud accounting, etc., continuously connected various platform scenarios such as government affairs, finance, property, industry, Internet, etc., and strove to build an open inclusive finance service ecosystem to help the real economy in an all-round way.

(II) Business analysis

1. Customer lines

Corporate finance business

The structure of the Company's corporate financial assets and liabilities continued to be optimized. As at the end of the reporting period, the balance of corporate deposits in local and foreign currency amounted to RMB3,515.694 billion, increasing by RMB201.370 billion from the end of the previous year. In particular, the balance of settlement deposits in local and foreign currency amounted to RMB1,829.263 billion, increasing RMB217.593 billion from the end of the previous year. The balance of corporate loans in local and foreign currency reached RMB2,553.865 billion, increasing by RMB296.642 billion from the end of the previous year. The corporate finance business had a total of 1.0824 million customers, up by 151.8 thousand from the end of the previous year. The size of corporate finance wealth management business amounted to RMB262.832 billion, increasing by RMB76.073 billion.

Green finance business. As at the end of the reporting period, the balance of green finance business in the on-balance and off-balance sheet amounted to RMB1,386.703 billion, increasing RMB230.943 billion from the end of the previous year. In particular, the balance of green loans of the People's Bank of China was RMB453.940 billion, representing an increase of RMB134.505 billion compared with the end of the previous year. In terms of the promotion of green finance business, in order to serve and support "peak carbon dioxide emissions" and "carbon neutrality", the Company increased green finance support in key areas of pollution reduction and carbon reduction, consolidated and upgraded its business layout in the field of "water, soil and gas" pollution prevention and control, and further optimized credit policies for photovoltaic power generation, wind power generation, hydropower generation and other industries. By the end of the reporting period, the balance of green loans in clean energy industry had increased by 92.38% compared with the end of the previous year. Green financing of RMB90.223 billion was distributed to environmental management-related enterprises in 13 provinces and cities along the Yangtze River Great Protection, which promoted the ecological protection and high-quality development of the Yellow River Basin, and realized the green financial business of RMB30.199 billion. At the same time, innovative business models supported the environmental management of key lake water systems. Focus on the construction of "four economies" in Fujian. During the reporting period, the Company invested RMB55.701 billion in green finance business in Fujian Province, representing a year-on-year increase of RMB22.924 billion. As at the end of the reporting period, the balance of on-balance sheet and off-balance sheet financing of green finance in Fujian Province was RMB98.725 billion, representing an increase of RMB29.758 billion compared with the end of the previous year. In terms of professional support for green finance, the Company renewed the general green finance cooperation agreement with Inner Mongolia Autonomous Region and Guizhou Province. At present, the Company has signed contracts with the Green Finance Reform and Innovation Experimental Zone and other provincial people's governments totaling RMB620 billion. As at the end of the reporting period, the Company has invested RMB674.031 billion in all contracted provinces and regions. By virtue of its professional advantages in green finance, the Company provided "financing + intelligence" services for the construction of green finance reform pilot zones in many places, actively supported the construction of green finance reform pilot zones in Sanming City and Nanping City, Fujian Province, continuously promoted the Company's environmental and climate risk stress test, guided the pilot to carry out environmental information disclosure, and actively fulfilled its social responsibility. The Company took the lead in China's banking industry to adopt the United Nations's initiative - "immediately implementing climate neutrality" and signed the Joint Declaration of Banking Financial Institutions Supporting Biodiversity Conservation. In terms of green financial product innovation, the Company has gradually improved the carbon financial business layout at three levels around the national carbon market: basic financial services in the carbon market, carbon financial product innovation and "trading + market making" in the carbon market. The Company successively released the first carbon remittance loan with forward carbon remittance products as the subject matter, the first batch of carbon-neutral bonds, the first equity-funded carbon-neutral bonds, and the first single carbon-neutral bond index structured deposit. On the first day of the launch of the national carbon market, the Company released two carbon emission quota pledge financing businesses, and joined hands with Xiamen Air to launch the first batch of carbon-neutral air tickets in China. The company jointly launched "water conservation loan" products with the Water-saving Office of Fujian Provincial Water Resources Department, which helped the reform of forest ticket system in Sanming City and released the first "forest ticket pledge loan" in China. In respect of the environmental and social risk management, as at the end of the reporting period, the Company made judgments on the applicability of the Equator Principles to 1,592 projects, of which 919 projects were subject to the Equator Principles, with a total investment of RMB3,854.170 billion.

Group banking business. The operating results in relation to strategic customers and listed companies were remarkable and the capacity of finance service sector for pillar industry was continued to be improved. As at the end of the reporting period, the number of large corporate customers reached 52,612, up by 3,725 from the end of the previous year. The number of subsidiaries of Head Office-level key customers that cooperated with the Company reached 13,350, up by 692 from the end of the previous year. 6,579 companies that are already listed and plan to be listed or prepared to be listed were cooperating with the Company, up by 1,167 from the end of the previous year. Large customer corporate loans in local and foreign currency (excluding discounted bills) reached RMB1,117.136 billion, increasing by RMB167.716 billion from the end of the previous year. Daily average deposits of subsidiaries of Head Office-level key customers reached RMB756.705 billion, increasing by RMB89.972 billion from the end of the previous year. Corporate loans in local and foreign currency (excluding discounted bills) reached RMB668.701 billion, increasing by RMB90.628 billion from the end of the previous year. Daily average deposits of listed and to-be-listed or prepared to be listed companies that cooperated with the Company reached RMB293.331 billion, increasing by RMB43.267 billion from the end of the previous year. In the institutional business sector, the financial agency business hit a new record, and the special bond, finance and consulting business expanded to the full coverage of the province-level regions, and continued to deepened in the region, district and county as well we constantly made a breakthrough in innovation. As at the end of the reporting period, the Company has 37,906 institutional customers, increasing by 4,027 from the end of the previous year. Daily average deposits reached RMB1,000.553 billion, increasing by RMB68.121 billion from the end of the previous year. In the auto finance sector, the Company continued to accelerate the digital transformation, thus the industrial ecosphere scenario construction was sounder. As of the end of the reporting period, the auto finance business has 11,796 customers, increasing by 1,368 from the end of the previous year. Financing balance was RMB219.434 billion, increasing by RMB4.195 billion from the end of the previous year. Daily average deposits reached RMB148.094 billion, increasing by RMB13.893 billion from the end of the previous year.

Small and medium-sized enterprise business. The quality and efficiency of serving the real economy were improved and the inclusive finance achieved rapid development. The Bank launched rural revitalization special sector on Fujian Financial Service Cloud Platform. As at the end of the reporting period, the balance of inclusive micro and small loans according to the CBIRC was RMB298.7 billion, representing an increase of RMB107.5 billion as compared with the end of the previous year; and the number of loans to inclusive micro and small customers was 153.3 thousand, an increase of 62.5 thousand compared with the end of the previous year. The cumulative placement rate for inclusive small and micro loans was 4.45% during the reporting period. As at the end of the reporting period, the Company had 2,020 business outlets, including 1,013 traditional sub-branches and 829 community sub-branches, all of which provided financial services to small and medium-sized enterprises. Medium-sized strategic partner customer marketing services have achieved new breakthroughs in key industries, key customers and key products. The financial eco-service system of science and technology has been continuously built, and the customer base of "Little Giant" has been enlarged. The company set up an ecological cooperation alliance, signed strategic cooperation agreements with the National Equities Exchange and Quotations and the Beijing Stock Exchange, and cooperated with nearly 100 well-known investment institutions. During the reporting period, there were 36.2 thousand cooperative science and technology enterprises, with a loan balance of RMB218.7 billion. Digital transformation continued to advance, and the contract amount of online financing for small and micro enterprises reached RMB12.8 billion. The product system of "Industrial Universal-Quick Easy Loan" has been continuously enriched, and the platform of "Industrial Universal" has been officially launched. The cooperation with the industrial Internet platform has achieved initial results.

Transaction banking business. During the reporting period, all indicators made steady progress and the overall development was smooth. The series of online products of ""Xing Xiang Supply Chain" were becoming more and more perfect, creating a one-stop service system of the whole network covering settlement tools such as bills, letters of credit and letters of guarantee, scene patterns and personalized customization. The Company deeply cultivated key industries such as medical care, education, housing and construction, and launched head office-level scene ecological platforms such as comprehensive medical payment service platform, education cloud platform and housing rental fund supervision platform. The Company continued to promote global fund management products, and gradually improved cross-border financial service capabilities. As of the end of the reporting period, the qualified balance of supply chain financing was RMB325.216 billion, representing an increase of RMB25.842 billion or 8.63% as compared with the end of the previous year. The number of cooperative core enterprises was 669, and the number of upstream and downstream customers driven by core enterprises was 9,637, an increase of 1,759 or 22.33% as compared with the end of the previous year. The pooling volume of the bill pool business was RMB292.540 billion, a year-on-year increase of RMB60.354 billion or 25.99% from the end of the previous year. The business volume of bill pool financing was RMB245.798 billion, a year-on- year increase of RMB51.691 billion or 26.63% from the end of the previous year. The number of the implemented scenario ecology project customers was 3,174 in total. In particular, the new implemented project reached 1,015, a year-on-year increase of 14.17%. The number of corporate financial merchants of Internet payment was 39.6 thousand, and the transaction volume was RMB162.5 billion. The local and foreign currency cross-border settlement amount was USD274.460 billion, an increase of USD46.785 billion from the same period last year or a year-on-year increase of 20.55%. The average daily foreign currency deposits of domestic corporate finance were USD13.523 billion, and the average daily foreign currency loans of corporate finance was USD11.472 billion.

Retail finance business

The scale of corporate retail loans and comprehensive financial assets of retail customer increased steadily, and the net operating income of retail business continuously increased. As at the end of the reporting period, the number of retail banking customers (including credit cards) was 79.22 million (excluding the effect of the cancellation of inactive account with nil balance in bulk), an increase of 48.597 million over the end of the previous year. In particular, VIP customers amounted to 3.6989 million, an increase of 0.2484 million over the end of the previous year. The balance of personal deposits was RMB796.336 billion, representing an increase of RMB66.709 billion from the end of the previous year, of which savings deposits amounted to RMB775.508 billion, representing an increase of RMB83.028 billion from the end of the previous year. The balance of personal loans (excluding credit cards) was RMB1,385.394 billion, an increase of RMB121.674 billion from the end of the previous year. During the reporting period, net operating income of retail banking was RMB69.796 billion. During the reporting period, accumulated number of customers bound debit cards and credit cards was 42.5805 million, an increase of 3.1572 million or 8.01% from the end of the previous year, while the bundled rate achieved 52.22%, an increase of 4.28 percentage points from the end of the previous year. During the reporting period, the accumulated transaction number of debit cards and credit cards for express payment was 2.886 billion, a year-on-year increase of 20.46%, while the total transaction amount debit cards and credit cards for express payment was RMB1,380.558 billion, representing a year-on-year increase of 35.97%. The Company developed 20.0354 million mobile payment customers of UnionPay cloud flash payment, an increase of 3.6692 million or 22.42%.

As to the retail wealth business, the Company insisted on the concept of creating value for customers, and adhered to the selection of high-quality products in the whole market, enriched the product system of "Industrial Preferred", and created the golden business card of "Wealth Bank". During the reporting period, in terms of retail wealth products, the sales volume amounted to RMB5.07 trillion and the intermediate business income recorded RMB8.393 billion, representing a year-on-year increase of 10.98%. In particular, the income of intermediary business in sales of public funds increased by 109.92% year-on-year. As at the end of the reporting period, the retail consolidated financial assets amounted to RMB2,609.009 billion, representing a year-on-year increase of 9.90% and the consolidated financial assets of retail wealth were RMB1,812.674 billion, representing a year-on-year increase of 10.23%. The customers of retail wealth were 3.9211 million, representing a year-on-year increase of 10.67%. The retail debt business strengthened the expansion of core liabilities, and the overall scale grew steadily, focusing on the development of basic settlement businesses such as payroll, online receipt and third-party depository, actively building customer acquisition platforms and payment scenarios, laying a solid business foundation, and improving the ability of low-cost debt expansion.

Leveraging on the constitutional advantage of "investment bank and asset management", private banking business achieved steady and rapid development. As at the end of the reporting period, the Company had 58,255 private banking customers, an increase of 9,695 customers or 19.96% from the end of the previous year. The monthly average daily AUM of private banking customers was RMB742.45 billion, an increase of RMB108.73 billion or 17.16% from the end of the previous year. During the reporting period, there were 667 new family office businesses, with RMB9.95 billion of new and additional funds. The Company launched the exclusive service scheme of "Promoting Enterprise Club" for entrepreneurs, and set up a package of financial service system of "individual-enterprise-family". During the reporting period, 35 products were completed, with a scale exceeding RMB3 billion. In April 2021, the Company's private banking franchise was approved to be established and opened in December. It is the first licensed private banking franchise of domestic joint-stock banks in the past decade, and the only private banking franchise approved by the regulatory authorities in the past decade.

The credit card business has grasped the opportunities of consumer finance market in the new development stage and the consumption characteristics in the post-COVID-19 pandemic era, and its operating efficiency has been steadily improved. As at the end of the reporting period, the Company issued 59.7013 million credit cards, with 3.0792 million new cards issued during the reporting period; the cumulative transaction amount during the reporting period was RMB2,637.877 billion, representing a year-on-year increase of 14.16%. The Company achieved a significant increase in platinum card production capacity and card issuance ratio, and the customer base structure was continuously optimized. Relying on the digital capability, the Company continues to push forward the refined iteration of customer portraits, and around the business journey and the needs of customers at all stages of their life cycle, it created brand marketing activities with characteristics such as "6 points" and "enjoy it on Thursday", and the customer activity rate remains at a high level. The Company has accelerated the construction of digital business platform, consolidated the "Net Weaving Project", and the number of "Hao Xing Dong" APP customers tied to cards and monthly customers has been continuously improved. The Company strengthened the construction of intelligent risk control, focused on the key nodes in the whole process of risk management and control, relied on financial technology and big data to improve the ability of risk prediction, insight and control, and innovated the disposal methods of non-performing assets to ensure that the quality of credit card assets remained at a good level.

The retail Internet finance business continually enhanced the service and operation of online platform such as mobile banking, Xing Zhi Hui and City Service. As at the end of the reporting period, mobile banking had 43.2603 million active customers, an increase of 6.2597 million compared with the end of the previous year, and 15.6315 million monthly active users (MAU). During the reporting period, the cumulative number of mobile banking transactions was 301.9239 million, representing a year-on-year increase of 10.09%. There were 14.2243 million active personal Internet banking customers and 15.26 million contracted customers for "Qianda Money Manager"; the replacement rate of Internet financial counter transaction was 96.05%. The number of online transactions of the Company's major financial products (including wealth management, funds and insurance) accounted for over 98% of the total pipeline. In line with the digital transformation, the Company promoted the construction of wealth technology, supported to enhance the brand of "wealth bank", deepened the construction of smart banking and promoted smart banking business. The two wheels of Xing Zhi Hui + enterprise WeChat drove social operation. The Company has built three ecological circles and launched the mobile banking investment ecological circle, deeply cultivated the ecosystem of urban services, diversified finance and other scenes, connected the ecosystem efficiently with light application platforms, and actively built the ability to connect everything. During the reporting period, the Company has cooperated with 44 branches to complete the "city service" launch of 118 cities. For multi-financial agency zone, the Company provided exclusive agency service, customized "private pay card zone" to serve migrant workers. The Company practiced inclusive finance, "Yi Yuan Tan Hui" added color to green finance, and "Xing Hui Edition" of mobile banking helped rural revitalization.

Interbank financial services

Insisting on the positioning of "integrated service provider for financial institutions" and "integrated operator of financial markets", the Company launched financial market business based on interbank cooperation to provide in-depth services to interbank customers, financial markets and the real economy. During the reporting period, the Company gave full play of the advantage of the basic business system of "entire customer base, entire market, all products and entire chain", continued to improve the capacity of comprehensive financial service of "clearing and settlement + depository and custody", "investment + financial market" and "investment banking + wealth management", further expand the business transformation and development, thus further improving the comprehensive interbank financial value.

The Company's interbank cooperation penetrated into various fields of the domestic financial industry, provided comprehensive financial solution to interbank customers, enhanced cooperation with financial factor markets in respect of clearing and settlement, financing services, investment trading and system construction, etc., and continuously increased the market shares of products and service as well as the industry influence. At present, the cooperation coverage rate of major domestic corporate clients in the same industry has reached more than 95%, among which "non-bank (financial institution) fund management cloud" covers 92% of major non-bank financial institutions. The Company has established a global cross-border banking service network with 1,002 banks in 95 countries and regions around the world, and 146 Chinese and foreign banks have become indirect participants in the Cross-Border Inter-Bank Payments System (CIPS) of China through the Company. At the same time, the Company has joined hands with the head non-bank institutions to build an "investment bank + investment" ecosystem-innovative businesses such as IPO of red-chip enterprises and public offerings of REITs have taken the lead in the market, and the direct financing needs of bond issuance and underwriting and M&A loan services. By using the concept and tools of open banking, the Company aggregated excellent products and shares superior channels, further opened the high-quality products and services of the Company and its peers to the vast number of enterprises and individual customers, and supported the comprehensive needs of end customers in investment and financing, wealth management, old-age security and other levels. During the reporting period, the scale of the Company's inter-bank liabilities remained stable and the cost was properly controlled. The large-type asset allocation among peers has been continuously optimized, the proportion of standardized products has remained at a high level, and the sales and trading capabilities have been continuously enhanced, effectively driving the development of depository, custody and investment banking businesses. The scale and efficiency of bill business have increased rapidly, and special products such as green bill and "Xing e Tie" have facilitated enterprise financing and effectively served the real economy.

The Bank-to-Bank Platform is the first financial interbank cooperation brand launched by the Company in China. Focusing on "One finance technology cloud + wealth management, investment trading, payment and settlement + international version", it provided a comprehensive range of financial services to 2,344 legal entities, including wealth management, payment and settlement, capital transactions, cross-border finance, technology finance and capital replenishment. During the reporting period, the Bank-to-Bank Platform was newly upgraded, which promoted the digital transformation of interbank and financial market business, and provided one-stop comprehensive financial services such as settlement, investment, financing, custody, payment and financial information for interbank customers, with 6,723 registered customers. The Company took advantage of its partners circle in the same industry, connecting the supply side and the demand side of wealth management. "Wealth Cloud" has been developing the bank wealth management market, and has launched 65 national and regional commercial banks, provincial rural credit cooperatives and other financial institutions, forming a unique terminal sales channel for the Group, delivering high-quality wealth management to the third and fourth lines and rural areas, increasing residents' property income, helping rural revitalization and promoting common prosperity. "Qianda Money Manager" increased its cooperation with large urban and rural commercial banks, listed banks, wealth management subsidiaries and other institutions, and the richness of its products has been increasing, thus building the brand of united wealth platform and wealth management. During the reporting period, the Bank-to-Bank Platform sold wealth products of RMB1,063.763 billion to peers and their end customers, representing a year-on-year increase of 52.69%. The Bank-to-Bank Platform served the multi-level payment and settlement needs of its peers, and the cross-bank collection and payment product "Hui Shou Fu" provided services to 188 institutions in the fund, insurance, trust, consumer finance, wealth management subsidiaries and other industries. During the reporting period, the settlement amount of payment products of the Bank-to-Bank Platform was RMB7.97 trillion yuan, representing a year-on-year increase of 12.89%. The Bank-to-Bank Platform served the RMB internationalization strategy, providing agency fund settlement services for 146 domestic and foreign banks to access the RMB cross-border payment system, 10 bond northbound trading market makers and 4 southbound trading investors, with a cross-border RMB settlement volume of RMB683.393 billion, representing a year-on-year increase of 35.25%, and promoting small and medium-sized banks to act as agents for foreign currency clearing, capital borrowing, foreign currency bond investment, FICC and other business cooperation. For the export of science and technology, the Company has cooperated with 421 banks in information systems, of which 263 have been implemented online. By providing professional services such as capital supplement, diversified capital utilization, technology and finance, research and training for small and medium-sized banks, the Company can realize its own commercial value in the transformation and development of small and medium-sized banks.

2. Public products line

Investment banking business maintained steady development. As at the end of the reporting period, the underwriting scale of non-financial corporate debt financing instruments was RMB712.650 billion, representing a year-on-year increase of 8.88%; the underwriting scale of overseas bonds was USD7.437 billion, representing a year-on-year increase of 42.23%. The Company jumped to the first place among Chinese-funded stock companies. The Company underwrites RMB30.741 billion of green non-financial corporate debt financing instruments, representing a year-on-year increase of 288.05%, ranking first among joint-stock banks. The Company promoted the high-quality development of bond business and optimized the bond structure. The Company continued to increase its exploration in key areas such as M&A financing, syndicated financing, asset securitization and capital market, promoted the optimization of customer structure and diversification of business models, deepened the construction of the investment banking ecosystem, and improved the asset sales and matching ability with the help of the "Xing Cai Zi" platform". The Company has made many first transactions in the market, including the first carbon-neutral M&A debt financing plan, the first green equity-funded bill, the first batch of carbon-neutral bonds, the first batch of sustainable development-linked bonds, the first green rural revitalization bill, the first batch of old revolutionary area revitalization and development bonds, and the first debt financing plan of housing lease receivables, etc.

As to asset management business, the Company continued to promote the business transformation to meet the diversified wealth management demand of customers. As at the end of the reporting period, the balance of off-balance-sheet wealth management products of the Company (including wealth management subsidiaries) was RMB1,785.645 billion, an increase of 21.00% year-on-year. In particular, the balance of products with fixed yield, mixed profiles, equity products and commodities and financial derivative instrument was RMB1,634.348 billion, RMB149.191 billion, 1.926 billion and RMB0.18 billion, respectively. The Company steadily promoted the rectification of stock business during the transition period. At the end of the reporting period, the balance of new products meeting the new asset management regulations exceeded RMB1.68 trillion, accounting for 94.13% of the total balance of wealth management products, representing of a year-on-year increase of 21.89%. The company continued to polish its investment research, products and risk control capabilities around its main business. For the investment and research side, the Company took independent investment and research capacity building as the main body, improved diversified asset allocation and strategy application such as commodities, derivatives and cross-border assets, and enhanced product performance and value creation ability. For the product side, the Company optimized the fixed income product strategy and term layout, increased the innovation of fixed income+, mixed and equity products, and issued a number of ESG-themed wealth management products. As at the end of the reporting period, the scale of ESG products managed exceeded RMB35 billion. For the channel side, the Company exerted the advantages of the Group and peers' ecosystem, promoted the construction of channel sales network, expanded the cooperation of many overseas sales agencies in prime banks, promoted the improvement of the product service system for high net worth customers and institutional customers, and steadily improved the private banking business and institutional account business.

As to the capital business, the Company continued to promote the high-quality development of "Bond Bank" and "FICC Bank". As for the bond bank, the Company continued to increase its market-making volume, enhanced the underwriting of governments bonds, local government bonds and policy bank bonds and consolidated the leading position in the market. The Company focused on enhancing the ability of building high-quality bond assets, taking bond investment as the starting point, strengthening the linkage between the total score of local bonds and credit bonds, increasing the investment in green bonds, and further promoting the integration of investment, sales, research and investment. The overall benefit of the Group has improved significantly. For FICC Bank, the effect of light capital transformation has been continuously enhanced. The Company has continuously consolidated the development foundation of key businesses such as exchange rate hedging, bond lending and bond sales, increased its revenue, continuously promoted the innovation of new structured deposits, credit derivatives and other products in combination with market demand, and at the same time increased the sales of over-the-counter bonds to enhance the market competitiveness in an all-round way.

The asset custody business maintained the development momentum of marking steady progress. As at the end of the reporting period, the Company had 31,634 products under online custody, ranking second in the industry; the scale of asset custody business was RMB14,116.624 billion, an increase of RMB1,110.672 billion or 8.54% compared with the end of the previous year, of which the scale of trust products continued to rank second in the industry and the scale of securities investment fund custody business climbed up to the first in the joint-stock banks. During the reporting period, the custody intermediate business income recorded RMB3.553 billion, a year-on-year increase of 19.68%. The product structure was further optimized, and the proportion of revenue from valuation products continued to increase and reached 53.07%, including securities investment fund custody business scale of RMB2,130.655 billion, up 37.45% from the end of the previous year. The Company actively participated in the first batch of public offerings of REITs in the market and successfully managed the Zhongjin Prologis Closed Infrastructure Securities Investment Fund to help the high-quality development of the real economy.

3. Operation Support

For the operation management, on the basis of doing a solid job in business support and security internal control, the Company continued to increase the construction of centralization, flattening, process-oriented, standardization, factory-oriented, automation and intelligence, comprehensively promoted the digital transformation of Operation 3.0, and laid a solid foundation for the high-quality development of the Company. The Company has improved the support of the middle desk in its operation, further optimized the journey of open customers, basically completed the transformation of "centralization, integration, modularization and visualization" of intelligent machines and tools in the hall, fully realized paperless counter transactions, gradually promoted the counter mobile service platform, further improved the level of cash management, and made orderly progress in the construction of the central desk for unified payment and settlement. During the reporting period, the Company deepened the refined management of the operation background, and the intelligent customer service diversion rate was 36.26%, representing a year-on-year increase of 9.29 percentage points. The remote video banking service was further extended to account opening and other business scenarios. The background automation level of centralized and emerging business accounting has been continuously improved, and the business scope has been continuously expanded through process reengineering and simplification. The Company strengthened the internal control of operational compliance and business continuity management, and carried out the prevention and control of telecommunication network fraud and cross-border gambling risks, and the risk prevention of speculation in virtual currency transactions. The Company established multiple backup mechanisms to ensure business continuity, and actively assisted branches affected by the COVID-19 pandemic. The Company strengthened the construction of continuous operation risk control system, strengthened operation inspection and supervision, extended operational risk prevention and control to online anti-fraud capability, built operational management risk defense line, and ensured stable operation.

IT work continued to empower the group business development and achieved remarkable results. In terms of "connecting everything", the F-side accelerated the construction of the wealth cloud of financial institutions. As at the end of the reporting period, the wealth cloud had launched 65 cooperative channels, completed the unified portal of interbank and financial markets, and realized the unified brand and service of interbank and financial markets. For the G-side, the Company completed the construction of the head office-level platform such as the comprehensive medical payment service platform, and accumulated 39 online medical institutions, further enriching the customer acquisition scenario from the G-side to the C-side. For the B-side, the Company launched the "Industrial Universal" platform to realize all-round, online and scene-based financing services. As at the end of the reporting period, the "Industrial Universal" platform had connected with 274 external platforms. For the C-side, the Company continued to use mobile banking to promote the branch's characteristic financial service ecology, and used distributed technology to support the promotion of tens of millions of service capabilities of "Hao Xing Dong", and unified points and unified mall were delivered successfully. As at the end of the reporting period, "Hao Xing Dong" had tied up 25.742 million cards, representing an increase of 34% compared with the end of the previous year. In terms of empowering "three business cards", the green bank actively promoted the docking with the national carbon trading registration system, developed over 300 indicators of green financial loans, and continuously improved the level of refined management; projects such as unified shelves of wealth products of the wealth bank were put into production smoothly, and the internal force of innovation was comprehensively improved; the investment bank started the construction of investment banking asset management platform, effectively integrated product capabilities such as bond issuance and underwriting, asset securitization, and built platform services to support business innovation management. In terms of investment in science and technology, as at the end of the reporting period, the Company's investment in science and technology was RMB6.364 billion, representing a year-on-year increase of 30.89%, accounting for 2.88% of the operating income, up 0.49 percentage points. The scientific and technological team continued to grow. As at the end of the reporting period, the Company had 3,303 scientific and technical personnel, accounting for about 6.45% of the total number of employees.

(III) Risks and risk management during the reporting period

1. Overview

The Company has formulated the development strategy laying equal stress on business operation and risk management, established the advance, in-process and subsequent risk control system centering on risk assets management, and improved the risk management system and operation procedures for various businesses and the risk accountability and punishment mechanism. The credit risks, market risks, liquidity risks, operation risks and country risk, bank account book interest rate risk, reputation risk, strategic risk, information technology risk and anti-money laundering risk exposed to various businesses and customers are included in the scope of comprehensive risk management. In addition, the Company further clarified the specific duties of the Board of Directors, Board of Supervisors, senior management and executives in respect of risk management and formed a specific, clear and effective comprehensive risk management system. In daily risk management, the business department, risk management functional departments and internal audit department form "three lines of defense" of risk management with clear responsibilities and duty segregation to achieve the risk management goals. In 2021, facing with the complicated situation with rising risks and challenge, the Company adhere to the new development concept, earnestly implemented risk prevention and control, enhanced risk empowerment, promoted digital transformation and improved the quality and efficiency of non-performing, so as to accelerate the quality development of business transformation.

2. Credit risk management

The Company's credit risk management objectives are: establishing and continuously improving the credit risk management system, promoting the specialization level and refinement of credit risk management, optimizing the orientation of credit and customer structure, constantly reinforcing risk management and control of the overall credit business process, realizing the balance between risks and gains, and effectively controlling risks.

Increasing asset quality control in key areas. According to the changes of economic situation and external regulatory requirements, the Company has continuously strengthened the assessment and investigation of risk hotspots and key areas such as local government financing business, real estate business and loan capital flow. The Company has established a whole life-cycle risk early warning mechanism for bonds, a centralized control mechanism for bonds and a rapid disposal mechanism for risky bonds, and enhanced the ability of proactive early warning and withdrawal of bond credit risks. Improving the pertinence of credit policy. The company adhered to the integration of risk and business, implemented a differentiated credit policy of "protecting, controlling and compressing", actively guided credit resources to industries with low energy consumption, low emission, low pollution, high efficiency and good market prospect, vigorously promoted green gold business, adjusted the approval authority of green project loans, and optimized credit policies of related industries. The Company followed the new pattern of "internal circulation + double circulation", explored business opportunities in emerging industries, and optimized credit strategies in industries such as new energy vehicles, biomedicine, photovoltaic industry, 5G industry and integrated circuits. The Company increased its support for science and technology-based enterprises, established a credit evaluation model of "technology flow", increased investment and financing support for the transformation and industrialization of scientific and technological achievements, and vigorously promoted the development of science and technology financial business. Promoting the construction of intelligent risk control system. The Company has started the implementation of the Group's intelligent risk control system, and completed the first-stage functional launch, which has improved the storage and processing capacity of massive data, provided one-stop inquiry of risk information, screening of risk projects, hard control of risk project systems and maintenance and rectification of group customers, and effectively improved the quality and efficiency of credit granting and risk management. Improving the effectiveness of risk asset disposal. The Company vigorously expanded the disposal channels, strengthened the market operation of "commercial bank + investment bank" for special assets, effectively integrated market resources, and improved the disposal efficiency and gold content. The company applied financial technology to improve the level of intelligent collection, developed a management system for collection and disposal of special assets, and promoted online and digital management of special assets. The Company implemented the hierarchical and classified management of the assets stored in account reconciliation, fully dug the collection value of the assets stored in account cancellation, and improved the quality and efficiency of disposal and operation of non-performing assets. The Company strengthened the management of large-sum risk exposure, implemented the provisions of the Measures for the Management of Large-Sum Risk Exposures of Commercial Banks (Order No. 1 of 2018 of the CBIRC), continuously established and improved the Group-wide large-sum risk exposure management system, promoted system improvement, system construction and information governance, measured and dynamically monitored the concentration of exposures. The Company's various exposure concentration indicators were controlled within the regulatory requirements during the reporting period.

3. Liquidity risk management

The Company's liquidity risk management objectives are to prevent liquidity risk and ensure payment needs, improve the efficiency of capital utilization and ensure the sustainable and healthy development of various businesses, maximize the profit and value of the bank within the tolerable risk range and achieve the unity of "safety, liquidity and profitability" and ensure that the regulatory indicators of liquidity risk meet the regulatory requirements through asset and liability management means.

During the reporting period, the Company's liquidity operated steadily, with the liquidity regulatory indicators continually meeting the requirements. The Company has improved the long-term mechanism for the development of settlement deposits and continued to expand settlement deposits. On one hand, along the upstream and downstream of the industrial chain, the Company sped up the construction of the scene ecosystem, focused on key customer groups, strengthened the marketing of key settlement products, and improved the efficiency of deposit expansion. On the other hand, the Company continued to promote the construction of "Net Weaving Project", enriched the payment scenarios, optimized the customer service experience and increased the deposit rate through the customer life cycle operation. According to the trend of market interest rate, the Company reasonably controlled the type and term structure of active liabilities. When the market interest rate price was relatively low, the Company increased the issuance of medium and long-term interbank certificates of deposit. The Company successfully completed the issuance of overseas green financial bonds, effectively supplemented the medium-term stable funding sources, and improved the debt stability. The Company strengthened the daily monitoring and analysis of liquidity risk-related indicators, and properly made forward-looking management to ensure that liquidity risk was controllable and regulatory indicators were up to standard.

4. Market risk management

Market risk refers to interest risks of transaction accounts, stock risks, and exchange rate risks and commodity risks of all accounts. The Company's market risk management was to establish and continuously improve market risk management system which matched with the risk management strategies satisfied standard requirements of the New Capital Accord and regulatory requirements of market risk; complete market risk management structure, policies, processes and methods, and promote the specialization level of market risk management, realize centralized and unified management of market risks; facilitate the sustainable and healthy development of relevant businesses with risks under control; promote the digital transformation of market risk management and strengthen the strategic concept of the empowerment of science and technology to realize the goal of improving the digital and smart risk management of risk.

During the reporting period, all the market risk indicators of the company were kept within the limits, and the market risk system ran steadily. The Company actively responded to the changes in the market environment, focusing on quota management and system construction, and steadily pushing forward various tasks: strengthening the identification and measurement of risk factors, improving the multi-level quota system of market risks, and setting the quota scientifically; completing the construction of new standard measurement project of market venture capital. Interest rate risk of transaction accounts and exchange rate risk represent the major market risks confronted by the Company.

(1) Interest rate risks of transaction accounts

The interest rate risks of transaction accounts of the Company mainly rose from RMB bonds business and interest swaps business. Risk management measures were mainly based on quota management. Quota indicators included interest rate sensitivity indicators, credit spread sensitivity indicators, stop loss indicators, etc., which are issued and implemented through annual business authorization and regular investment strategy plans. At the same time, the Company regularly conducted stress tests to effectively prevent tail risks.

During the reporting period, based on the changes in the market situation, the Company conducted analysis on the trend of interest rate on a regular basis, enhanced interest rate risk prevention, pro-actively optimized value management of basis points and strengthened credit spread management and control, maintaining the interest rate risk of trading accounts at a reasonable level. Meanwhile, the Company verified the system measurement model to ensure the accuracy and effectiveness of measurement.

(2) Exchange rate risk

The Company's exchange rate risk of transaction accounts arose mainly from comprehensive position of RMB market making business. Risk management measures focused on exposure limit management. As an active RMB market maker, the Company has proactively controlled its exposure limits, adopted close-to-zero management for the market-making overall positions, and kept relatively low overnight risk exposure.

The exchange rate risk of the Company's accounts rose from the exchange rate risk position in foreign currency capital base item. For this part of the exchange rate risk position arising from assets and liabilities that is inevitable in normal course of operations, the Company maintained the stability of non-trading exchange rate risk exposure by applying to the State Administration of Foreign Exchange for capital settlement or foreign exchange profit settlement.

During the reporting period, the Company closely monitored the exchange rate movement, and analyzed the impact of exchange rate movement in conjunction with the domestic and overseas macro-economic conditions. The Company put forth asset and liability optimization plan, which provided scientific reference for management decision-making. As of the end of the reporting period, the Company's overall exchange rate risk remained stable, and its core risk limit indicators satisfied applicable risk limit requirements.

5. Management of interest rate risk in the banking book

Interest rate risk in the banking book (IRRBB) refers to the current or prospective risk to the bank's overall earnings and economic value arising from adverse movements in interest rates, maturity structure and other factors. IRRBB primarily includes gap risk, basis risk and option risk. The goal of IRRBB is to maintain stable growth in net interest income and achieve long-term goal of maintaining stable growth in economic value based on judgment in interest rate movement and on the premise of the Company's tolerable risks.

Adhering to the principle of neutral and prudent interest rate risk preference, the Company pays close attention to the changes of external environment and internal interest rate risk exposure structure, combines the influence of interest rate marketization and interest rate curve change trend, implements dynamic monitoring and forward-looking risk management, and flexibly adjusts the active management strategy of interest rate risk. During the reporting period, the Company closely followed the changes of monetary policy and fiscal policy, strengthened the prediction of market interest rate trend, and took forward-looking adjustment measures. On one hand, the Company continued to pay attention to the prevention and control of the COVID-19 pandemic and changes in the economic situation, strengthened macro analysis and judgment, and flexibly adjusted its interest rate risk active management strategy through in-depth analysis and forecast of market interest rate trends; on the other hand, the Company flexibly used management tools such as price guidance, duration management and risk limits to effectively control the interest rate risk in the banking book, grasp the opportunity of reasonable abundant liquidity and obtain long-term funds through active liabilities and moderately control the bond investment duration to ensure the overall interest rate risk exposure maintained stable. As at the end of the reporting period, the interest rate risk level was controlled within the Company's annual interest rate risk control target, and the stress test results also showed that all indicators of the Company remained within the limits and early warning values, and the interest rate risk of bank books was controllable as a whole.

6. Operational risk management

During the reporting period, focusing on the regulatory focus and the changing trend of operational risks, the Company optimized the operational risk management and control measures and continuously improved the operational risk management level. The Company solidly promoted operational risk management by strengthening management infrastructure, improving risk management technology, strengthening risk monitoring and reporting, etc., and strove to improve its operational risk management capability and effectiveness.

The Company continued to pay attention to the business continuity management during the normal prevention and control period of COVID-19 pandemic, and timely intervened and effectively assisted in the escalation of prevention and control in local areas to ensure that the operation of important business processes was not affected by personnel, materials, sites and other factors, and at the same time, the Company continued to carry out business-led emergency drills. The Company has promoted the operational risk measurement and transformation stipulated in the Basel Accord III in an orderly manner, so as to provide a more scientific and effective data base, statistical methods and analytical means, and support the compliance development of the Company's medium-and long-term operational risk capital management. The Company strengthened the use of operational risk management tools. We continued to carry out operational risk assessment and monitoring, strengthened risk prediction through monitoring of key indicators, optimized process risk control identification and assessment, solidified control tools and tested risk monitoring results, actively carried out risk event collection, analyzed causes of events, identified process weaknesses, optimized indicator settings, filled management shortcomings and improved the accuracy of operational risk management and control.

7. Compliance risk management

During the reporting period, the Company carried out the "Year of System and Governance" activity of Industrial

Journey to build the "Industrial Bank under the Rule of Law" and comprehensively improve the Company's compliance risk management level. Strengthening the construction of compliance culture. The Company strengthened the cultivation of compliance concept and comprehensively enhances the awareness of compliance management of all employees of the Company by carrying out "the first leader stresses compliance", case warning education and training, grass-roots level under compliance, and compliance lecture hall. The Company promoted the promulgation and implementation of new laws and regulations such as the Civil Code and the Personal Information Protection Law. The Company strengthened the publicity and implementation of new laws and regulations such as the Civil Code, the Data Security Law and the Personal Information Protection Law, and improved the working mechanism of internalization of external regulations. From the aspects of business development, system improvement, contract management, risk measures and system optimization, the Company made a full assessment, put forward countermeasures, improved internal control and compliance management requirements, and promoted legal compliance empowerment. Strengthening the management of employees' abnormal behaviors. The company revised thirteen bans on employee behaviors, carried out the signing and publicizing activities of the new ban awareness commitment letter within the Company, organized a large-scale investigation of abnormal behaviors of employees of the Company, and issued a list of major negative behaviors of important positions, continuously publicized the list, and strengthened its implementation. Strengthening the Company's comprehensive authorization management. The Company improved its comprehensive authorization management system, clarified its comprehensive authorization classification and authorization process, authorization dynamic adjustment and delegation requirements, authorization inspection supervision and post-evaluation, and promoted the modernization of its governance system and governance capacity. Building an "intelligent system" system. The Company made full use of data and information technology, steadily promoted the intelligent construction of the system, improved the convenience of obtaining the system, strengthened the hard control of the system, and steadily improved the executive force of the system. Deeply promoting the activity of "Internal Control and Compliance Management Construction Year" organized by the CBIRC. According to the work arrangement of the CBIRC, the Company issued an activity plan within the Company, organized self-examination and self-correction, evaluation and acceptance, and deepened the construction of a long-term mechanism for internal control and compliance management.

8. IT risk management

The Company formed and continue to improve the organizational structure of "three lines of defense" of IT risk management comprised of IT Department, Law and Compliance Department, Audit Department and other relevant departments and made full use of various management instruments to realize identification, assessment, monitoring, control, sustained releasing and reporting of IT risks, adopting various measures simultaneously to steadily enhance risk management and control. During the reporting period, the Company continued to carry out forward-looking research in the field of data compliance management. The Company issued the White Paper on Data Compliance of Industrial Bank Co., Ltd., and carried out management improvement work within the group against the provisions of the Personal Information Protection Law.

9. Management of reputational risk

The Company's management of reputational risk was for the purpose of: actively and effectively preventing reputational risk and coping with reputation incidents, and reducing the losses and adverse impacts caused to the Company and the public to the minimum level.

The Company's reputational risk management was in line with the basic principle of "forward looking, matching, full-coverage and effectiveness" and the implementation principle of "hierarchical management, division of labor with individual responsibility, real-time monitoring, prevention first, quick responding, classified treatment, duty in defending own territory, and coordinated response". The Company incorporated reputation risk management into its corporate governance and comprehensive risk management system, continuously improved its reputation risk management system and processes, built a long-term mechanism for reputation risk prevention and control and enhanced the capability and effectiveness of reputation risk management. During the reporting period, the Company conscientiously publicized and implemented the Measures for the Administration of Reputation Risk of Banking and Insurance Institutions (for Trial Implementation) issued by CBIRC, revised and improved the Reputation Risk Management System of the Industrial Bank and the assessment method, established and improved the whole-process management mechanism of reputation risk, continuously consolidated the foundation of press and publicity, public opinion management, information disclosure and customer complaint management, strengthened team building, assessment and evaluation, and training and drills, comprehensively compacted the leadership, main and management responsibilities for reputation risk management, and promoted all institutions of the Bank to further enhance reputation risk awareness, promoted all the organization of the Group to further consolidate the foundation of reputational risk management and continuously improve the prevention and control capability and response capability in response to public opinion. The Company also deeply conducted reputation risk investigation, identification, assessment, monitoring and control, effectively responded to, prevented and resolved reputation risks, and maintained the image of the Group. At the same time, the Company continued to strengthen the source governance, deepen the analysis and judgment of reputation risk events, comprehensively examine the trigger factors of reputation risk, further promote the problem rectification, effectively promote the management improvement, service improvement, process optimization and internal control strengthening, and strengthen accountability, so as to fundamentally implement the customer-centered business philosophy. The Company fulfilled its responsibility of disclosing information of listed company, ensuring the truthfulness, accuracy, completeness, timeliness and fairness, so as to objectively show the business characteristics and performance dynamics of the Company and actively conduct the accumulation of good reputation capital.

10. Management of country risk

The Company's management of country risk was for the purpose of: establishing and continuously improving the Company's country risk management system based on its internationalization process and business growth, adopting proper measurement, assessment and rating system for such risk with a view to accurately identifying and assessing country risks relating to business activities and promoting sustainable and healthy development of its business.

Country risks exist in businesses including granting of credit line, international capital market business, setting up overseas institutions, transaction with correspondent banks and outsourcing service provided by overseas service provider. Based on the degree of risk, country risks are classified into five grades – low, relatively low, moderate, relatively high and high. The limit of country risks has been made according to the country classification and taking into comprehensive consideration the factors such as the cross-border business development strategy and risk preference of the Company. Appropriate management is carried out for each grade. Moreover, country risks are used as major criteria for weighing the management of granting credit to customers.

The Company will continue to pay attention to the financial market turbulence, COVID-19 pandemic, geopolitical events and other events in the countries or regions where the counterparties are established, carefully assess the business situation and actively prevent the risk of financial market fluctuations.

Corporate Governance

I. Corporate governance overview

The Company continued to strengthen the construction of corporate governance, solidify the governing concept of sustainable development and fully implement regulatory requirements, thereby all governance entities perform their respective duties and responsibilities to achieve coordinated operations and effective checks and balances. During the reporting period, the Company elected the tenth session of the Board of Directors and the tenth session of the Board of Supervisors, further improving top-level system design. During the reporting period, the general meeting of the Company operated in a standard way according to the law. The Board of Directors and the Board of Supervisors fully performed their functions in making strategic decisions and supervision. The special committees actively performed their duties of assisting in decision making and supervising. The directors and supervisors continuously enhanced their capability and professionalism in fulfilling their duties through high-quality investigations, study and inspections. The management effectively implemented the decision opinions of the Board of Directors and the supervision recommendations of the Board of Supervisors to firmly promote the implementation of "1234" strategy. The businesses of the Company witnessed the sustainable and steady development of the Company, and the interests of all shareholders and stakeholders were effectively safeguarded.

(I) Shareholders and general meetings

During the reporting period, according to the requirements of the relevant laws and regulations, the Articles of Associations and the rules of procedures for general meetings, the Company convened 2020 annual general meeting and 2021 first extraordinary general meeting through a combination of on-site meetings and online voting to consider and approve 22 proposals such as the report of the Board of Directors, the report of the Board of Supervisors, the financial budgets and final accounts, the distribution scheme of profit, issuance of write-down tier-2 capital bonds, issuance of convertiable corporate bonds, election of directors of the tenth session of the Board of Directors, election of shareholder supervisors and external supervisors of the eighth session of the Board of Supervisors, amendments to the Articles of Association and change of domicile and four reports such as work reports of independent directors, performance assessment of directors and supervisors and information on related party transactions were heard. Meanwhile, the Company improved its communication channels with shareholders by heeding their opinions and suggestions actively, so as to ensure that the shareholders' right to know, the participation right and voting right for the major events in the Company could be exercised in accordance with the laws and regulations. During deliberation, where there are significant matters involving the interests of small and medium investors, the votes of small and medium investors shall be computed separately and disclosed.

(II) Directors and the Board of Directors

At the end of the reporting period, the Board of Directors of the Company consists of 12 directors. It includes 7 non-executive directors (including four independent non-executive directors) and five executive directors. There are five committees under the Board of Directors, namely, the Strategy Committee, the Risk Management and Consumer Protection Committee, the Audit and Related Party Transaction Control Committee, the Nomination Committee, the Remuneration and Evaluation Committee. With the exception of the strategy committee, the other four committees are chaired by the independent directors. During the reporting period, the Company has held 7 meetings of the Board of Directors and 24 meetings of all committees of the Board of Directors, and deliberated or listened to 234 items accumulatively on various topics, giving play to the Board of Directors' decision-making role in formulating corporate strategies practically, studying business plans, strengthening capital management, intensifying risk management and control and promoting group operation. The Company continuously improved the decision-making and conduction mechanism of the Board of Directors, continuously improved the corporate governance mechanism and enhanced the efficiency of the operation of corporate governance.

Based on the principles of objectivity, independence and prudence, independent directors gave full play to their professional advantages and rich experience, and offered advices and suggestions actively from the perspective of protecting the interests of investors and stakeholders, thus playing a positive role in strengthening the scientificity of decisions made by the Board of Directors and promoting the sustainable and sound development of banking business. Independent directors expressed their independent opinions on a number of major issues, such as periodic financial reports, annual profit distribution plan, nomination of directors, remuneration plan for senior management members and significant related party transactions in an objective and fair attitude, with a particular focus on the external guarantee and fund occupation, use of raised funds, performance report, selection and recruitment of accounting firms, information disclosure, internal control and other matters of the Company, so as to promote the normal operation of related matters under the effective supervision and management of the Board of Directors, and the relevant procedures and contents were legal and conformed with the regulations. Serving as the chairman and member of the committees under the Board of Directors respectively, each independent director paid close attention to the normalization of operation and procedural legality of the Board of Directors and the committees under the Board of Directors, assisted the Board of Directors in making scientific decisions, and effectively improved the quality and efficiency of decisions made by the Board of Directors.

(III) Supervisors and the Board of Supervisors

As at the end of the reporting period, the Board of Supervisors has seven supervisors, including one shareholder supervisor, three employee supervisors and three external supervisors. Under the Board of Supervisors, two special committees were established, namely the Supervision Committee and the Nomination, Remuneration and Evaluation Committee. Both of the committees are headed by external supervisors. The Board of Supervisors, which placed the interests of shareholders and the Company as the top priority, fulfilled its supervision duties and was actively engaged in the project-based research and studies and the auditing investigation, overseeing the Company's development strategies, financial activities, operating decision, risk management, internal control, related party transaction and the duty-fulfillment of the Board of Directors and the senior management. During the reporting period, the Company held seven meetings of the Board of Supervisors and eight meetings of the special committees of the Board of Supervisors to consider or hear 70 issues.

Following the principles of fairness, objectivity and prudence, the external supervisors performed their supervisory duties in a diligent, faithful, professional and compliant manner, comprehensively supervised issues such as business performance, financial report, profit distribution, internal control, risk management, consolidated management of the Group, issuance of convertible bonds and resolutions of the general meeting, focused on and supervised the establishment of a prudent operation philosophy and scientific development strategy by the Board of Directors, and supervised the Board of Directors, senior management and their members to implement the comprehensive risk management and improve the internal control system, and promoted the Company to operate in compliance with the laws and regulations, thereby boosting the sustainable and sound development of the Company. The external supervisors held positions such as the chairman and member of the committees under the Board of Supervisors, carefully studied important decisions, expressed opinions and made suggestions in an independent, professional and objective manner. In addition, they promoted the Company to treat all shareholders fairly, safeguarded the legitimate rights and interests of stakeholders, and actively fulfilled their social responsibilities.

(IV) Senior management

As at the end of the reporting period, the four senior management members of the Company consist of one president and three vice presidents. With the authorization by laws and regulations, the Articles of Association and the Board of Directors, the president takes responsibilities of guiding the overall operation and management activities, specifically implementing the resolutions approved by the general meetings and the Board of Directors, and formulating the annual business plans and investment plans, financial budgets and final financial statements, profit distribution plans, basic management rules and specific regulations.

Several committees were established under the senior management, namely the Business Operation Management Committee, the Assets and Liabilities Management Committee, the Risk Management Committee, the Investment Decision Committee, the Credit Approval Committee, the Internal Control Committee, the Major Purchases Committee, the Business Continuity Management Committee, the Internal Accountability Committee, the Financial Science and Technology Committee, the Green Finance Business Committee, the Credit Card Business Management Committee and the Special Asset Management Committee.

(V) Related party transactions

During the reporting period, the Company continues to strengthen the management of related party transactions, complies with the regulatory provisions of the CBIRC, the CSRC and the Shanghai Stock Exchange and the Articles of Association of the Company strictly, and ensure the effective operation of the relevance management mechanism through strengthening the consultation and declaration of related party, intensifying daily monitoring of the management of related party transactions, strictly implementing the organization, declaration and quota management procedures for major related party transactions, seriously fulfilling the obligations of approval and disclosure of related party transaction, and promoting the information construction of related party transactions and other measures. The related party transactions between the Company and each related party strictly follow the principles of fairness, openness and equivalence, and the terms of the transactions are fair and reasonable and conducted on terms no better than those for similar transactions with non-related parties. The pricing of the transactions is fair, which strongly protects the overall interests of the Company and all shareholders and promotes the standardized and sustainable development of the relevant business of the Company.

(VI) Information disclosure and investor relations

During the reporting period, the Company carried out information disclosure in accordance with the law, prepared regular disclosure reports on schedule, disclosed major issues fairly and in a timely manner and issued more than 60 announcements and governance files, including resolutions of the Board of Directors, resolutions of the Board of Supervisors, equity distribution plans, changes in accounting policies, significant related party transactions, approval progress of bond issuance, appointment of accounting firm, taking office of directors, progress of outbound investment, change in directors' interests and public issuance of A share convertible corporate bonds. The Company strengthened the internal management of information disclosure affairs, organized the confidentiality of insider information and the registration and filing of insiders. The Company built a multi-channel, multi-platform and multi-level information exchange system to safeguard the legitimate rights and interests of investors and effectively transmit the investment value of the Company. The investor relations team communicated with investors through investor relations telephone, email, SSE e-Interaction Platform, brokerage strategy meeting, research reception and other manners and answered their questions on a regular basis. The senior management of the Company was organized to participate in performance promotion, business promotion, roadshow and visits to answer investors' concerns face-to-face in a candid and pragmatical manner.

(VII) Sustainable development and green finance

The Company's Articles of Association specify the business philosophy of sustainable development, the decisionmaking responsibilities of the Board of Directors and the Strategy Committee of the Board of Directors for sustainable development strategies, and the responsibilities of the Risk Management & Consumer Protection Committee of the Board of Directors to evaluate and manage comprehensive risk management matters, including environmental and social risks. The Company established a Green Finance Business Committee, with the President as the head of the Committee, responsible for the overall planning and coordination of the Group's green finance business. The Company set up a Leading Group of Social Responsibility, with the Chairman as the group leader, to fulfill the practical conception of social responsibility of "righteousness in profit" and focus on the performance of social responsibilities at the strategic level. During the reporting period, the Board of Directors and the relevant committees under the Board of Directors deliberated on the 2020 Annual Sustainability Report, comprehensive risk assessment reports of four quarters, listened to special reports on the development of green finance, insisted on consolidating and highlighting the "green bank" business card, and actively explored ways to fulfill social and environmental responsibilities. The Company integrated the performance of social responsibilities with the sustainable development of the bank, added the ESG management responsibilities of the Board of Directors in the amendments to the Articles of Association, renamed the "Strategy Committee" as the "Strategy and ESG Committee" and completed ESG responsibilities accordingly. On the basis of the Fourteenth Five Year Plan and carbon peaking and carbon neutrality ("dual carbon") goals, the Company promoted the formulation of a five-year development plan for green financial business and clarified the development goals of green financial business. Sticking to the green and low-carbon development, the Company attached great importance to the current and long-term influence of the "emission peak" and "carbon neutrality" policies on the economy, promoted product innovation and actively built green assets with a focus on dual carbon targets, the realization of ecological value and the construction of carbon market, and paid attention to the business opportunities of green and low-carbon assets such as photovoltaics and the investment layout of carbon assets, attempting to realize the transformation and development of banks on the principles of "no success without breakthrough, succeeding while making breakthroughs, and advancing in order". During the reporting period, the Company issued the Sub-Strategy of Environmental and Social Risk Management and the Policy of Environmental and Social Risk Management as programmatic normative guidelines to realize environmental protection and increase social welfare with market-oriented management approaches and specialized products and services.

II. Intrduction of general meeting

(I) 2020 Annual General Meeting

Date of convening: June 11, 2021

Reference of appointed websites for disclosure of resolutions: The website of Shanghai Stock Exchange (www.sse.com.cn) and the website of the Company (www.cib.com.cn)

Disclosure date of the publish of resolutions: June 12, 2021

Resolutions at the meeting: 19 resolutions including the resolution regarding the work report of the Board of Directors for 2020, the resolution regarding the work report of the Board of Supervisors, the resolution regarding 2020 annual report and summary, the resolution regarding the 2020 final financial report and 2021 financial budgets plan, the resolution regarding the profit distribution proposal for 2020, the resolution regarding the issuance of write-down tier-2 capital bonds, the resolution regarding the issuance of financial bonds, the resolution regarding the appointment of the accounting firm for 2021, the resolution regarding the Mid-term Capital Management Plan (2021-2023), the resolution regarding granting the related party transaction limit to some related parties, the resolution regarding election of directors of the tenth session of the Board of Directors, the resolution regarding election of shareholder supervisors and external supervisors of the eighth session of the Board of Supervisors, the resolution regarding the public issuance and the listing of A share convertible corporate bonds, the resolution regarding the proposal in respect of feasibility analysis report of the use of proceeds from public issuance of the A share convertible corporate bonds, the resolution regarding the report of the use of proceeds from the previous issuance, the resolution regarding the Mid-term Shareholders' Return Plan (2021-2023), the resolution regarding the proposal in respect of impacts on dilution of current returns of public issuance of A share convertible corporate bonds and the remedial measures, the resolution regarding the proposal on the authorization to be granted by the general meeting to the Board of Directors and its authorized persons to deal with the matters in relation to the public issuance of A share convertible corporate bonds were considered and approved at the meeting. Four reports including 2020 report of duty performance of the independent directors, 2020 evaluation report of duty performance of supervisors, 2020 evaluation report of directors and senior management from the Board of Supervisors and 2020 special report on related party transactions were heard at the meeting.

(II) The first extraordinary general meeting of 2021

Date of convening: November 15, 2021

Reference of appointed websites for disclosure of resolutions: The website of Shanghai Stock Exchange (www.sse.com.cn) and the website of the Company (www.cib.com.cn)

Disclosure date of the publish of resolutions: November 16, 2021

Resolutions at the meeting: three resolutions including the resolution regarding election of two independent directors of the tenth session of the Board of Directors, the resolution regarding amendments to the Articles of Association and the resolution regarding the change of domicile.

III. The board meetings held during the reporting period

(I) The 27th meeting of the 9th session of the Board of Directors of the Company was held in Fuzhou on March 30, 2021. The meeting considered and approved 35 resolutions, including the work report of the Board of Directors for 2020, the work report of the President for 2020, the work report of the Strategy Committee of the Board of Directors for 2020, the work report of the Risk Management and Consumer Protection Committee of the Board of Directors for 2020, the work report of the Audit and Related Party Transaction Control Committee of the Board of Directors for 2020, the work report of the Nomination Committee of the Board of Directors for 2020, the work report of the Remuneration and Evaluation Committee of the Board of Directors for 2020, the evaluation report on Directors' performance of duties in 2020, the resolution regarding formulating Working Rules for the Secretary of the Board, the 2020 annual report and summary, the 2020 final financial report and 2021 financial budgets plan, the profit distribution proposal for 2020, the resolution regarding the issuance of financial bonds, the resolution regarding the change of accounting policies, the resolution regarding the appointment of the accounting firm for 2021, the report on capital management in 2020 and capital management plan for 2021, the capital adequacy report for 2020, the resolution regarding the Mid-term Capital Management Plan (2021-2023), the resolution regarding amendments to the Overall Risk Management Strategy, the report on the implementation plan for the Group's risk appetite in 2021, the report on the classification and risk limit plan of country-specific risks for 2021, the report on Internal Capital Adequacy Assessment Procedure (ICAAP) for 2020, the 2020 sustainable development report, the Proposal on Granting of Related Transaction Quota to Certain Related Parties, the report on related party transactions in 2020, the resolution regarding amendments to the Administrative Measures for Operational Risk, the report on the Compliance Management for Anti-Money Laundering in 2020, the resolution regarding amendments to the Administrative Measures for Anti-Money Laundering, the internal control evaluation report for 2020, the resolution on determination of write-off amount for the doubtful debts for 2021, the resolution regarding write-off of doubtful debts with a single loss of more than RMB100 million (first batch in 2021), the resolution regarding the convening of the 2020 Annual General Meeting, the consumer rights protection plan for 2021-2025, the work plan for consumer rights protection for 2021, and the remuneration distribution plan of senior management for 2020. Reports on the new capital agreement, online financing for small and micro enterprises, personal Internet loans, information technology outsourcing risks and other matters were heard, and relevant regulatory opinion reports were reviewed at the meeting. The Board of Supervisors shall keep the Board of Directors informed of the work of the Board of

Supervisors for 2020.

(II) The 28th meeting of the 9th session of the Board of Directors of the Company was held by means of communication from April 22 to April 29, 2021. The first quarter report of 2021 was considered and approved at the meeting.

(III) The 29th meeting of the 9th session of the Board of Directors of the Company was held in Fuzhou on May 21, 2021. The meeting considered and approved 10 resolutions, including the resolution regarding nominating the candidates of directors for the 10th session of the Board of Directors, the resolution regarding the Company's eligibility for the public issuance of A share convertible corporate bonds, the resolution regarding the public issuance and the listing of A share convertible corporate bonds, the resolution regarding the proposal on the public issuance of A share convertible corporate bonds, the resolution regarding the proposal in respect of feasibility analysis report of the use of proceeds from public issuance of the A share convertible corporate bonds, the resolution regarding the report of the use of proceeds from the previous issuance, the resolution regarding the Mid-term Shareholders' Return Plan (2021-2023), the resolution regarding the proposal in respect of impacts on dilution of current returns of public issuance of A share convertible corporate bonds and the remedial measures, the resolution regarding the proposal on the authorization to be granted by the general meeting to the Board of Directors and its authorized persons to deal with the matters in relation to the public issuance of A share convertible corporate bonds, and the resolution regarding amendments to the Reputation Risk Management System. Reports on business management, risk management, accountability management and other matters were heard, and relevant regulatory opinion reports were reviewed at the meeting.

(IV) The first meeting of the 10th session of the Board of Directors of the Company was held in Fuzhou on June 11, 2021. The meeting considered and approved 6 resolutions, including the resolution regarding election of Lyu Jiajin as Chairman of the 10th session of the Board of Directors, the resolution regarding reappointment of Tao Yiping as the President, the resolution regarding reappointment of Chen Jinguang, Chen Xinjian and Sun Xiongpeng as vice presidents, the resolution regarding reappointment of Chen Xinjian as secretary of the 10th session of the Board of Directors, the resolution regarding the membership of each committee of the 10th session of the Board of Directors, and the resolution regarding write-off of doubtful debts with a single loss of more than RMB100 million (second batch in 2021). The relevant regulatory opinions and the Company's rectification report were reviewed at the meeting.

(V) The second meeting of the 10th session of the Board of Directors of the Company was held in Qingdao on August 26, 2021. The meeting considered and approved 6 resolutions, including the 2021 interim report and summary, the resolution regrading formulating the Interim Measures for Equity Management, the resolution regarding amendments to the Measures for the Performance Evaluation of Directors, the resolution regarding amendments to the Administrative Measures for Insider of Insider Information, the resolution regarding implementation of off-site and centralized outsourcing of certain foreign exchange transaction products and services, and the resolution regarding write-off of doubtful debts with a single loss of more than RMB100 million (third batch in 2021). Reports on business management, group consolidation management, liquidity management, business continuity management, internal control and other matters were heard, and relevant regulatory opinions and the Company's rectification report were reviewed at the meeting.

(VI) The third meeting of the 10th session of the Board of Directors of the Company was held in Fuzhou on October 28, 2021. The meeting considered and approved 8 resolutions, including the resolution regarding nominating two candidates of independent directors of the 10th session of the Board of Directors, the resolution regarding amendments to the Articles of Association, the resolution regarding formulating the Administrative Measures for Commitment of Major Shareholders, the resolution regarding the change of domicile, the resolution regarding investment in and establishment of Industrial Bank International Financial Holdings Co., Ltd., the third quarter report of 2021, the resolution regarding write-off of doubtful debts with a single loss of more than RMB100 million (fourth batch in 2021), and the resolution regarding the convening of the first extraordinary general meeting of

2021. Relevant regulatory opinions and the Company's rectification report were reviewed at the meeting.

(VII) The fourth meeting of the 10th session of the Board of Directors of the Company was held in Fuzhou on December 16, 2021. The meeting considered and approved 11 resolutions, including the resolution regarding adjusting the membership of committees under the Board of Directors, the resolution regarding formulating the Code of Ethics for Directors, Supervisors and Senior Management, the resolution regarding formulating the Administrative Measures for Restoration and Disposal Plan, the suggestion for restoration plan and disposal plan for 2021, the 2022 branch development plan, the resolution regarding amendments to the Administrative Measures for Market Risks, the resolution regarding amendments to the Administrative Measures for Retail Risk Exposure by Risk Pools, the report on retail credit risk internal rating for three-phase model development and verification and application for online implementation, the Proposal on Granting of Related Transaction Quota to Longyan Cultural Tourism Huijin Development Group Co., Ltd. and its affiliated companies, the resolution regarding write-off of doubtful debts with a single loss of more than RMB100 million (fifth batch in 2021), and the resolution regarding write-off of doubtful debts of the subsidiary with a single loss of more than RMB100 million. Reports on business management, green finance, risk management, case prevention and control, IT risks, consumer rights protection, data governance and other matters were heard, and relevant regulatory opinions and the Company's rectification reports were reviewed at the meeting.

IV. The committees under the Board of Directors

(I) The Strategy Committee of the Board of Directors

1. The Strategy Committee consists of five members, namely, Lyu Jiajin, Tao Yiping, Chen Xinjian, Xu Lin and Wang Hongmei, and Lyu Jiajin serves as the Chairman.

2. Meeting date and content

(1) On March 29, 2021, the Strategy Committee convened a meeting to consider and approve 13 resolutions, including the work report of the Board of Directors for 2020, the work report of the President for 2020, the work report of the Strategy Committee of the Board of Directors for 2020, the resolution regarding formulating Working Rules for the Secretary of the Board, the profit distribution proposal for 2020, the resolution regarding the issuance of financial bonds, the report on capital management in 2020 and capital management plan for 2021, the capital adequacy report for 2020, the resolution regarding the Mid-term Capital Management Plan (2021-2023), the 2020 sustainability report, the resolution on determination of write-off amount for the doubtful debts for 2021, the resolution regarding write-off of doubtful debts with a single loss of more than RMB100 million (first batch in 2021), and the resolution regarding write-off of doubtful debts with a single loss ranging from RMB50 million to 100 million (first batch in 2021). The meeting agreed to propose the relevant resolutions to the Board of Directors for consideration in accordance with the Articles of Association.

(2) On May 21, 2021, the Strategy Committee convened a meeting to consider and approve 8 resolutions, including the resolution regarding the Company's eligibility for the public issuance of A share convertible corporate bonds, the resolution regarding the public issuance and the listing of A share convertible corporate bonds, the resolution regarding the proposal on the public issuance of A share convertible corporate bonds, the resolution regarding the proposal in respect of feasibility analysis report of the use of proceeds from public issuance of the A share convertible corporate bonds, the resolution regarding the report of the use of proceeds from the previous issuance, the resolution regarding the Mid-term Shareholders' Return Plan (2021-2023), the resolution regarding the proposal in respect of impacts on dilution of current returns of public issuance of A share convertible corporate bonds and the remedial measures, the resolution regarding the proposal on the authorization to be granted by the general meeting to the Board of Directors and its authorized persons to deal with the matters in relation to the public issuance of A share convertible corporate bonds. The meeting agreed to propose the relevant resolutions to the

Board of Directors for consideration in accordance with the Articles of Association.

(3) On August 25, 2021, the Strategy Committee convened a meeting to consider and approve 3 resolutions, including the resolution regrading formulating the Interim Measures for Equity Management, the resolution regarding write-off of doubtful debts with a single loss of more than RMB100 million (third batch in 2021), and the resolution regarding write-off of doubtful debts with a single loss ranging from RMB50 million to 100 million (second batch in 2021). The meeting agreed to propose the relevant resolutions to the Board of Directors for consideration in accordance with the Articles of Association.

(4) On October 27, 2021, the Strategy Committee convened a meeting to consider and approve 6 resolutions, including the resolution regarding amendments to the Articles of Association, the resolution regarding formulating the Administrative Measures for Commitment of Major Shareholders, the resolution regarding the change of domicile, the resolution regarding investment in and establishment of Industrial Bank International Financial Holdings Co., Ltd., the resolution regarding write-off of doubtful debts with a single loss of more than RMB100 million (fourth batch in 2021), and the resolution regarding write-off of doubtful debts with a single loss ranging from RMB50 million to 100 million (third batch in 2021). The meeting agreed to propose the relevant resolutions to the Board of Directors for consideration in accordance with the Articles of Association.

(5) On December 16, 2021, the Strategy Committee convened a meeting to consider and approve 6 resolutions, including the resolution regarding formulating the Administrative Measures for Restoration and Disposal Plan, the suggestion for restoration plan and disposal plan for 2021, the 2022 branch development plan, the resolution regarding write-off of doubtful debts with a single loss of more than RMB100 million (fifth batch in 2021), the resolution regarding write-off of doubtful debts of the subsidiary with a single loss of more than RMB100 million, and the resolution regarding write-off of doubtful debts with a single loss ranging from RMB50 million to 100 million (fourth batch in 2021). The meeting listened to the report on the development of green finance business, and agreed to propose the relevant resolutions to the Board of Directors for consideration in accordance with the Articles of Association.

During the reporting period, the Strategy Committee of the Board of Directors actively performed its duties, considered and decided on major issues, facilitated the implementation of the resolutions of the general meeting and the Board of Directors and promoted the continuous and steady development of various business of the Company. According to the changes of relevant laws, regulations and regulatory rules and in combination with the actual operation and management of the Company, the Strategy Committee of the Board of Directors organized the revision of the Articles of Association and established systems in relation to corporate governance, further defined and improved the requirements on important issues such as party building, responsibilities of the Company's governance entities, equity management, rules of meeting procedure of directors and supervisors, performance evaluation of directors and supervisors, related party transaction management, and continued to improve the operation mechanism of corporate governance. Accurately grasping the situation changes, the Committee strengthened the research on macro-policies, industrial policies and regulatory policies, actively adjusted the asset structure, made efforts in green finance, wealth management and investment banking, and energetically explored fields like inclusive finance, rural revitalization, housing leasing and pension finance, as well as emphasized legal and compliant operation, deepened data governance and construction of process banking and took preventive measures to resolve risks in key businesses, thereby promoting the steady development of businesses. The Committee organized the issuance of convertible corporate bonds amounting to RMB50 billion and Tier 2 capital bonds amounting to RMB75 billion, boosted capital and stabilize debts through multiple channels, promoted business restructuring and operational transformation, transmitted the assessment requirements of capital occupation to all levels to improve capital efficiency, ensure capital adequacy of the Group and lay a solid foundation for sustainable operation. Moreover, the Committee enhanced the Group's overall value creation and the risk-resistance capacity, properly promoted the standardized settlement of non-financial subsidiaries under Industrial Trust, further strengthened the financial management and statistics and other basic work of subsidiaries, improved the capital management policies and processes of each subsidiary, as well as standardized the consolidated management of the Group and enhanced the coordinated development capability of the Group. The Committee highly valued the influence of the "emission peak" and "carbon neutrality" policies, scientifically judged and studied the policies and industry development, further strengthened the innovation of green financial products and the investment layout of green low-carbon assets, and continued to consolidate and highlight the "green bank" business card. Following the direction of transformation and development, the Committee promoted the implementation of development plans of branches, optimized the layout of outlets with a focus on "light", highlighted digital features, and conducted organization structuring in a realistic manner according to local conditions; clarified the positioning of different outlets, made reasonable input and output, resource allocation and performance appraisal of outlets, took the initiative in coordinating the layout of outlets, and improved the capacity and efficiency of outlets; obtained approval for opening licensed private banking franchisees.

(II) The Risk Management and Consumer Protection Committee of the Board of Directors

1. The Risk Management and Consumer Protection Committee consists of five members, namely, Chen Yichao, Li Zhuyong, Tao Yiping, Ben Shenglin and Qi Yuan, and Ben Shenglin serves as the Chairman.

2. Meeting date and content

(1) On March 29, 2021, the Risk Management and Consumer Protection Committee convened a meeting to consider and approve 13 resolutions, including the work report of the Risk Management and Consumer Protection Committee of the Board of Directors for 2020, the evaluation report on overall risk management for the fourth quarter of 2020, the resolution regarding amendments to the Overall Risk Management Strategy, the report on the implementation plan for the Group's risk appetite in 2021, the report on the classification and risk limit plan of country-specific risks for 2021, the report on Internal Capital Adequacy Assessment Procedure (ICAAP) for 2020, the resolution regarding amendments to the Administrative Measures for Operational Risk, the resolution regarding amendments to the Administrative Measures for Anti-Money Laundering, the consumer rights protection plan for 2021-2025, the work plan for consumer rights protection for 2021, the resolution on determination of write-off amount for the doubtful debts for 2021, the resolution regarding write-off of doubtful debts with a single loss of more than RMB100 million (first batch in 2021), and the resolution regarding write-off of doubtful debts with a single loss ranging from RMB50 million to 100 million (first batch in 2021). The meeting listened to the report on risk management and consumer rights protection, and agreed to propose the relevant resolutions to the Board of Directors for hearing or consideration in accordance with the Articles of Association.

(2) On May 21, 2021, the Risk Management and Consumer Protection Committee convened a meeting to consider and approve 2 resolutions, including the evaluation report on overall risk management for the first quarter of 2021, and the resolution regarding amendments to the Reputation Risk Management System. The meeting agreed to propose the relevant resolutions to the Board of Directors for hearing or consideration in accordance with the Articles of Association.

(3) On June 10, 2021, the Risk Management and Consumer Protection Committee convened a meeting to consider and approve the resolution regarding write-off of doubtful debts with a single loss of more than RMB100 million (second batch in 2021), and agreed to submit it to the Board of Directors for consideration and approval in accordance with the Articles of Association.

(4) On August 25, 2021, the Risk Management and Consumer Protection Committee convened a meeting to consider and approve 4 resolutions, including the evaluation report on overall risk management for the second quarter of 2021, the resolution regarding implementation of off-site and centralized outsourcing of certain foreign exchange transaction products and services, the resolution regarding write-off of doubtful debts with a single loss of more than RMB100 million (third batch in 2021), and the resolution regarding write-off of doubtful debts with a single loss

ranging from RMB50 million to 100 million (second batch in 2021). The meeting listened to the reports on liquidity risk, business continuity, stress testing and other matters, reviewed the reports from regulatory authorities on the complaints about consumer protection in the banking industry, and agreed to propose the relevant resolutions to the Board of Directors for hearing or consideration in accordance with the Articles of Association.

(5) On October 27, 2021, the Risk Management and Consumer Protection Committee convened a meeting to consider and approve 2 resolutions, including the resolution regarding write-off of doubtful debts with a single loss of more than RMB100 million (fourth batch in 2021), and the resolution regarding write-off of doubtful debts with a single loss ranging from RMB50 million to 100 million (third batch in 2021). The meeting reviewed relevant regulatory opinions and the reports from regulatory authorities on the complaints about consumer protection in the banking industry, and agreed to propose the relevant resolutions to the Board of Directors for consideration and approval in accordance with the Articles of Association.

(6) On December 14, 2021, the Risk Management and Consumer Protection Committee convened a meeting to consider and approve 8 resolutions, including the resolution regarding amendments to the Administrative Measures for Market Risks, the resolution regarding amendments to the Administrative Measures for Retail Risk Exposure by Risk Pools, the report on retail credit risk internal rating for three-phase model development and verification and application for online implementation, the resolution regarding write-off of doubtful debts with a single loss of more than RMB100 million (fifth batch in 2021), the resolution regarding write-off of doubtful debts of the subsidiary with a single loss of more than RMB100 million, the resolution regarding write-off of doubtful debts with a single loss ranging from RMB50 million to 100 million (fourth batch in 2021), the restoration plan for the Hong Kong Branch for 2021-2022, and the evaluation report on overall risk management for the third quarter of 2021. The meeting listened to the reports on risk management and consumer protection, reviewed relevant regulatory opinions and the reports from regulatory authorities on the complaints about consumer protection in the banking industry, and agreed to propose the relevant resolutions to the Board of Directors for hearing or consideration in accordance with the Articles of Association.

During the reporting period, the Risk Management and Consumer Protection Committee of the Board of Directors seized the changes in the external environment and development trends, evaluated all kinds of risks encountered in the Company's operation carefully, understood the Company's risk management and consumer protection comprehensively, summarized and evaluated the risk control measures in each stage periodically, guided the Company's risk management work, and promoted the Company's stable and compliant operation. The Committee thoroughly implemented the philosophy of comprehensive risk management, optimized the long-term mechanism of risk prevention and control, and strove to build a comprehensive risk management system that matches the development in a new era by taking the informationization and group integration as the priorities. Closely following the national policy planning, the Committee strengthened the prospective study on macro and industrial policies, and guided the Company to control various risks. Besides, the Committee strengthened the stress testing management, optimized liquidity risk management measures, and improved the overall capacity to manage and control risks, as well as strengthened the risk empowerment and guided the business structure adjustment and transformation to ensure the stable and healthy development of businesses. The Committee also reinforced the unified management and control of the Group's asset quality and business guidance, consolidated the asset quality, strictly observed the bottom line of information security and technology risks, enhanced the continuous operation capability of the Group and laid a solid foundation for digital transformation. In addition, the Committee promoted the improvement of consumer protection system and mechanism, and improved the protection of consumer rights and interests.

(III) The Audit and Related Party Transaction Control Committee of the Board of Directors

1. The Audit and Related Party Transaction Control Committee consists of five members, namely, Xiao Hong, Chen

Jinguang, Su Xijia, Xu Lin and Wang Hongmei, and Su Xijia serves as the Chairman.

2. Meeting date and content

(1) On February 26, 2021, the Audit and Related Party Transaction Control Committee convened a meeting to consider and approve 2 resolutions, including the report on internal audit in 2020 and the plan for internal audit program for 2021. The meeting listened to the reports on progress of the major resolutions of the Board and the audit progress of the accounting firm, and agreed to propose the relevant resolutions to the Board of Directors for hearing or consideration in accordance with the Articles of Association.

(2) On March 29, 2021, the Audit and Related Party Transaction Control Committee convened a meeting to consider and approve 8 resolutions, including the work report of the Audit and Related Party Transaction Control Committee of the Board of Directors for 2020, the 2020 annual report and summary, the 2020 final financial report and 2021 financial budgets plan, the resolution regarding the change of accounting policies, the resolution regarding the appointment of the accounting firm for 2021, the proposal on granting of related transaction quota to certain related parties, the report on related party transactions in 2020, and the internal control evaluation report for 2020. The meeting listened to the report on the audit of the accounting firm, and agreed to propose the relevant resolutions to the Board of Directors for hearing or consideration in accordance with the Articles of Association.

(3) From April 22 to April 28, 2021, the Audit and Related Party Transaction Control Committee convened a meeting to consider and approve the first quarter report for 2021, and agreed to submit it to the Board of Directors for consideration and approval in accordance with the Articles of Association.

(4) On August 25, 2021, the Audit and Related Party Transaction Control Committee convened a meeting to consider and approve 3 resolutions, including the 2021 interim report and summary, the resolution regarding amendments to the Administrative Measures for Insiders of Insider Information, and the Comprehensive Audit Report for Industrial Trust. The meeting listened to the reports on internal audit, rectification of internal control audit deficiencies, rectification for relevant regulatory opinions and other matters, and agreed to propose the relevant resolutions to the Board of Directors for hearing or consideration in accordance with the Articles of Association.

(5) On October 27, 2021, the Audit and Related Party Transaction Control Committee convened a meeting to consider and approve the third quarter report for 2021, and agreed to submit it to the Board of Directors for consideration and approval in accordance with the Articles of Association.

(6) On December 15, 2021, the Audit and Related Party Transaction Control Committee convened a meeting to consider and approve the Proposal on Granting of Related Transaction Quota to Longyan Cultural Tourism Huijin Development Group Co., Ltd. and its affiliated companies, and agreed to submit it to the Board of Directors for consideration and approval. The meeting listened to the 2021 audit plan of the accounting firm.

During the reporting period, the Audit and Related Party Transactions Control Committee of the Board of Directors continued to optimize its member composition, with three of the five members being independent directors (including one female director). The Committee consists of senior experts who are engaged in fields such as green finance and IT finance and have the experience in senior management of relevant organizations, thus providing an important guarantee for the independent and effective performance of the Committee. The Committee continued to improve the preparation of financial reports, internal audit, internal control and related party transactions management, actively strengthened the guidance for and communication with external auditors, guided the audit and review of financial reports, and held meetings to listen to the 2020 annual audit progress report, 2020 annual audit summary report, 2021 semi-annual review report and 2021 annual audit plan, etc.. The Committee requested the auditors to follow the basic principles of "soundness, reasonableness and comparability" when providing statutory audit services for the Company and to offer advisory suggestions on the business strategies and decisions of the Company from a professional and independent third-party perspective to promote the steady development of the Company. The Committee arranged the review of the financial reports of each stage and the annual budget and final account reports in advance, comprehensively analyzed the operating performance of the Company, spoke highly of the prudent operating strategy and achievements of the management, and meanwhile put forward opinions in an objective and independent manner such as continuing to focus on the exposure of potential risks of certain large enterprise groups, and conducting risk forecasting and developing appropriate plans. The Committee strengthened internal audit and internal control evaluation, autonomously selected some special topics and key audit projects, conducted on-site informal discussion and special research, conducted in-depth study of the auditing process and auditing results, guided the internal audit department to clarify the functional positioning, and assisted the investigated organizations and audited institutions in improving their level of operation and management. The Committee attached importance to the internal auditing of the Company, and emphasized that the internal audit department shoulders heavy responsibilities and should steadily advance the construction of audit team, make full use of the findings of external supervision and inspection and constantly improve the level of compliance and internal control. Following the principles of openness, fairness and transparency, the Committee standardized and implemented the management of related party transactions, and examined the matter of granting related party transaction quotas, granting related party transaction quotas. For details of the performance of the Audit and Related Party Transactions Control Committee, Please refer to the 2021 Performance Report of Audit and Related Party Transactions Control Committee of the Board of Directors of Industrial Bank Co., Ltd. disclosed by the Company on the website of Shanghai Stock Exchange.

(IV)The Nomination Committee of the Board of Directors

1. The Nomination Committee consists of three members, namely, Sun Xiongpeng, Ben Shenglin and Qi Yuan, and Qi Yuan serves as the Chairman.

2. Meeting date and content

(1) From April 22 to April 29, 2021, the Nomination Committee convened a meeting to consider and approve the work report of the Nomination Committee of the Board of Directors for 2020, and agreed to submit it to the Board of Directors for consideration and approval in accordance with the Articles of Association.

(2) On May 21, 2021, the Nomination Committee convened a meeting to consider and approve the resolution regarding nominating the candidates of directors for the 10th session of the Board of Directors, and agreed to submit it to the Board of Directors for consideration and approval in accordance with the Articles of Association.

(3) On October 27, 2021, the Nomination Committee convened a meeting to consider and approve the resolution regarding nominating two candidates of independent directors of the 10th session of the Board of Directors, and agreed to submit it to the Board of Directors for consideration and approval in accordance with the Articles of Association.

(4) On December 14, 2021, the Nomination Committee convened a meeting to consider and approve 2 resolutions, including the resolution regarding adjusting the membership of committees under the Board of Directors, and the resolution regarding formulating the Code of Ethics for Directors, Supervisors and Senior Management, and agreed to submit them to the Board of Directors for consideration and approval in accordance with the Articles of Association.

During the reporting period, the Nomination Committee of the Board of Directors earnestly performed its duties according to relevant laws and regulations and the Articles of Association and gave full play to the function of assisting the decision making. The Committee promoted the successful re-election of Directors, fully considered factors such as the corporate governance requirements, changes of major shareholders, the actual operation and management of the Company and professional background of members, organized the selection of candidates and qualification examination for the 10th Board of Directors according to laws and regulations, and reported to the Board of Directors for deliberation and the general meeting for approval. Meanwhile, according to the fact that the term of some independent directors reaches the upper limit specified by the regulatory requirements, the Committee made overall plans to add and supplement the candidates of independent directors, and reviewed their qualifications. Considering the change of members of the Board of Directors and factors such as functions of different committees, and the professionalism, qualifications and representativeness of each director, the Committee assisted the Board of Directors in optimizing and adjusting the member composition of committees under the Board of Directors and reviewed the member adjustment plans of each committee under the Board of Directors, thereby ensuring the orderly coordination and compliance operation of all committees. According to latest regulatory provisions, the Committee studied and formulated the professional ethics standards of directors, supervisors and senior managers to further standardize the performance of directors, supervisors and senior managers, thus facilitating efficient governance and standardized operation of the Company.

(V)The Remuneration and Evaluation Committee of the Board of Directors

1. The Remuneration and Evaluation Committee consists of three members, namely, Chen Yichao, Su Xijia and Xu Lin, and Xu Lin serves as the Chairman.

2. Meeting date and content

(1) On March 29, 2021, the Remuneration and Evaluation Committee convened a meeting to consider and approve 3 resolutions, including the work report of the Remuneration and Evaluation Committee of the Board of Directors for 2020, the evaluation report on Directors' performance of duties in 2020, and the remuneration distribution plan of senior management for 2020, and agreed to submit them to the Board of Directors for consideration and approval.

(2) On August 25, 2021, the Remuneration and Evaluation Committee convened a meeting to consider and approve the resolution regarding amendments to the Measures for the Performance Evaluation of Directors, and agreed to submit it to the Board of Directors for consideration and approval.

(3) On September 23, 2021, the Remuneration and Evaluation Committee convened a meeting to consider and approve the resolution regarding formulating the Standard Operating Rules for the Calculation of the Performance Time of Directors and Supervisors of Industrial Bank.

During the reporting period, the Remuneration and Evaluation Committee of the Board of Directors shall, pursuant to the Company's development strategies and annual business goals, carry out appraisal of business performance of executives of 2020 in accordance with the performance evaluation standards and evaluation procedures, study and propose the remuneration plan for executives of 2020 and submit to the Board of Directors for deliberation, and propose recommendations for improvements to the remuneration system of the executives. In addition, the Committee made conclusion to the duty-fulfillment of each director for the previous year, and completed the duty fulfillment evaluation report of the directors. The Committee revised the Measures for Performance Assessment of Directors and submitted it to the Board of Directors for deliberation. The revised version more accurately reflects the latest regulatory requirements, improves the dimensions and contents of performance assessment of directors, refines the performance assessment requirements for different types of directors, and puts forward higher requirements for directors to actively perform their duties, which is conducive to further improving the corporate governance mechanism. Besides, the Committee formulated the Rules for Calculation Standards of Performance Period of Directors and Supervisors, and unified the standards for measuring the period of performance, so as to urge the directors to fulfill their obligations in a faithful and diligent manner.

V. The description of risks discovered by the Board of Supervisors

During the reporting period, the Board of Supervisors made no objection to the issues under supervision during the reporting period.

VI. Rectification of problems found in self-inspection during the special campaign to improve the governance of listed companies

During the reporting period, the Company earnestly carried out special campaign of corporate governance, identified problems based on the self-check list for special campaign of governance, and then actively rectified the problems found.

Operation of the "Three Meetings". The 10th session of the Board of Directors was elected at the 2020 Annual General Meeting in June 2021 as the new Board of Directors. In June 2021, the employee supervisors of the 8th session of the Board of Supervisors were elected at the employee representatives' meetings, and the shareholder supervisors and external supervisors of the 8th session of the Board of Supervisors were elected at the 2020 Annual General Meeting, thereby completing the election of new Board of Supervisors.

Performance of directors, supervisors and senior management with due diligence. Three independent directors, Paul M. Theil, Zhu Qing and Liu Shiping, who have resigned from the Company after six consecutive years as independent directors of the Company, shall continue to serve until June 11, June 11 and November 3, 2021, respectively, in accordance with the regulatory provisions that at least one third of the members of the Board of Directors of the listed company shall be independent directors.

VII. Directors, supervisors and executives

(I)The change of shareholdings and remunerations of existing and outgoing directors, supervisors and senior management during the reporting period

Name	Title	Gender	Date of birth	Term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Total remuneration from the Company during the reporting period (before tax) (RMB'0,000)	Whether received remuneration from related party
Lyu Jiajin	Chairman	Male	1968.09	2021.07.26——2024.06.10	-	-	76.68	No
Tao Yiping	Executive director	Male	1963.04	2016.06.20——2024.06.10	100,000	100,000	131.46	No
	President			2016.04.28——2024.06.10				
Chen Yichao	Non-executive director	Male	1950.11	2015.07.01——2024.06.10	-	-	-	Yes
Li Zhuyong	Non-executive director	Male	1972.10	2021.07.30——2024.06.10	-	-	-	Yes
Xiao Hong	Non-executive director	Male	1972.10	2021.07.30——2024.06.10	-	-	-	Yes
Chen Jinguang	Executive director	Male	1961.11	2016.06.20——2024.06.10	30,000	30,000	118.30	No
	Vice president			2013.02.04——2024.06.10				
Chen Xinjian	Executive director	Male	1967.10	2016.06.20——2024.06.10	150,000	150,000	118.30	No
	Vice president			2014.07.10——2024.06.10				
	Secretary of the Board of Directors			2015.11.26——2024.06.10				
Sun Xiongpeng	Executive director	Male	1967.04	2021.07.30——2024.06.10	100,000	100,000	118.30	No
	Vice president			2016.08.25——2024.06.10				
Su Xijia	Independent director	Male	1954.09	2017.02.07——2024.06.10	-	-	30	No

Name	Title	Gender	Date of birth	Term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Total remuneration from the Company during the reporting period (before tax) (RMB'0,000)	Whether received remuneration from related party
Ben Shenglin	Independent director	Male	1966.01	2021.07.30——2024.06.10	-	-	22.27	No
Xu Lin	Independent director	Male	1962.06	2021.07.30——2024.06.10	-	-	12.5	Yes
Wang Hongmei	Independent director	Female	1961.06	2022.01.25——2024.06.10	-	-	-	No
Qi Yuan	Independent director	Male	1974.03	2022.03.10——2024.06.10	-	-	-	No
He Xudong	Supervisor	Male	1977.11	2016.12.19——2024.06.10	-	-	-	Yes
Zhang Guoming	Supervisor	Male	1966.02	2018.08.24——2024.06.10	-	-	118.30	No
Lai Furong	Supervisor	Male	1968.10	2007.10.19——2024.06.10	100,000	100,000	425.17	No
Paul M. Theil	External supervisor	Male	1953.05	2021.06.11——2024.06.10	83,800	83,800	26.23	Yes
Zhu Qing	External supervisor	Male	1957.05	2021.06.11——2024.06.10	-	-	25.57	No
Xia Dawei	External supervisor	Male	1953.02	2016.05.23——2024.06.10	10,000	10,000	24	No
Fu Anping	Director	Male	1963.02	2016.06.20——2021.06.11	-	-	-	Yes
Han Jingwen	Director	Male	1959.06	2017.02.07——2021.06.11	-	-	-	Yes
Xi Xinghua	Director	Male	1969.10	2017.02.07——2021.06.11	-	-	-	Yes
Lin Tengjiao	Director	Male	1968.04	2017.07.17——2021.11.03	1,000,000	1,000,000	-	Yes
Liu Shiping	Independent director	Male	1962.04	2014.08.26——2021.11.03	-	-	24.33	Yes
Lin Hua	Independent director	Male	1975.09	2015.07.01——2022.01.25	16,700	16,700	29.11	Yes
Yuan Jun	Supervisor	Male	1984.04	2018.05.25——2021.06.11	-	-	-	Yes
Li Ruoshan	External supervisor	Male	1949.02	2016.12.19——2021.06.11	-	-	10.67	No

Note: 1. Composition of remuneration of directors, supervisors and executives serving full-time in the Company for the year 2021.

Unit: RMB0'000

Name	Title	Pre-tax remuneration payables	Incentive income during the tenure of office	Total
Lyu Jiajin	Chairman	58.98	17.70	76.68
Tao Yiping	Executive director and president	101.12	30.34	131.46
Chen Jinguang	Executive director and vice president	91.00	27.30	118.30
Chen Xinjian	Executive director, vice president, and secretary of the Board of Directors	91.00	27.30	118.30
Sun Xiongpeng	Executive director and vice president	91.00	27.30	118.30
Zhang Guoming	Supervisor	91.00	27.30	118.30
Lai Furong	Supervisor	425.17	—	425.17

2. During the reporting period, the total actual remuneration paid for all directors, supervisors and executives amounted to RMB14.4265 million. The remuneration for some of the directors, supervisors and executives who served full-time positions in the Company is currently under examination of the authorized department. Should there be any changes, the Company will make an announcement.

3. The decision-making procedures and criteria for determination of remuneration for directors, supervisors and executives were as follows: the remuneration for directors, supervisors and executives were ratified and paid in accordance with Regulations of Industrial Bank on Independent Directors' Allowance, Regulations of Industrial Bank on External Directors' Allowance, and relevant policies of Fujian Province on remuneration reform for persons in charge of provincial financial institutions. The specific criteria were as follows: directors and supervisors who held full-time positions in the Company should receive remuneration for the positions they held; shareholding directors and supervisors who did not hold fulltime positions in the Company should receive remuneration from the companies they served. The allowance for independent directors and external supervisors was composed of basic allowance, committee allowance and work subsidy, which would disburse in accordance with the provisions stated in Regulations of Industrial Bank on Independent Directors' Allowance and Regulations of Industrial Bank on External Supervisors' Allowance respectively. As for senior management members, the remuneration plan should be prepared by the Nomination, Remuneration and Evaluation Committee under the Board of Directors and then submitted to the Board of Directors for approval.

4. The 2020 Annual Report of the Company has disclosed the annual remuneration of directors, supervisors and executives. Upon assessment and the confirmation by the authorized department, the remuneration of the directors, supervisors and executives who served full-time positions in the Company for 2020 is hereby further disclosed as follows:

Name	Title	The remainder of 2020 pre-tax remuneration (RMB'0,000)
Tao Yiping	Executive director and president	7.804
Chen Jinguang	Executive director and vice president	7.01
Chen Xinjian	Executive director, vice president, and secretary of the Board of Directors	7.01
Sun Xiongpeng	Executive director and vice president	7.01
Zhang Guoming	Supervisor	7.01
Li Weimin	Former executive director and vice president	2.334

5. None of directors, supervisors, executives of the Company received any punishment from the securities regulatory commission in recent three years.

(II) Positions held by directors and supervisors in the shareholder companies as at the reporting period

Name	Shareholder company	Title	Start date for the term	Expiry date for the term
Li Zhuyong	The People's Insurance Company (Group) Of China Limited.	Member of the Party Committee, executive director, vice chairman, president	August 2018	Up to now
Xiao Hong	China National Tobacco Corporation	Director of the Budget Division of the Financial Management and Supervision Department (Audit Department) of the State Tobacco Monopoly Administration	August 2016	Up to now
He Xudong	Zhejiang Energy Group Co., Ltd.	Deputy director of the Assets Operation Department	December 2014	Up to now

(III) An outline of working experience of directors, supervisors and senior management members, and their appointments or concurrent appointments in organizations other than the Company or shareholder companies

Lyu Jiajin: Doctoral degree, senior economist, enjoying special government allowance of the State Council. He previously served as the deputy director and the director of Henan Postal Savings and Remittance Bureau, the director of Xinxiang Post Bureau of Henan Province, the deputy director of Henan Post Bureau, the deputy director of Liaoning Post Bureau, the deputy director of the Postal Savings and Remittance Bureau of the State Post Bureau, the executive director, the vice president and the president of Postal Savings Bank of China, the deputy general manager of China Post Group Corporation, the executive director and the president of China Postal Savings Bank, the deputy president of Bank of Communications, the executive director and the vice president of China Construction Bank. He currently serves as the Party Secretary and Chairman of Industrial Bank.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Tao Yiping: University graduate, master degree, senior economist. He previously served as a section chief of the General Plan Office of Fujian Branch of Bank of China, a senior manager of the Hong Kong and Macao Administration

Office of Bank of China Group, a senior manager of China Business Department of Hong Kong Branch of Kincheng Banking Corporation, an Office Director and chief of Fund Planning Office of Fujian Branch of Bank of China, the president of Fuzhou Sub-branch of Bank of China, the president assistant and vice president of Fujian Branch of Bank of China, the president of Xiamen Branch of Bank of China, the president of Fujian Branch of Bank of China, and the president of Shandong Branch of Bank of China. He currently serves as a member of the Party Committee, a director and the president of Industrial Bank.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Chen Yichao: Master degree, senior economist. He previously served as deputy leader of scientific research institution of Finance Bureau of Fujian Province, deputy county mayor of Changting County (temporary post), director of the information center, director of the Integrated Service Department, executive deputy director of the General Office (minister level) of Finance Bureau of Fujian Province. Currently, he has retired.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Li Zhuyong: Doctoral degree, senior economist. He previously served as the deputy director and director of the System and Provisions Division of Legal Department of the People's Insurance Company (Group) of China Limited, director of the Secretariat of the Secretary Department of the Board of Directors of PICC P&C, head of the Legal Department, deputy general manager, general manager of the Legal and Compliance Department of PICC Holding Company, general manager of the Risk Management Department and the Legal and Compliance Department of the People's Insurance Company (Group) of China, legal director of the People's Insurance Company (Group) of China. He also served as the compliance chief and the chief risk officer of the People's Insurance Company (Group) of China, supervisor of PICC P&C, supervisor of Zhongsheng International Insurance Brokerage Co., Ltd., chairman and party secretary of PICC Financial Services Company, and director of the People's Insurance Company of China Hong Kong Limited. He currently serves as the member of the Party Committee, executive director, vice president and secretary of the Board of Directors of the People's Insurance Company (Group) of China.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: non-executive director and chairman of China Credit Trust Co., Ltd., vice president of the China Institute of Insurance Law, and president of the 15th Council of China Maritime Law Association.

Xiao Hong: Bachelor degree. He previously worked in Shijingshan Sub-branch of Beijing Branch of Industrial and Commercial Bank of China, and has been worked in the State Tobacco Monopoly Administration (China National Tobacco Corporation) since 2000. He currently serves as the director of the Budget Division of the Financial Management and Supervision Department (Audit Department) of the State Tobacco Monopoly Administration (China National Tobacco Corporation).

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Chen Jinguang: College graduate, economist. He previously served as head of Pudong Sub-branch of Shanghai Branch, vice president of Shanghai Branch, president of Ningbo Branch, president of Chengdu Branch and president of Beijing Branch of Industrial Bank. He currently serves as a Party Committee member, a director and vice president of Industrial Bank.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Chen Xinjian: University graduate, master degree. He previously served as director of the Financial Division and director of External Debt Division at the Finance Bureau of Fujian Province, vice president of Shanghai Branch of

Industrial Bank, vice president (in charge of overall management) and president of Xiamen Branch, president of Nanjing Branch, president of Beijing Branch of Industrial Bank. He currently serves as a Party Committee member, a director, vice president of Industrial Bank, and the secretary of the Board of Directors.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Sun Xiongpeng: University graduate, master degree, senior economist. He previously served as deputy manager of the International Business Department, and manager of Business Department and Domestic Business Department of Quanzhou Branch of Industrial Bank, president assistant and vice president of Quanzhou Branch of Industrial Bank, president of Zhangzhou Branch of Industrial Bank, president of Quanzhou Branch of Industrial Bank, president of Xiamen Branch of Industrial Bank, and president of Fuzhou Branch of Industrial Bank. He currently serves as a Party Committee member, director and vice president of Industrial Bank.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Su Xijia: PhD, professor. He previously served as a lecturer at the Accounting Department of Shanghai University of Finance and Economics and an associate professor at the Accounting Department of College of Business, City University of Hong Kong. He currently serves as a professor at the Accounting Department of China Europe International Business School.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Professor at the Accounting Department of China Europe International Business School, an independent director of China Jinmao Group, Opple Lighting Co., Ltd. and Fujian Sanmu Group Co., Ltd. and Shanghai Oriental Pearl (Group) Co., Ltd..

Ben Shenglin: PhD, professor, PhD tutor. He previously served as senior vice president of Algemene Bank Nederland, managing director of HSBC, president of JPMorgan Chase Bank (China) Company Limited, a member of the global leadership team of Global Corporate Bank. He currently serves as a professor, dean of the International Business School, dean of the Academy of Internet Finance of Zhejiang University.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Professor, dean of the International Business School and dean of Academy of Internet Finance of Zhejiang University, joint director of International Monetary Institute of Renmin University of China, member of the International Committee of the All-China Federation of Industry and Commerce, member of the Expert Committee of the Party's Extra-Party Intellectuals of the United Front Work Department, member of the Standing Committee of the People's PCC and deputy director of the Economic Committee of Zhejiang Province, a counsellor of Zhejiang Provincial People's Government, co-chairman of Zhejiang Association of Internet Finance, advisory member of Financial Experts Advisory Committee for Guangdong and executive editor of China Finance, an independent director of China International Capital Corporation Limited ,Wuchan Zhongda Group Co., Ltd., and Hunan Sansure Biotech Co., Ltd., and Zhejiang Orient Financial Holdings Group Co., Ltd., and a supervisor of China Construction Bank.

Xu Lin: Master degree. He previously served as the Deputy Director of Development Planning Department of the State Planning Commission, the Director of Finance and Finance Department of the National Development and Reform Commission, the Director of Development Planning Department of the National Development and Reform Commission, the Director of the China Center for Urban Development, the Chairman of China-US Green Investment Management Co., Ltd.. He currently serves as the Chairman of China-U.S. Green Investment Management Co., Ltd..

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Chairman of China-U.S. Green Investment Management Co., Ltd., independent director of Shenzhen Fanhua United Investment Group Co., Ltd., Longjing Environmental Protection Company, Beijing GeoEnviron

Engineering&Technology, lnc and Zhejiang Crystal-Optech Co., Ltd., Party Secretary and standing vice-chairman of China Mergers&Acquisitions Association, vice-chariman of China Association of Productivity Science, and chairman of Urban Society of China and chairman of Pangu Institution.

Wang Hongmei: Doctoral degree, professor-level senior engineer. He previously served as the assistant engineer, the engineer, the director of Policy Research Office and the deputy director of the Research Center for Economic and Technological Development of the Ministry of Posts and Telecommunications, and the director, general manager and senior manager (general manager level) of Development Strategy Department of China Mobile Communications Group Co., Ltd.; the secretary general of the executive organization of China Mobile Charity Foundation, the director (part-time) of the Reform Office of the Group Corporation, and the director of China Mobile's Office in Xiong'an New Area. Currently, he has retired.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Qi Yuan: PHD. He previously served as the assistant professor and the tenured associate professor of the Purdue University, vice president of Tao Bao (China) Software Co., Ltd., vice president and chief AI scientist of Ant Group. He currently serves as the Fudan-Haoqing distinguished professor and the president of the Institute of Artificial Intelligence Innovation and Industry of Fudan University.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Fudan-Haoqing distinguished professor, and the president of the Institute of Artificial Intelligence Innovation and Industry of Fudan University.

He Xudong: Bachelor degree, economist. He previously served as a staff at the Project Management Department of Zhejiang Power Development Company, a staff at the Assets Operation Department of Zhejiang Energy Group, director of the Assets Operation Department of the Coal and Transportation Branch of Zhejiang Energy Group, and director of the General Office of the Coal and Transportation Branch of Zhejiang Energy Group. He currently serves as the deputy director of the Assets Operation Department of Zhejiang Energy Group Co., Ltd.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Director of Jiangxi Ganzhe Energy Co., Ltd., CNOOC Zhejiang Ningbo LNG Co., Ltd., Zhejiang Zheneng Jiaxing Power Generation Co., Ltd., and Zhejiang Zheneng Jiahua Power Generation Co., Ltd., Zhejiang Zheneng Leqing Power Generation Co., Ltd., Zhejiang Zheneng Wenzhou Power Generation Co., Ltd., and Zhejiang Wenzhou Telulai Power Generation Co., Ltd. and Wenzhou Gas Power Generation Co., Ltd., Zhejiang Zheneng Changxing Power Generation Co., Ltd., Zhejiang Zheneng Qianqing Power Generation Co., Ltd., Zhejiang Zheneng Xingyuan Energy Saving Technology Co., Ltd., Zhejiang Zheneng Lanxi Power Generation Co., Ltd., Zhejiang Zheneng Beilun Power Generation Co., Ltd., China Guodian Corporation Zhejiang Beilun No.3 Power Generation Co., Ltd., Zhejiang Zheneng Zhongmei Zhoushan Coal and Electricity Co., Ltd. and Zhejiang Zheneng Taizhou No.2 Power Generation Co., Ltd.

Zhang Guoming: Bachelor degree. He previously served as deputy director (director level) of the Cadre Management Office of the Fujian Provincial Commission for Discipline Inspection, fulltime deputy secretary of the Party Committee of the Fujian Provincial Commission for Discipline Inspection, and deputy director (deputy chief level) of the Inspection Office of the Fujian Provincial Party Committee, member of Party Committee, Secretary of Discipline Inspection Committee and Supervisor of Industrial Bank. He currently serves as a member of the Party Committee, head and supervisor of Fujian Provincial Commission for Discipline Inspection and Supervision in Industrial Bank.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Lai Furong: Bachelor degree, senior accountant. He previously served as vice president and president of Jin'an

Sub-branch, Fuzhou Branch of Industrial Bank, deputy general manager of Finance&Accounting Department of Industrial Bank, vice president of Guangzhou Branch of Industrial Bank, vice general manager of Planning&Finance Department of Industrial Bank and general manager of Audit Department of Industrial Bank. He currently serves as a supervisor and general manager of Planning&Finance Department of Industrial Bank.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Paul M. Theil: PhD. He previously served as first secretary and commercial counsellor of the U.S. Embassy in China. He currently serves as chairman of Shenzhen Zhong An Credit Venture Capital Co., Ltd..

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Chairman of Shenzhen Zhong An Credit Venture Capital Co., Ltd., legal representative of Mohs Industrial Development (Shenzhen) Co., Ltd., director of Shenzhen Longgang BOC Fullerton Community Bank Co., Ltd., independent director of Heng'an International Group Company Limited, independent member of investment committee of Ping An Insurance (Group) Company of China, director of Runhui Fund Management Co., Ltd., director of Qinqin Foodstuffs Group Company Limited and president of Small Loans Industry Association of Shenzhen, vice president of China Micro-credit Companies Association, and vice president of Shenzhen Venture Capital Association.

Zhu Qing: PhD, professor. He previously served as lecturer, associate professor, professor and PhD tutor at the School of Finance at Renmin University of China, and he also worked for the Budget and Tariffs Departments of European Commission (EC). He currently serves as professor and PhD tutor at the School of Finance at Renmin University of China.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Professor and PhD tutor at the School of Finance at Renmin University of China, independent director of Zhongtai Trust Co., Ltd., Jiangsu Jiangyin Rural Commercial Bank Co., Ltd. and China Great Wall Asset Management Co., Ltd., external supervisor of China Trust Protection Fund Co., Ltd., vice chairman of China Taxation Society, executive director of Society of Public Finance of China, distinguished professor of Yangzhou Taxation College of State Administration of Taxation, adjunct professor of Beijing National Accounting Institute and Xiamen National Accounting Institute.

Xia Dawei: Master degree, professor, PhD tutor. He previous served as the dean of School of International Business Administration, president assistant and vice president of Shanghai University of Finance and Economics, and president of Shanghai National Accounting Institute. He currently serves as the director of academic committee of Shanghai National Accounting Institute.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Director of academic committee of Shanghai National Accounting Institute, vice chairman of Chinese Industrial Economic Association, vice chairman of China Association of Chief Financial Officers, chairman of Shanghai Accounting Society, honorary professor of The Chinese University of Hong Kong, part-time professor of School of Management of Fudan University; directors of Guotai Jun'an Securities Co., Ltd., Lianhua Supermarkets Holdings Co., Ltd., Juneyao Airlines Co., Ltd. independent director of Yango Group Co.,Ltd, director of Zhejiang Zheshang International Financial Asset Exchange Co., Ltd. and director of Shanghai Shinovation Capital Corporation Co., Ltd..

Lin Hua: Master's degree. He previously served as the chairman of Zhongrui Huaxin (Beijing) Capital Management Co., Ltd., the general manager of Jinyuan Capital Management (Xiamen) Co., Ltd., the general manager of Xiamen Venture Capital Co., Ltd. (Fund of Funds of Xiamen Municipal Government), and the investment director of the Capital Operations Department of China General Nuclear Power Group. He is now General Manager of Beijing

Huacheng Function Technology Company, President of Beijing Zijin Smart Finance Research Institute.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Chairman of Huacheng Contemporary (Beijing) Technology Co., Ltd., president of Beijing Dongcheng Zijin Intelligent Finance Research Institute, part-time editor of Financial Accounting magazine, executive deputy director of Asset-backed Securitization Committee of Insurance Asset Management Association of China, member of Advisory Committee on Enterprise Accounting Standards of the Ministry of Finance, independent non-executive director of China Merchants Land Asset Management Co., Limited, independent director of General China Asset Management Co., Ltd., consultant of Asset-backed Securitization Committee of Asset Management Association of China, and member of standing committee of 15th Party Committee of Beijing Dongcheng District of CPPCC.

(IV) Changes of Directors, supervisors and senior management

1. On June 11, 2021, the 2020 Annual General Meeting was convened to elect the 10th session of the Board of Directors, in which Mr. Chen Yichao, Mr. Lin Tengjiao, Mr. Tao Yiping, Mr. Chen Jinguang, Mr. Chen Xinjian, Mr. Su Xijia and Mr. Lin Hua were re-elected for a term from the date of their respective appointment; Mr. Lyu Jiajin, a newly elected director, has held office since July 26, 2021 (the date on which CBIRC approved his director's qualification) and Mr. Li Zhuyong, Mr. Xiao Hong, Mr. Sun Xiongpeng, Mr. Ben Shenglin and Mr. Xu Lin have held office since July 30, 2021 (the date on which CBIRC approved their directors' qualifications); Mr. Liu Shiping, an independent director, will continue to serve until the percentage of independent directors of the Company is in compliance with regulatory requirements.

2. On June 10-11, 2021, the employee representatives' meeting of the Company and the 2020 Annual General Meeting were convened to elect Mr. He Xudong as the shareholder supervisor of the 8th session of the Board of Supervisors, Mr. Zhang Guoming and Mr. Lai Furong as the employee supervisors of the 8th session of the Board of Supervisors, and Mr. Paul M. Theil, Mr. Zhu Qing and Mr. Xia Dawei as the external supervisors of the 8th session of the Board of Supervisors.

3. On June 11, 2021, the first meeting of the 10th session of the Board of Directors was convened to elect Mr. Lyu Jiajin as the Chairman, and he has held office since July 26, 2021 (the date on which CBIRC approved his qualification as the Chairman). Mr. Tao Yiping was reappointed as the president, Mr. Chen Jinguang, Mr. Chen Xinjian and Mr. Sun Xiongpeng were reappointed as the vice presidents, and Mr. Chen Xinjian was reappointed as the secretary of the 10th session of the Board of Directors.

4. On June 29, 2021, Mr. Lin Hua submitted a written resignation letter to the Board of Directors for resigning from the position of independent director and the relevant special committee under the Board of Directors as he has served as the independent director of the Company for six consecutive years. The resignation letter will take effect after the proportion of the independent directors of the Company complies with relevant regulations.

5. On November 3, 2021, Mr. Lin Tengjiao submitted a written resignation letter to the Board of Directors for ending his term of office. The term of office of Mr. Liu Shiping, the independent director who previously submitted his resignation letter, expired on November 3, 2021, in accordance with the regulatory provisions that at least one third of the members of the Board of Directors of the listed company shall be independent directors.

6. On November 15, 2021, the first extraordinary general meeting of 2021 was convened to elect Ms. Wang Hongmei and Mr. Qi Yuan as independent directors of the 10th session of the Board of Directors. Among them, Ms. Wang Hongmei has served as an independent director since January 25, 2022 (the date on which CBIRC approved her director's qualification), and Mr. Qu Yuan has served as an independent director since March 10, 2022 (the date on which CBIRC approved his director's qualification). The term of office of Mr. Lin Hua, the independent director who previously submitted his resignation letter, expired on January 25, 2022, in accordance with the regulatory provisions that at least one third of the members of the Board of Directors of the listed company shall be independent directors.

VIII. The directors' performance of their duties

(I)The attendance of directors in Board of Directors and shareholder's meeting

During the reporting period, the Company convened seven meetings of the Board of Directors, six of which were on-site meetings, and one was teleconference. The attendance records of directors in the Board of Directors meetings and general meetings are as follows:

Director name	Whether an independent director	Attendance at meetings of the Board of Directors						Attendance of general meetings
		Expected attendance during the year	Attendance	Attendance through teleconference	Attendance by proxy	Absence	Failure to attend in person for two consecutive times	Number of general meetings attended
Lyu Jiajin	No	3	2	0	1	0	No	1
Tao Yiping	No	7	7	1	0	0	No	2
Chen Yichao	No	7	7	1	0	0	No	2
Li Zhuyong	No	3	3	0	0	0	No	1
Xiao Hong	No	3	3	0	0	0	No	1
Chen Jinguang	No	7	7	1	0	0	No	2
Chen Xinjian	No	7	7	1	0	0	No	2
Sun Xiongpeng	No	3	3	0	0	0	No	1
Su Xijia	Yes	7	7	1	0	0	No	2
Ben Shenglin	Yes	3	3	0	0	0	No	1
Xu Lin	Yes	3	3	0	0	0	No	1
Fu Anping	No	3	1	1	2	0	No	0
Han Jingwen	No	3	3	1	0	0	No	0
Xi Xinghua	No	3	3	1	0	0	No	0
Lin Tengjiao	No	6	6	1	0	0	No	1
Paul M. Theil	Yes	3	3	1	0	0	No	1
Zhu Qing	Yes	3	3	1	0	0	No	2
Liu Shiping	Yes	6	6	1	0	0	No	0
Lin Hua	Yes	7	7	1	0	0	No	2

(II) Situation of objections to the issues of the Company raised by directors

During the reporting period, none of the directors had objections to the issues of the Company.

IX. Employees

(I) General information of employees

Number of the incumbent staff of the parent company	**57,428**
Number of the incumbent staff of main subsidiaries	**5,109**
Total number of the incumbent staff	**62,537**
Number of retirees whose expenses are undertook by the parent company and its main subsidiaries	**1,014**
Education level	
Type of education	**Number**
Master and above	**10,535**
Bachelor	**43,869**
College	**6,966**
Secondary technical school and below	**1,167**
Total	**62,537**
Professional occupation	
Type of professional occupation	**Number**
Management	**6,042**
Business	**47,507**
Support	**8,988**
Total	**62,537**

Note: the above number of the incumbent staff includes outsourcing labor.

(II) Employee remuneration policies

In respect of the remuneration management, the Company adheres to the requirements of corporate governance, maintaining the competitiveness and sustainable development of the bank, matching up with the operating results, integrating with the long- and short-term incentives, balancing the internal fairness and external competitiveness, facilitating the implementation of strategic objectives of the Company, supporting the demands of business development at different stages as well as the attracting and retaining of employees, especially for key personnel.

1. Remuneration structure

In accordance with the internal control mechanism of the Company, the growth in the total remuneration of employees should not exceed the growth in the number of employees and the growth in major indicators of business performance in general. Employees holding different positions carry different responsibilities and bear different risk levels, resulting in differences in their remuneration structure. The higher the correlation between the work performance of employees and the overall business performance of the Company, the higher will be the proportion of the floating bonus.

2. Remuneration policies

The remuneration of the Company's executives is paid in strict accordance with the plan reviewed and determined by the competent authorities and considered and approved by the corporate governance process, and is linked with the results of the Company's business performance assessment. By establishing a comprehensive evaluation system that includes quantitative indicators such as profitability, asset quality, solvency and operational growth, as well as qualitative indicators such as service quality development and green finance (including green financial system construction, brand building and business development), short-term incentives and long-term incentives are combined to strengthen executives' responsibility to fulfill their duties, promote the Company's improvement of operation and management and promote the Company's sustainable and healthy development.

Performance bonus of employees is linked with the comprehensive performance of the Company, the institutions (departments) and individuals. In terms of the scope of assessment indicators, several key indicators are selected for performance assessment, including the rate of return on capital, rate of return on risk assets, non-performing loans ratio, compliance operations and evaluation on internal control. The indicators are applied to the institutions and employees, and the overall appraisal results will be linked to the bonus of employees to reflect the correlation between the remuneration and various types of risks. In order to improve the incentive and restraint mechanism, and ensure the remuneration policies are in line with the present and future risks, the payment of a certain proportion of the performance bonus to the key business staff and employees holding key positions in the revenue producing institutions shall be deferred and retained as risk fund. If there is a breach of regulations or discipline or extraordinary risk exposure in carrying out duties during the appraisal period, a corresponding amount shall be deducted from the risk fund of the staff held liable, so as to ensure the remuneration level of employees is consistent with their risk-adjusted performance.

3. Detailed information about remuneration of employees in positions having significant impacts on the risks of the bank

The allocation of remuneration is based on the fundamental idea of "allocation based on the value of job positions and contributions", among which the value of job positions includes technological and managerial difficulties, risk levels and contributions to the banking system. The remuneration of employees matches with the value of their job positions and their job responsibilities. For those engaged in the risk management and compliance fields, their remuneration depends on individual capability, performance of duties, and appraisals on the team and individual basis, but has no direct relationship with the performance of other business areas, which can ensure that the remuneration of staff in the risk management and compliance fields is independent from the performance of the business lines under their supervision, and such segregation can promote the steady operations and sustainable development of the Company.

(III) Staff training schemes

During the reporting period, the Party School of Industrial Bank (Advanced Training Institute of Industrial Bank) (hereinafter referred to as "the School and the Institute") was officially established. In order to strengthen the party building-guidance, cultivate outstanding talents, inherit excellent culture, better serve the Company in a new round of strategic development planning, and promoted the sustainable and high-quality development of the Company at a higher level, the School and the Institute closely followed the five-year strategy in education training, strove to explore the "5+N" training system with a focus on the development goals of "1234" strategy and the "2344" strategy, made efforts to cultivation of key cadres, promoted the digital transformation, and continued to consolidate the establishment of training program system, support of business performance development, creation of teacher training resources development of digital learning platform and other important aspects. The School and the Institute utilized the education resources on the history of revolution to train high-level cadres, high-level young reserve cadres and secretaries of the Party Committee of Tier 2 branches on party construction under the guidance of party building; launched the Publicity and Implementation Series Courses of Five-Year Plans online, and organized special lectures on financial technology and green finance for senior and middle management to enhance the understanding of strategies; strengthened risk control and intensified employees' consciousness of risk management with brand projects; boosted comprehensive finance, and vigorously cultivated key talents of comprehensive finance for future business development. During the reporting period, the School and the Institute won the honors of "Best Learning Project Award of China Elite Talent Development Award" and "Golden Ideas Innovation Project Award of Fujian Financial System".

(IV) Anti-bribery and anti-corruption policy of the Company

The Company always insisted on strict management in an all-round way, established a supervision system that integrates stationed supervision, oversight, patrol inspection and auditing, and strictly abided by the relevant provisions of the Criminal Law of the People's Republic of China, the Law of the People's Republic of China on Supervision, the Implementation Regulations for the Supervision Law of the People's Republic of China and other national laws and regulations, so as to make sure no one is dare to corrupt, able to corrupt and has desire for corruption. Besides, the Company continued to improve the system for integrity risk prevention as well as internal governance, constantly strengthened ideological education on probity and actively fostered a clean financial culture. The Company established a working mechanism to conduct special research on strengthening of Party self-discipline, construction of an honest Party and a clean government, and anti-corruption, and held at least one meeting every six months to listen to relevant reports and deploy anti-corruption work. Organizations at all levels of the Company set up discipline inspection departments with personnel specially assigned to keep a close watch on the integrity risks of "key minority" and key areas, and integrity risk prevention was organically integrated into internal governance to constantly improve the professional level of anti-corruption work.

X. Proposal of profit distribution of ordinary shares or transfer of capital reserve

(I) Formulation, implementation or adjustment of the cash dividend policy

The Articles of Association of the Company stipulated that the profit distribution policy should include: first, the procedures for formulation and adjustment of the profit distribution policy, which specifically required that such policy should not be submitted to the general meeting unless consents of more than two thirds of directors were obtained and should not be passed unless more than two thirds of votes were obtained from present shareholders with voting rights; second, the principles of continuity and stability of profit distribution, which required that the profit distribution plan should be drafted every three years; third, profit distribution form (in cash or equity or both of them) and interval (annually or semi-annually if affordable); fourth, the profit for distribution in cash yearly not less than 10% of the realized attributable profit of the year, provided that the requirements on capital adequacy ratio were met; distributing dividend in equity at the same time if necessary; fifth, explanations for the non-distribution of dividends and the usage of the profit retained if cash dividends are not distributed for the year; and sixth, deduction of the cash dividends distributable to any shareholder which appropriates the Company's fund in violation of regulations to repay the funds appropriated.

For the purpose of establishing a sustainable, stable and scientific investment return mechanism for investors and keeping continuity, stability and reasonableness of the profit distribution policy, by taking into consideration of its actual operation and future development need, the Company developed the Mid-term Shareholders' Return Plan (2021-2023), which planned that from 2021 to 2023, should there be distributable profit, cash dividends could be distributed to shareholders of ordinary shares, and the profit used for distribution in cash should not be less than 25% (inclusive) of the realized distributable profit of the year after making up for deficits, appropriating statutory reserves and general provisions and paying dividends to shareholders of preferred shares and interests of undated capital bonds from the realized earnings, provided that the distribution is in line with the profit distribution policy of regulatory department and it could be ensured that the regulatory requirements on capital adequacy ratio of the Company could be met. On the premise of ensuring compliance of capital adequacy ratio with regulatory requirements, when the Company distributes dividends in cash or in shares or by a combination of both, the proportion of cash dividends should not be lower than 40% (inclusive).

The formulation and implementation procedure of the Company's profit distribution plan was compliant and transparent with clear and explicit dividend criteria and proportion, conforming to stipulations in the Articles of Association and requirements in the resolution of the general meeting. The Board of Directors did special research and demonstration on the returns of shareholders, and fully heard opinions of shareholders (especially medium and small shareholders) and independent directors. Relevant decision-making process and mechanism were complete, and independent directors fulfilled their duties with due diligence, thus maintaining the lawful rights and interests of medium and small shareholders.

The Company fulfilled the above profit distribution policy and cash bonus on schedule. The Company implemented the 2020 annual profit distribution plan in June 2021, based on the total share capital of 20,774,190,751 shares, the Company distributed cash dividend of RMB8.02 for every 10 shares (tax included), issued RMB16.661 billion cash dividends in total, whereas balance of the undistributed profit would be used for supplementing capital and carried forward to the next year.

(II) 2021 Profit distribution proposal

In light of relevant provisions in the Company Law of the People's Republic of China, the Articles of Association of the Company as well as the Mid-term Shareholders' Return Plan (2021-2023), by taking into consideration of the requirements on capital adequacy ratio by the regulatory departments and other factors including sustainable business development, the statutory surplus reserve of the Company has reached 50% of the registered capital as at the end of the year, and no additional reserve will be provided for in accordance with the Company Law; the Company planned to transfer RMB7.794 billion to general reserve; the dividend of preferred shares was RMB2.793 billion. The Company also planned to distribute cash dividend of RMB10.35 for every 10 ordinary shares (tax included), amounting to RMB21.501 billion, based on the total share capital of 20,774,190,751 shares.

The main considerations for profit distribution for the year are as follows: 1. The external business environment affects the endogenous capital accumulation of commercial banks. Under the impact of the COVID-19 pandemic, the external environment has become more complicated, severe and uncertain. In order to cope with various risks and challenges, commercial banks should strengthen endogenous capital accumulation and enhance their ability to resist risks. 2. Higher capital regulatory requirements. The Systemically Important Banks Assessment Measures, the Provisions on the Additional Regulation of Systemically Important Banks (Trial) and other relevant systems jointly issued by the PBOC and the CBIRC, as well as the implementation of external policies such as the Basel III, strengthened the capital regulatory requirements for commercial banks. 3. Implement the decisions and arrangements of the CPC Central Committee and the spirit of the central economic work conference, continuously increase credit input and improve the quality and efficiency of the services offered to the real economy according to the general principle of making progress while ensuring the stability. The dividend program of the Company has taken into account the above business development and the capital demand to support the implementation of the Company's development strategy. 4. Give sufficient consideration to the demands of the majority of investors. The Company continued to strengthen the communication with all kinds of investors, and fully considered and weighed the different demands of all kinds of investors when developing profit distribution programs. In view of the above internal and external factors, the Company has maintained the continuity and stability of its dividend policy on the whole, the cash dividend rate is rising year by year, and consideration was given to the interests of the Company's shareholders as well as sustainable development of the Company.

Independent directors of the Company issued the following opinions regarding the profit distribution proposals: the profit distribution plan for 2021 of the Company is strictly compliance with the Company Law of the People's Republic of China, the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) and Regulatory Guidelines No. 3 for Listed Companies – Distribution of Cash Dividends of Listed Companies issued by CSRC, and the Articles of Association of the Company; the order of distribution is legal; and the dividend payment policies have fulfilled regulators' requirements regarding commercial banks' capital adequacy ratios and also given consideration to investors' demands as well as the sustainable development of the Company. The independent directors agreed to submit the 2021 profit distribution proposal for consideration and approval at the 2021 annual general meeting.

This profit distribution proposal shall be executed within two months after approval by the 2021 annual general meeting.

(III) Plan or proposal on profit distribution for ordinary shares of the previous three years (including the reporting period)

Unit: RMB million

Dividend year	Amount of declared dividend for every 10 shares (RMB Yuan) (tax incl.)	Amount of cash dividends (tax incl.)	Net profit attributable to the ordinary shareholders of the listed company in the consolidated financial statements for the cash dividend year	Percentage of cash dividends to net profit attributable to the ordinary shareholders of the listed company in the consolidated financial statements (%)	Net profit attributable to the shareholders of the listed company in the consolidated financial statements for the cash dividend year	Percentage of cash dividends to net profit attributable to the shareholders of the listed company in the consolidated financial statements (%)
2021	**10.35**	**21,501**	**78,420**	**27.42**	**82,680**	**26.01**
2020	8.02	16,661	64,077	26.00	66,626	25.01
2019	7.62	15,830	64,386	24.59	65,868	24.03

Note: for details of the preferred shares dividend plan, please refer to "MATTERS REGARDING PREFERRED SHARES".

XI. The description of independence of the Company from its largest shareholder

The Finance Bureau of Fujian Province, which held 18.85% of the shares of the Company as at the end of the reporting period, is the largest shareholder of the Company. The Company is fully independent from its largest shareholder in all aspects including assets, personnel, finance, institutions and businesses. The major decisions of the Company are made and executed by the Company at its absolute discretion. The Company's major shareholders have neither appropriated any capital of the Company nor requested that the Company act as a guarantor for a third party.

XII. The examination and evaluation mechanism, and the establishment and implementation of the incentive system for senior management members during the reporting period

During the reporting period, in accordance with the relevant policies of Fujian Province on the remuneration reform of the heads of the provincial financial enterprises, the Company's Board of Directors assessed and evaluated the senior management of the Company, and linked the remuneration of the senior management with responsibilities, risks and business performance. The Board of Directors of the Company provided incentives and constraints for senior management members, so as to ensure consistency between the direction of their efforts and the interests of the Company.

XIII. Construction and implementation of internal control system during the reporting period

According to the laws and regulations, regulatory requirements, the Basic System of Internal Control of Industrial Bank Co., Ltd., the System Management Measures of Industrial Bank, and other internal and external regulations, and in combination with the work arrangements of "Year of Legal Construction" and "Industrial Bank under the Rule of Law", the Company continued to improve the internal control system construction of the Company's business and management, including corporate finance, retail finance, interbank finance, investment banking and financial markets, as well as planning and finance, human resources and administration and operations, from risk assessment and control activities, and constantly perfected the internal control mechanism and strengthened the internal control capacity from risk assessment, control activities and internal assessment, and other respects.

During the reporting period, the Company actively conducted the construction of intelligent system and continuously improved the systemic foundation of digital transformation. With comprehensive application of big data and information technology and on the basis of the Company's experience in system management and outstanding achievements in recent years, the Company carefully checked the weaknesses in the implementation of internal control system, and comprehensively enhanced the professionalism and scientificity of internal control system construction. Considering the problems in system implementation discovered during internal and external supervision and inspection, the Company worked out the system implementation risk points, established the application and updating mechanism of system implementation risk points, continued to supervise the combinative management of various organizations, and applied risk points in the process control, supervision and management and other links, so as to effectively standardize various operations and prevent defects in system implementation.

XIV. Management and control of subsidiaries during the reporting period

During the reporting period, according to the Guidelines for Consolidated Management and Supervision of Commercial Banks, provisions on management of state-owned financial capital and other relevant policies and regulations, the Company implemented effective and penetration management for subsidiaries at all levels in accordance with the principles of step-by-step consolidation management and hierarchical management, continued to establish and improve the corporate governance structure of the banking group covering all subsidiaries, conducted comprehensive and continuous control on the corporate governance, capital and finance of each subsidiary, and effectively identified, measured, monitored and controlled the overall risk status of the banking group. During the reporting period, no subsidiaries were purchased, added or integrated.

XV.Assessment report on internal control

During the reporting period, the Company's Board of Directors has issued a self-assessment report on internal control. Please refer to the website of Shanghai Stock Exchange for details. During the reporting period, no material deficiencies were identified in the internal control mechanisms or systems of the Company in terms of completeness and reasonableness. The Board of the Company has issued 2021 assessment report on internal control. Please see the announcement published on the Shanghai Stock Exchange for details.

XVI.Description of the internal control audit report

The Company has disclosed the 2021 internal control audit report. The Company engaged KPMG Huazhen in auditing the effectiveness of its internal control with regard to the Company's financial reporting, which considered that the Company had maintained effective internal control regarding financial reporting in all material aspects in accordance with the Basic Internal Control Norms for Enterprises as well as the relevant provisions as at December 31, 2021.

Environmental and Social Responsibilities

I. Environmental performances and policies

(I) Clarify environment-related requirements in the Company's credit policy

Under the new development pattern, the Company's credit policy adheres to the general trend of high-quality, digital and green development, proactively grasps new development opportunities, further focuses on key industries and key regions. The Company implemented the differentiated credit policy of "guaranteeing, controlling and compressing" and actively guided credit resources to business fields that meet ESG-related requirements, low energy consumption, low emissions, low pollution, high efficiency and good market prospects, further improved the level of refinement of risk policy and better served business development.

During the reporting period, the Company issued the Notice of Industrial Bank on Forwarding the Guiding Opinions of the Ministry of Ecological Environment and other Departments on Promoting the Investment and Financing in Response to Climate Change (XY [2020] No.612), thoroughly implemented a series of major decisions and arrangements made by the CPC Central Committee and the State Council on actively responding to climate change, and formulated the Green Financial Business Promotion Program for Guiding Opinions on Promoting the Investment and Financing in Response to Climate Change. According to the implementation progress of the climate investment and financing policy system in China, the Company timely developed the climate investment and financing standard system and project directory, and conducted information disclosure and statistical monitoring, performance evaluation, as well as training on policy system in time; timely carried out training on high-quality low-carbon project business focusing on how to guide the local governments to create negative lists and project libraries of climate investment and financing; conducted training on innovation of financial products and service modes centering on demonstration projects and typical projects in the project library to make branches and operating institutions understand why are they doing this, what they are supposed to do and how.

Considering the national dual-carbon target and dual control target of energy consumption, the Company explicitly stipulated in the credit policy to prohibit production equipment, production capacity, process and leading products of the involved entities that belong to the eliminated items in the Catalogue for Guiding Industry Restructuring (2019 Version) or the prohibited items specified in the relevant industry access conditions and other policies. The Company promoted the optimization and adjustment of customer structure and business structure in high-energy consuming industries according to the strategy focusing on "advantageous areas and high-quality subjects". Meanwhile, the Company built a differentiated index combination for high-energy consuming industries, and divided the large stock customers in these industries into three categories: high risk, medium risk, tracking and others. The differentiated management was applied for different levels and categories in combination with the list system, with emphasis on strengthening risk management and control of high-risk customers in high-energy consuming industries.

1. Practice ESG concept, optimize the credit policy of clean energy, insist on strengthening the Company's green finance business and brand, promote the construction of ESG system, gradually incorporate ESG evaluation into the whole process of credit, actively expand the fields of water resources, solid waste treatment, air environment management, clean energy and renewable energy, green transportation, etc. with good social and economic benefits, increase the proportion of green credit and enhance the comprehensive effect of green finance.

2. Actively implement the national "30.60 carbon neutral" deployment, strengthen risk control in high energy-consuming industries, carry out re-inspection of customers in industries related to high energy consumption in a timely manner, and accelerate the restructuring of stock customers. The Company has carried out regional environmental risk stress tests in some green finance reform and innovation pilot zones.

3. Environmental requirements of credit policies in some industries: for some industries with high energy consumption, high pollution, and high environmental and social impacts, the Company strictly enforces relevant energy efficiency and environmental technical standards in credit to promote the green and high-quality development of the supported projects. The environmental requirements of credit policies in some industries are as follows:

(1) Credit policy environmental requirements for the thermal power industry

It's required to implement the requirements of Emission Standards for Air Pollutants from Thermal Power Plants (GB 13223). No major environmental pollution accidents or major ecological damage occur in the past two years; a sound safety production and occupational health management system is formed and no major safety responsibility accidents occur in the past two years.

(2) Credit policy environment requirements for the hydropower industry

No major environmental pollution accidents or major ecological damage occur in the past two years, including but not limited to: large and medium-sized hydropower projects trigger compensation for land acquisition, resettlement of immigrants, production and livelihood changes and other social issues due to inundation of land, relocation of immigrants, livelihoods and others; hydropower construction projects in ethnic minority areas have a significant impact on cultural relics, cultural customs and other aspects; projects destroy plant and animal habitats, trigger secondary geological disasters, river water temperature, water quality changes and other ecological preservation and environmental protection issues.

(3) Credit policy environment requirements for the coal industry

Coal enterprises should meet the Basic Conditions of Coal Mine Production Safety, have a sound production safety and occupational health management system, and obtain a production safety license. No major safety accidents occur within the past two years; high gas, coal and gas protrusion mine type projects should be strictly subject to the Notice of the General Office of the State Council Transmitting the General Administration of Safety Supervision of the Development and Reform Commission on Further Strengthening the Work of Coal Mine Gas Prevention and Control (GBF [2011] No. 26); environmental protection, clean production and comprehensive utilization of resources measures should meet the relevant national requirements, coal gangue, mine gas and mine water utilization and discharge indicators stay in line with the relevant provisions of national policies. Coal enterprises meet the Coal Industry Pollution Emission Standards (GB 20426) and no major environmental pollution accidents or major ecological damage events occur in the past two years; energy consumption: coal production enterprises, based on the mining method, should implement Coal Mining Unit Product Energy Consumption Limit (GB 29444) or Coal Surface Mining Unit Product Energy Consumption Limit (GB 29445) and other provisions; coal washing link should be subject to the Coal Dressing Power Consumption Limit (GB 29446) and other provisions.

(4) The Company's green financing strictly implements the National Development and Reform Commission's Green Industry Guidance Catalogue (2019 Edition) and its explanatory notes and other relevant technical requirements. For example, for green and organic agriculture in the agricultural field, the regulations such as Organic Products (GB/T 19630.1-GB/T 19630.4) and Green Food Mark Management Measures of the Ministry of Agriculture are implemented; for natural forest resource protection projects, the Forest Nurture Regulations (GB/T 15781), Technical Regulations for the Evaluation of Natural Forest Resource Protection Project Construction (LY/T 1818) and other national standards and industry standards are implemented.

(II) Green operation of the Company

The Company actively implemented the national low-carbon economic policy, adhered to the corporate governance concept of sustainable development, and comprehensively carried out green operation and construction. During the reporting period, the Company was the first in China's banking industry to adopt the "CLIMATE NEUTRAL NOW" initiative of the United Nations Convention on Climate Change, and conducted carbon emission reduction in an orderly manner according to the international initiative system.

The Company actively built the Group's green operation work system, formulated the Notice on Carrying out the Group's Green Operation and the Green Office Management Measures of Industrial Bank, developed the fundamental norms of the Group's green operation, advocated the concept of green environmental protection, strengthened energy conservation and emission reduction and fulfilled the commitment of energy conservation and emission reduction, in a bid to enhance the Green Bank image of the Company in the financial sector. Besides, the Company conducted carbon accounting and verification, and completed the carbon accounting and verification of the whole group and got the whole picture of the Group's carbon emission by setting up the Group's green operation team and organizing the training on carbon accounting data reporting and collection for the whole group after issuing the Notice on Carrying out Carbon Accounting and Carbon Verification of the Group, thereby laying a solid foundation for formulating energy conservation and emission reduction plans and effectively improving environmental governance and green operation capabilities.

The Company advocated "low-carbon office", strengthened energy-saving tips, promoted green operation from consumption of electricity, water and papers, waste recycling, environmental protection facilities and management for energy conservation and consumption reduction and other aspects, and reduced greenhouse gas emissions with practical actions. Meanwhile, the Company stuck to conducting strict examination on suppliers in terms of work safety, environmental certification , labor security and other aspects in the process of procurement, and established a procurement and physical asset management system to strengthen the management of environmental and social performance information of cooperative suppliers. Through various design measures, the Fuzhou headquarters building of the Company was awarded the Two-Star Certificate of Green Building, becoming a model for modern buildings in low carbon, environmental protection and green development and shouldering the responsibility for improving the natural environment. The Company promoted the standardized construction of outlets, encouraged branches to actively explore the characteristic and diversified operation modes, and innovated the outlet construction and scene construction. Branches in Hangzhou, Xining and other places tried to build characteristic outlets such as "Green Sub-branch" and "Carbon Neutral Outlet", and greatly enhanced customer experience and brand image through technological empowerment and service innovation. Meanwhile, the environmental information disclosure was further strengthened. Shenzhen Branch and Changsha Branch prepared and completed environmental information disclosure reports.

The Company assumed the responsibility of preaching green ideas, and encouraged more stakeholders to pay attention to and practice green development, and jointly build a beautiful China in many ways such as popularizing green financial knowledge by party members, strengthening green training, promoting green consumption, conducting green public welfare, and acting as "Enterprise River Chief" to help improve environment of local rivers and lakes.

(III) Climate risk stress tests of the Company

The Company actively carried out research on climate risk stress test, participated in the climate risk stress test organized by the People's Bank of China to evaluate the potential impact of the transformation of "emission peak" and "carbon neutrality" goals on the Company's credit assets. This test focused on the corporate customers whose annual emissions exclude 26 thousand tons of carbon dioxide equivalent in thermal power, steel and cement industries (refer to the definition standard for key greenhouse gas emitters by the Ministry of Ecology and Environment), and investigated the possible influence on their repayment capability with the assumption that the above-mentioned enterprises are charged for carbon dioxide emissions. There are three stress conditions for this test: mild stress, moderate stress and severe stress, which is mainly based on the changes in carbon price of the domestic carbon emission trading market and the carbon price scenarios of the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). This test would span 10 years from the end of 2020. It was assumed that enterprises would not carry out low-carbon transformation, and have no bargaining power for upstream and downstream during the testing period. According to the test results, if the enterprises in thermal power, steel and cement industries do not conduct low-carbon transformation, these enterprises would subject to decline in repayment capability under the stress scenario, but the risk is controllable on the whole. The capital adequacy ratio of the Company satisfies the regulatory requirements under the three stress scenarios.

II. Consumer rights and interests protection

During the reporting period, the Company pursued the "people-centered" business philosophy, took serving the real economy and people's lives as its primary concern, implemented a series of requirements of the Party, the state and regulators on the protection of consumers' rights and interests, adhered to the strategy of "service being the foundation of success", integrated the service concept with the business practice, continuously strengthened the construction of the consumer protection system and mechanism, consolidated the main responsibility, intensified the pre-audit of consumer protection, standardized the operation and sales behavior, strengthened the information security protection, increased the internal supervision and assessment, strengthened the education of financial knowledge and the resolution of complaints and disputes, strived to make finance serve the people, convenient to the people, benefit the people and enrich the people, and embraced its responsibilities. During the reporting period, the Company was awarded the outstanding organizer of 2021 "3.15" Education and Publicity Week by CBIRC, the excellent organizer of 2021 Joint Financial Education and Publicity Campaign, and the "Best Standing Committee Unit of the Third Consumer Protection Committee" by China Banking Association.

During the reporting period, 143,287 consumer complaints against the Company were filed, with an average of 5.91 complaints per outlet per month and complaint rate of 0.18%. Consumer complaints were related to credit card business (accounting for 86.48%), debit card business (accounting for 7.24%), loan business (accounting for 3.19%) and other business (accounting for 3.09%). Consumer complaints mainly involved complaints caused by debt collection methods and means (accounting for 66.22%), complaints caused by financial institution management systems, business rules and processes (accounting for 18.04%), and complaints caused by marketing methods and means (accounting for 8.20%), etc.. The regional distribution of consumer complaints was mainly in economically developed regions such as the Yangtze River Delta (accounting for 2.88%), the Pearl River Delta (accounting for 1.89%); in terms of geographic region, proportion of consumer complaints in Shandong (accounting for 1.29%) and Fujian (accounting for 1.14%) was relatively high.

III. Consolidation and expand the achievements of poverty alleviation and rural revitalization

During the reporting period, the Company was earnestly committed to the policies of the CPC Central Committee and the State Council on consolidating and expanding the achievements of poverty alleviation and rural revitalization, formulated the Guiding Opinions of Industrial Bank on Consolidating and Expanding the Achievements of Poverty Alleviation and Promoting Rural Revitalization in an All-Round Way and the Notice of Industrial Bank on Further Promoting the Rural Revitalization of Financial Services, and created a new model of rural revitalization of financial services with characteristics of the Industrial Bank by improving the institutional mechanism, clarifying the business development direction, formulating credit priorities, innovating products and service models, seizing the opportunity of digital transformation, and constructing a rural revitalization financial ecosystem. As at the end of the reporting period, the balance of agriculture-related loans amounted to RMB476,169 million, representing an increase of RMB45,916 million or 10.67% as compared with the beginning of the year; the balance of inclusive agriculture-related loans amounted to RMB28,055 million, representing an increase of RMB12,467 million or 79.96% as compared with the beginning of the year; and the balance of loans for financing support of target poverty alleviation amounted to RMB20,761 million, representing an increase of RMB4,093 million or 24.56% as compared with the beginning of the year.

IV. For more specific ESG information of the Company, please refer to the Company's Annual Sustainability Report 2021 publicly disclosed on the website of the Shanghai Stock Exchange. For details of corporate governance, please refer to "CORPORATE GOVERNANCE" of this annual report.

Significant Events

I. Commitment of the Company and its shareholders of over 5% stake within the reporting period or remaining in effect in the reporting period

(I) Upon approval of the CSRC, the Company issued 1,721,854,000 A shares in a non-public way. On April 7, 2017, the Company handled registration and lock-up procedures with Shanghai Branch of China Securities Depository and Clearing Corporation Limited for the newly issued A shares. The share subscribers in such non-public issuance made the following undertakings: the shares subscribed by the Finance Bureau of Fujian Province, China National Tobacco Corporation, Fujian Company of China National Tobacco Corporation, and Guangdong Company of China National Tobacco Corporation in such non-public issuance shall not be transferable within 60 months after completion of the issuance, and transfer of such shares shall be subject to other regulatory requirements concerning transfer of such shares as well as the transferees' shareholder qualifications upon expiration of the abovementioned lock-up period. The above-mentioned shareholders performed their obligation, such shares can be listed and traded on the market from April 7, 2022.

(II) According to relevant rules of the CSRC, the Proposal on Current Period Dilutive Effect of the Non-public Issuance of Domestic Preferred Shares and Replenishment Measures were considered and approved at the 8th meeting of the 9th session of Board of Directors and the 2017 annual general meeting. The proposal specified replenishment measures in respect of the potential dilutive effect that the non-public issuance of domestic preferred shares may have on current period returns of investors, which included strengthening capital planning and management, maintaining stable and adequate capital, enhancing capital use efficiency, reasonably allocating resources; accelerating transformation and innovation and promoting the sustainable development of business; and further improving the sustained, stable and scientific shareholder return mechanism. In addition, the directors and senior management of the Company made undertakings in respect of effectively implementing such replenishment measures. For details, please refer to the announcements of the Company dated April 25, 2018 and May 26, 2018.

(III) Some directors, supervisors and senior management of the Company purchased the shares of the Company from the secondary market with their own funds during the period from March 23 to March 25, 2020, respectively, and undertook to lock up the purchased shares for three years from the date of purchase. For details, please refer to the Company's announcement dated March 26, 2020.

(IV) The Mid-term Shareholders' Return Plan (2021-2023) was considered and approved at the 2020 annual general meeting, which planned that from 2021 to 2023, should there be distributable profit, cash dividends could be distributed to shareholders of ordinary shares, and the profit used for distribution in cash should not be less than 25% (inclusive) of the realized distributable profit of the year after making up for deficits, appropriating statutory reserves and general provisions and paying dividends to shareholders of preferred shares and interests of undated capital bonds from the realized earnings, provided that the distribution is in line with the profit distribution policy of regulatory department and it could be ensured that the regulatory requirements on capital adequacy ratio of the Company could be met. On the premise of ensuring compliance of capital adequacy ratio with regulatory requirements, when the Company distributes dividends in cash or in shares or by a combination of both, the proportion of cash dividends should not be lower than 40% (inclusive). For details, please refer to the announcement of the Company dated June 12, 2021.

(V) According to relevant rules of the CSRC, the Proposal on Current Period Dilutive Effect of the Public Issuance of A-share Convertible Bond and Replenishment Measures were considered and approved at the 29th meeting of the 9th session of Board of Directors and the 2020 annual general meeting. The proposal specified replenishment measures in respect of the potential dilutive effect that the public issuance of A-share convertible bond may have on current period returns of investors, which included strengthening capital planning and management, maintaining stable and adequate capital, enhancing capital use efficiency, reasonably allocating resources; continuing to reform business lines and expanding diversified profit channels; and further improving the sustained, stable and scientific shareholder return mechanism. In addition, the directors and senior management of the Company made undertakings in respect of effectively implementing such replenishment measures. For details, please refer to the announcements of the Company dated May 21, 2021 and June 12, 2021.

The Company and its shareholders holding 5% or more of the Company's shares made no other undertakings during the reporting period or undertakings that lasted into the reporting period.

II. Appropriation of funds during the reporting period

During the reporting period, no controlling shareholder or other related parties used the capital for non-operating purpose. KPMG Huazhen had issued Special Explanations on Appropriation of Non-business Capital and Flow of Other Related Capital of Industrial Bank Co., Ltd. in 2021.

III. Appointment of the accounting firm

Upon approval of the 2020 annual general meeting, KPMG Huazhen LLP was appointed to audit the 2021 annual report, review the semi-annual report and provide internal control audit services with the total audit fee amounting to RMB8.43 million, which included various advancement as well as related taxes.

IV. Material lawsuits and arbitrations

During the reporting period, there was no lawsuit or arbitration with material effects on the Company that was required to be disclosed.

The Company may be subject to lawsuit or arbitration arising from recovery of loans or disputes with customers in the daily business process. As at the end of the reporting period, there were 123 outstanding lawsuits and arbitrations in which the Company was the defendant or respondent (including the cases in which the Company was a third party), involving an aggregate amount of RMB1,885 million.

V. Punitive actions against the Company and its directors, supervisors and senior management personnel

During the reporting period, the Company, its directors, supervisors and senior management were not subject to any inspection by authoritative agencies, any compulsory measures by judicial authorities or discipline inspection departments, any referral to judicial authorities, criminal prosecution, inspection or administrative punishment by the CSRC, deprivation of market access, identity as inappropriate candidates and open condemnation of security exchanges, or any other punishment by regulators that may have significant impact upon the Company's operation.

VI. Integrity of the Company and the largest shareholder

During the reporting period, there were no material lawsuits, failure to implement effective judgments of a court or failure to meet debt repayment schedules in a relatively large amount by the Company.

VII. Material related party transactions

(I) The 4th meeting of the 10th session of the Board of Directors of the Company considered and passed the Proposal on Granting of Related Transaction Quota to Longyan Cultural Tourism Huijin Development Group Co., Ltd. and its affiliated companies, and agreed to offer Longyan Cultural Tourism Huijin Development Group Co., Ltd. and its affiliated companies RMB23.1 billion of related transaction quota. In particular, credit limit for principal part amounted to RMB4 billion and non-credit related transaction quota amounted to RMB19.1 billion, which were valid until June 10, 2022. The above related transactions arose from the needs of the due course of business activities and were conducted on conditions not more favorable than those for transactions of the same type with non-related parties. The pricing of the transactions was fair and in compliance with the relevant laws, regulations, rules and regulatory department. The method and timing of payment were determined with reference to the commercial practice. For details, please refer to the announcement of the Company dated December 17, 2021. As at the end of the reporting period, the credit balance for Longyan Cultural Tourism Huijin Development Group Co., Ltd. amounted to RMB898.8559 million.

(II) The 27th Meeting of the 9th Board of Directors of the Company reviewed and passed the Proposal on Granting of Related Transaction Quota to Certain Related Parties, and agreed to give China National Tobacco Corporation and its affiliated companies RMB22.3 billion of related transaction quota, including RMB17 billion of credit related transaction quota and RMB5.3 billion of non-credit related transaction quota with the term of validity of three years. The above related transactions arose from the needs of the due course of business activities and were conducted on conditions not more favorable than those for transactions of the same type with non-related parties. The pricing of the transactions was fair and in compliance with the relevant laws, regulations, rules and regulatory department. The method and timing of payment were determined with reference to the commercial practice. For details, please refer to the announcement of the Company dated March 30, 2021. As at the end of the reporting period, the credit balance of China National Tobacco Corporation and its affiliated companies in the Company was RMB390.0136 million.

(III) The 2020 Annual General Meeting of the Company reviewed and passed the Proposal on Granting of Related Transaction Quota to Certain Related Parties, and agreed to give the People's Insurance Company (Group) of China and its affiliated companies RMB79.6 billion of related transaction quota, including RMB54 billion of credit related transaction quota and RMB25.6 billion of non-credit related transaction quota with the term of validity of three years; agreed to give Fujian Sunshine Group Co., Ltd. and its affiliated companies RMB35.7 billion of related transaction quota, including RMB18.5 billion of credit related transaction quota and RMB17.2 billion of non-credit related transaction quota with the term of validity of three years. The above related transactions arose from the needs of the due course of business activities and were conducted on conditions not more favorable than those for transactions of the same type with non-related parties. The pricing of the transactions was fair and in compliance with the relevant laws, regulations, rules and regulatory department. The method and timing of payment were determined with reference to the commercial practice. For details, please refer to the announcement of the Company dated March 30, 2021 and June 12, 2021. As at the end of the reporting period, the credit balance of People's Insurance Company (Group) of China and its affiliated companies in the Company was RMB4,011.9363 million; the credit balance of Fujian Sunshine Group Co., Ltd. and its affiliated companies in the Company was RMB10,952.6279 million.

(IV) The 26th Meeting of the 9th Session of the Board of Directors of the Company considered and passed the Proposal on the Granting of Related Party Transaction Quota to Zhejiang Energy Group Co., Ltd. and agreed to grant a quota of related party transactions of RMB8.2 billion to Zhejiang Energy Group Co., Ltd. and its related parties, including: credit-type related party transaction quota of RMB8.1 billion and non-credit type related party transaction quota of RMB100 million, valid for 2 years. The above-mentioned related party transactions were generated from the needs of normal business activities and conducted on terms no better than those for similar transactions with non-related parties, with fair pricing and in compliance with relevant laws, rules, regulations and relevant provisions of the regulatory system, and the payment methods and timing of the transactions were determined with reference to commercial practices. For details, please refer to the Company's announcement dated December 18, 2020. As at the end of the reporting period, the credit balance in the Company of Zhejiang Energy Group Co., Ltd. and its affiliated companies was RMB1,057.627 million. The loan balance and deposit balance in the Company of Zhejiang Provincial Energy Group Finance Co., Ltd., an affiliated company of Zhejiang Energy Group Co., Ltd., were RMB0 and RMB500.4664 million respectively. For more information, please refer to the "Specification for Summary of Financial Business Involving Deposits and Loans of Related Party Transactions of financial companies of Industrial Bank Co., Ltd. in 2021" issued by KPMG Huazhen.

(V) As at the end of the reporting period, the balance of total loans for the Company's related party transactions with related natural persons was RMB13.5946 million.

Please refer to the "Notes IX. Related Party" under the FINANCIAL STATEMENTS for further details on specific data on related party transactions.

VIII. Material contracts and performance thereof

(I) Material custody, lease and contracting issues

During the reporting period, the Company had no material custody, lease and contracting issues.

(II) Guarantees issues

During the reporting period, except for the normal financial guarantees within the business scope approved, the Company had no other material guarantees requiring disclosure, and did not concluded any guarantee contract in violation of laws, administrative regulations and the procedures for guarantee resolutions prescribed by the China Securities Regulatory Commission.

(III) Other material contracts

During the reporting period, the Company did not experience any contract dispute that exerts significant impact upon the Company's operation and management.

IX. Description of other major issues

(I) Change in accounting policy: in 2018, the Ministry of Finance revised the Accounting Standards for Business Enterprises No. 21-Lease" (hereinafter referred to as the "New Lease Standard"), with the approval of the 27th meeting of the 9th session of the Board of Directors of the Company, the Company changed its accounting policy since January 1, 2021. The Company prepared and disclosed its financial statements in accordance with the New Lease Standard since 2021. For details, please refer to the announcement of the Company dated March 31, 2021 and the "Notes IV. Significant Accounting Policies and Accounting Estimates" to the FINANCIAL STATEMENTS.

(II) Public offering of A Share Convertible Bonds: approved by the CBIRC and the CSRC, the Company issued RMB50 billion A Share Convertible Bonds through public offering. All the funds raised will be used to support the future business development of the Company and supplement core Tier 1 capital of the Company upon the conversion of shares by the holder in accordance with relevant regulatory requirements. For details, please refer to the announcements of the Company dated May 21, 2021, June 12, 2021, August 20, 2021, November 13, 2021, December 7, 2021, December 16, 2021, December 23, 2021, December 27, 2021, December 28, 2021, December 29, 2021, December 31, 2021, January 5, 2022 and January 12, 2022.

(III) Issuance of USD medium-term notes: according to the resolution of the Company on the issuance of financial bonds in the 2018 Annual General Meeting, the Hong Kong Branch of the Company recently completed the issuance of equivalent USD922 million USD and HKD bonds under the plan of USD5 billion medium-term notes, and the funds raised were mainly used for the provision of financing and refinancing for renewable energy and qualified green assets with low carbon and low emission transportation. For details, please refer to the announcement of the Company dated June 11, 2021.

(IV) Issuance of Tier 2 capital bonds: according to the reply from the CBIRC and the PBOC, the Company was approved to publicly issue Tier 2 capital bonds of no more than RMB100 billion in the national interbank bond market to enrich Tier 2 capital. The Company issued two batches of Tier 2 capital bonds totaling RMB75 billion in 2021, and one batch of Tier 2 capital bonds totaling RMB25 billion in 2022. For details, please refer to the announcements of the Company dated September 3, 2021, October 12, 2021, October 26, 2021, November 26, 2021 and January 15, 2022.

(V) Changes in the largest shareholders' equity: 18 shareholders, including the Finance Bureau of Fujian Province, transferred 10% of the Company's ordinary shares (403,262,414 shares in total) at no consideration to the special transfer account under the name of Finance Bureau of Fujian Province to enrich the social security fund. After the transfer, the Finance Bureau of Fujian Province held 3,915,181,039 shares of the Company, accounting for 18.85%. For details, please refer to the announcements of the Company dated November 26, 2021 and December 7, 2021.

According to the approval of the People's Government of Fujian Province, the Finance Bureau of Fujian Province plans to transfer 3,511,918,625 ordinary shares of the Company (accounting for 16.91% of the total share capital) to Fujian Financial Investment Co., Ltd. (hereinafter referred to as Fujian Financial Investment) at no consideration. After the transfer, the Finance Bureau of Fujian Province would hold 403,262,414 ordinary shares of the Company, accounting for 1.94%; Fujian Financial Investment would hold 3,511,918,625 ordinary shares of the Company, accounting for 16.91%; Fujian Financial Investment would become the largest shareholder of the Company. The qualification of shareholders involved in this equity transfer remains subject to approval of the CBIRC and the compliance of this equity change requires confirmation of the Shanghai Stock Exchange, with formalities of transfer registration to be handled in Shanghai Branch of China Securities Depository and Clearing Corporation Limited. For details, please refer to the announcements of the Company dated March 22, 2022 and March 23, 2022.

(VI) Approval for operation of the Private Banking Department: according to the reply from the Shanghai Office of CBIRC, the Private Banking Department of the Company was approved to commence the business and was awarded the Financial License. For details, please refer to the announcement of the Company dated December 22, 2021.

Share Capital Changes and Shareholders of Ordinary Shares

I. Changes in shares during the reporting period

(I) Changes in shares

There was no change in total shares of the Company during the reporting period.

Unit: share

	December 31, 2020		Change in Number	December 31, 2021	
	Number	Percentage (%)		Number	Percentage (%)
I. Restricted shares	1,158,940,200	5.58	-	**1,158,940,200**	**5.58**
1. State-owned shares	430,463,500	2.07	-	**430,463,500**	**2.07**
2. Shares held by state-owned legal entities	728,476,700	3.51	-	**728,476,700**	**3.51**
3. Shares held by other domestic investors	-	-	-	**-**	**-**
Incl: Shares held by domestic non-state-owned legal persons	-	-	-	**-**	**-**
Shares held by domestic natural persons	-	-	-	**-**	**-**
4. Shares held by foreign investors	-	-	-	**-**	**-**
Incl: Shares held by foreign legal persons	-	-	-	**-**	**-**
Shares held by foreign natural persons	-	-	-	**-**	**-**
II. Unrestricted floating shares	19,615,250,551	94.42	-	**19,615,250,551**	**94.42**
1. RMB ordinary shares	19,615,250,551	94.42	-	**19,615,250,551**	**94.42**
2. Domestically listed foreign shares	-	-	-	**-**	**-**
3. Overseas listed foreign shares	-	-	-	**-**	**-**
4. Others	-	-	-	**-**	**-**
III. Total shares	20,774,190,751	100	-	**20,774,190,751**	**100**

(II) Changes in shares subjected to trading moratorium

Unit: share

Name of shareholders	Number of restricted shares at the beginning of the period	Number of shares released from restrictions during the reporting period	Number of restricted shares increased during the year	Number of restricted shares as at the end of the period	Reasons for restriction in sale	Date of release from restrictions
The Finance Bureau of Fujian Province	430,463,500	-	-	**430,463,500**	Undertakings on the lockup period of nonpublic offering	April 7, 2022
China National Tobacco Corporation	496,688,700	-	-	**496,688,700**		
Fujian Company of China National Tobacco Corporation	132,450,300	-	-	**132,450,300**		
Guangdong Company of China National Tobacco Corporation	99,337,700	-	-	**99,337,700**		
Total	1,158,940,200	-	-	**1,158,940,200**	-	-

II. Shareholders

(I) Total number of shareholders

As at the end of the reporting period, the Company had a total of 324,972 ordinary shareholder accounts, and 271,552 ordinary shareholders accounts at the end of the month prior to the release of this annual report.

(II) Shareholdings of the top ten shareholders as at the end of the reporting period

Unit: share

Name of shareholders	Changes during the period	Number of shares held at the end of the period	Percentage (%)	Number of restricted shares held	Pledged, marked or frozen shares	Nature of shareholders
The Finance Bureau of Fujian Province	13,049,233	3,915,181,039	18.85	430,463,500	-	State authority
China National Tobacco Corporation	-	1,110,226,200	5.34	496,688,700	-	State-owned legal person
PICC Property and Casualty Company Limited-Traditional-Common Insurance Product	-	948,000,000	4.56	-	-	State-owned legal person
PICC Life Insurance Company Limited-Dividends-Dividends for Personal Insurance	-	801,639,977	3.86	-	-	State-owned legal person
Hong Kong Securities Clearing Company Limited	114,714,405	683,830,224	3.29	-	-	Overseas legal person
China Securities Finance Corporation Limited	-70	622,235,582	3.00	-	-	State-owned legal person
Huaxia Life Insurance Co., Ltd.-Self-owned Funds	-	569,179,245	2.74	-	-	Domestic non-state-owned legal person
PICC Life Insurance Company Limited-Universal-Personal Insurance (Universal)	-	474,000,000	2.28	-	-	State-owned legal person
Fujian Tobacco Haisheng Investment Management Co., Ltd.	-	441,504,000	2.13	-	-	State-owned legal person
Fujian Investment and Development Group Co., Ltd.	171,413,815	294,122,046	1.42	-	-	State-owned legal person

Notes: 1. PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited were controlling subsidiaries of The People's Insurance Company (Group) of China Limited. Fujian Tobacco Haisheng Investment Management Co., Ltd. was a subsidiary of China National Tobacco Corporation.

2. There are no special repurchase accounts for the top ten shareholders; and there are no voting rights entrusted by or to, or waived by the top ten shareholders.

(III) Shareholdings of the top ten shareholders of unrestricted shares

Unit: share

Name of shareholders	Number of unrestricted floating shares held	Percentage of total share capital (%)	Type of shares
The Finance Bureau of Fujian Province	3,484,717,539	16.77	RMB ordinary shares
PICC Property and Casualty Company Limited-Traditional-Common Insurance Product	948,000,000	4.56	RMB ordinary shares
PICC Life Insurance Company Limited-Dividends-Dividends for Personal Insurance	801,639,977	3.86	RMB ordinary shares
Hong Kong Securities Clearing Company Limited	683,830,224	3.29	RMB ordinary shares
China Securities Finance Corporation Limited	622,235,582	3.00	RMB ordinary shares
China National Tobacco Corporation	613,537,500	2.95	RMB ordinary shares
Huaxia Life Insurance Co., Ltd.-Self-owned Funds	569,179,245	2.74	RMB ordinary shares
PICC Life Insurance Company Limited-Universal-Personal Insurance (Universal)	474,000,000	2.28	RMB ordinary shares
Fujian Tobacco Haisheng Investment Management Co., Ltd.	441,504,000	2.13	RMB ordinary shares
Fujian Investment and Development Group Co., Ltd.	294,122,046	1.42	RMB ordinary shares

Notes: PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited were controlling subsidiaries of The People's Insurance Company (Group) of China Limited. Fujian Tobacco Haisheng Investment Management Co., Ltd. was a subsidiary of China National Tobacco Corporation.

(IV) Number of shares held by shareholders subject to trade restrictions as well as conditions of such restriction

Unit: share

<table>
<tr><th rowspan="2">Name of holders of restricted shares</th><th rowspan="2">Number of restricted shares held</th><th colspan="2">Availability for listing and trading of restricted shares</th><th rowspan="2">Condition of restriction</th></tr>
<tr><th>Date when shares become tradable</th><th>Number of new tradable shares</th></tr>
<tr><td>The Finance Bureau of Fujian Province</td><td>430,463,500</td><td rowspan="4">April 7, 2022</td><td>430,463,500</td><td rowspan="4">These shares could not be transferred within 60 months from the day when the offering was completed (except otherwise required by the competent regulators on the expired and transferred shares and the shareholding qualification of the transferee)</td></tr>
<tr><td>China National Tobacco Corporation</td><td>496,688,700</td><td>496,688,700</td></tr>
<tr><td>Fujian Company of China National Tobacco Corporation</td><td>132,450,300</td><td>132,450,300</td></tr>
<tr><td>Guangdong Company of China National Tobacco Corporation</td><td>99,337,700</td><td>99,337,700</td></tr>
<tr><td colspan="2">Descriptions about the association between or concerted actions of the above shareholders</td><td colspan="3">Fujian Company of China National Tobacco Corporation and Guangdong Company of China National Tobacco Corporation are both subsidiaries of China National Tobacco Corporation</td></tr>
</table>

(V) Substantial shareholders

The Company has no controlling shareholder or de facto controller. Pursuant to the rules of Interim Measures for Equity Management of Commercial Banks, the substantial shareholders of the Company were as follow:

1. The Finance Bureau of Fujian Province is the largest shareholder of the Company, holding 18.85% of the shares of the Company. It nominated directors to the Company and there is no case of pledge of the Company's shares. The Finance Bureau of Fujian Province is a legal person of government unit. Its legal representative is Yu Jun and the address is 5 Zhongshan Road, Fuzhou.

2. The People's Insurance Company (Group) of China Limited, PICC Life Insurance Company Limited and PICC Property and Casualty Company Limited collectively held 12.90% of the shares of the Company. They nominated one director to the Company and there is no case of pledge of the Company's shares. The People's Insurance Company (Group) of China Limited is the controlling shareholder of PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited, its controlling shareholder is the Ministry of Finance of the People's Republic of China.

The People's Insurance Company (Group) of China Limited holds 0.84% of the Company's shares, and its predecessor-the People's Insurance Company of China was established in Beijing with the approval of the Government Administration Council of China in October 1949. In June 2009, according to the restructuring plan approved by the State Council, the PICC (Group) Company carried out the general conversion, in which the Ministry of Finance exclusively initiated the establishment of The People's Insurance Company (Group) of China Limited. The People's Insurance Company (Group) of China Limited has been listed on the main board of the Hong Kong Stock Exchange and the main board of the Shanghai Stock Exchange with the stock codes of "01339.HK" and "601319.SH", respectively. The registered capital of The People's Insurance Company (Group) of China Limited is RMB44.224 billion, its place of registration is Beijing, and the legal representative is Luo Xi. Its scope of business includes investment and holding shares in listed companies, insurance institutions and other financial institutions, supervision and management of various domestic and international businesses of holding investment companies, policy insurance business authorized or entrusted by the state, and other businesses approved by the regulatory institutes and relevant state authorities.

PICC Property and Casualty Company Limited holds 5.91% of the Company's shares. Established in July 2003, its registered office is in Beijing and it has a registered capital of RMB22.243 billion, and its legal representative is Miao Jianmin. Its scope of business includes: property and casualty insurance, liability insurance, credit insurance, accidental injury insurance, short-term health insurance and surety insurance in Renminbi or foreign currencies; the re-insurance of the aforesaid insurances; reinsurance and provision of consulting services related to the businesses mentioned above; service and advisory business related to various property insurance, accidental injury insurance, short-term health insurance and re-insurance; and representing insurers in conducting relevant business; investment and capital utilization business permitted by the national laws and regulations; and other businesses authorized by national laws and regulations or approved by the national regulatory institutes.

PICC Life Insurance Company Limited holds 6.14% of the Company's shares. Established in November 2005, its registered office is in Beijing and it has a registered capital of RMB25.761 billion, and its legal representative is Xiao Jianyou. The business scope is operating the following businesses (excluding statutory insurance businesses) within the administrative area of Beijing Municipality and the provinces, autonomous regions and municipalities directly under the central government where branches have been established: (i) life insurance, health insurance, accident insurance and other insurance businesses; (ii) reinsurance businesses of the above businesses; (iii) acting as agents of PICC Property and Casualty Company Limited and PICC Health Insurance Company Limited in their insurance businesses within the scope approved by regulators and related national departments.

3. China National Tobacco Corporation, Fujian Tobacco Haisheng Investment Management Co., Ltd., China Tobacco Hunan Investment Management Co., Ltd., Fujian Company of China National Tobacco Corporation, Guangdong

Company of China National Tobacco Corporation and Fujian Sanhua Color Printing Co., Ltd. collectively hold 9.90% of the shares of the Company. They nominated one director to the Company and there is no case of pledge of the Company's shares. Fujian Tobacco Haisheng Investment Management Co., Ltd., China Tobacco Hunan Investment Management Co., Ltd., Fujian Company of China National Tobacco Corporation, Guangdong Company of China National Tobacco Corporation and Fujian Sanhua Color Printing Co., Ltd. are subsidiaries of China National Tobacco Corporation and their de facto controller is the Ministry of Finance of the People's Republic of China.

Founded in December 1983, China National Tobacco Corporation holds 5.34% of the shares of the Company. It's a wholly state-owned enterprise with its registered office in Beijing. It has a registered capital of RMB57 billion, and its legal representative is Zhang Jianmin. Its business includes production, operation and import and export trading of tobacco monopoly products and operation and management of state-owned assets.

Founded in July 2005, Fujian Tobacco Haisheng Investment Management Co., Ltd. holds 2.13% of the shares of the Company. Its registered office is in Xiamen. It has a registered capital of RMB2.647 billion and its legal representative is Lin Shixun. Its businesses include investment management (except otherwise required by the laws and regulations), being entrusted to manage legally established hotels, and other business operations that do not involve prerequisite approval permission.

Founded in October 2011, China Tobacco Hunan Investment Management Co., Ltd. holds 1.09% of the shares of the Company. Its registered office is in Changsha. It has a registered capital of RMB0.2 billion and its legal representative is Xiao Bing. Its scope of business is to carry out (with its own legal funds) investment and management in printing industry, paper product manufacturing industry, plastic membrane manufacturing industry, other tobacco product manufacturing industry, industry of integrated utilization of waste, construction industry, advertising industry, cultural activities services, conferences and exhibitions and related services, manufacturing of electronic products, manufacturing of electronic cigarette, financial industry, real estate industry, agriculture, agricultural and non-staple food processing industry, pharmaceutical manufacturing industry, unit logistics management service industry; investment consulting service; conference service; supply chain management; production, processing and sales of packaging products; and paper sales.

Founded in January 1984, Fujian Company of China National Tobacco Corporation holds 0.64% of the shares of the Company. Its registered office is in Fuzhou. It has a registered capital of RMB137 million and its legal representative is Li Mindeng. Its businesses include operation of tobacco monopoly products; asset management and comprehensive management.

Founded in August 1989, Guangdong Company of China National Tobacco Corporation holds 0.48% of the shares of the Company. Its registered office is in Guangzhou. It has a registered capital of RMB140 million and its legal representative is Wang Deyuan. Its businesses include operation of cigarette, production and operation of tobacco, asset management and comprehensive management, export of tobacco monopoly products, supporting service for the import of tobacco monopoly products, and the operation of imported tobacco products in China.

Fujian Sanhua Color Printing Co., Ltd. holds 0.22% of the Company's shares. The Company was established in December 1992, registered in Longyan City, with a registered capital of RMB12 million. Its legal representative is Lu Dongfen, and its business scope includes the production of trademarks, advertisement and other printed materials, as well as decorative design.

4. Zhejiang Energy Group Co., Ltd. and Zhejiang Zheneng Electric Power Co., Ltd. collectively hold 0.59% of the shares of the Company. They nominated one supervisor to the Company and there is no case of pledge of the Company's shares. Zhejiang Energy Group Co., Ltd. is the controlling shareholder of Zhejiang Zheneng Electric Power Co., Ltd. Its controlling shareholder is the State-owned Assets Supervision and Administration Commission of Zhejiang Provincial People's Government.

Zhejiang Energy Group Co., Ltd. holds 0.02% of the shares of the Company. It was established in March 2001 with a registered office in Hangzhou and a registered capital of RMB10 billion. Its legal representative is Hu Zhongming and its businesses include the operation of state-owned assets and state-owned shares of the group companies and their affiliated companies that are authorized by the state; industrial investment development; technical advisory services, technical advisory services for coal transportation information; production and supply of electric power; development and utilization of renewable energy; operation management of oil and gas; engineering technology and service; sale of steel, nonferrous metals, construction materials, machinery equipment, electrical cables, coal; international ship transportation (operating with license); domestic water transport (operating with license); electric machinery and equipment; new energy equipment manufacturer; private equity investment; investment consulting and asset management.

Zhejiang Zheneng Electric Power Co., Ltd. holds 0.57% of the shares of the Company. It was established in March 1992 with a registered office in Hangzhou and a registered capital of RMB13.601 billion. Its legal representative is Yu Guoping and its businesses include: electricity generation, operation control; research and development of electric power and energy-saving technologies, technical advisory as well as the sales of energy-saving products; construction and supervision of electric power projects and power environmental protection projects; maintenance of electric equipment; power selling service (operating with license); sales of cooling, heat, hot water and steam; contractual energy management.

Matters Regarding Preferred Shares

I. Issuance and listing of preferred shares

Unit: share

Preferred shares code	Stock abbreviation	Date of issuance	Issuing price (Yuan/ share)	Dividend rate (%)	Issuance size	Date of listing	Number of shares listed	Date of delisting
360005	Industrial P1	December 3, 2014	100	Note 1	130,000,000	December 19, 2014	130,000,000	None
360012	Industrial P2	June 17, 2015	100	Note 2	130,000,000	July 17, 2015	130,000,000	None
360032	Industrial P3	April 3, 2019	100	4.90	300,000,000	April 26, 2019	300,000,000	None

Notes: 1. The Company issued a tranche of 130 million preferred shares with a par value of RMB100 per share through non-public offering in December 2014. The coupon rate in the first interest cycle was 6.00%; and the coupon rate in the second interest cycle of Industrial P1 commencing from December 8, 2019 was adjusted to 5.55%.

2. The Company issued the second tranche of 130 million preferred shares with a par value of RMB100 per share through non-public offering in June 2015. The coupon rate in the first interest cycle was 5.40%; and the coupon rate in the second interest cycle of Industrial P2 commencing from June 24, 2020 was adjusted to 4.63%.

3. The Company issued 300 million preferred shares with a par value of RMB100 per share through non-public offering in April 2019, and the coupon rate in the first interest cycle was 4.90%.

II. Preferred shares shareholders

(I) Number of preferred shares shareholders

Unit: household

Number of preferred shares shareholder accounts as at the end of the reporting period	59
Number of preferred shares shareholder accounts as at the end of the month prior to the disclosure of the annual report	59

(II) Shareholdings of the top ten shareholders as at the end of the reporting period

Unit: share

Name of shareholders	Changes of number of shares during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Type of shares	Pledged or frozen shares	Nature of shareholders
Ping An Life Insurance Company of China-Dividends-Dividends for personal insurance	-	88,734,000	15.85	Domestic Preferred shares	-	Others
Ping An Property and Casualty Company Limited-Traditional-Common insurance product	-	65,874,000	11.76	Domestic Preferred shares	-	Others
Ping An Life Insurance Company of China-self-owned funds	-	44,643,400	7.97	Domestic Preferred shares	-	Others
Bosera Funds-ICBC-Bosera-ICBC-Flexible Allocation No. 5 Specific Multicustomer Asset Management Plan	12,852,000	25,050,000	4.47	Domestic Preferred shares	-	Others
Everbright Securities Asset Management-China Everbright Bank-Everbright Securities Asset Management-CEB-Everbright Securities Asset Management Xinyou No.2 Collective Asset Management Plan	23,474,000	23,474,000	4.19	Domestic Preferred shares	-	Others
Ping An Life Insurance Company of China-Universal-Individual Insurance (Universal)	-	21,254,000	3.80	Domestic Preferred shares	-	Others
Everbright Securities Asset Management-CEB-Everbright Securities Asset Management Xinyou Collective Asset Management Plan	8,000,000	15,944,000	2.85	Domestic Preferred shares	-	Others
Hwabao Trust Co., Ltd.-Hwabao Trust-Baofu Investment No.1 Collective Capital Trust Plan	15,092,800	15,092,800	2.70	Domestic Preferred shares	-	Others
Jiangsu Company of China National Tobacco Corporation	-	15,000,000	2.68	Domestic Preferred shares	-	State-owned legal person
Sichuan Company of China National Tobacco Corporation	-	15,000,000	2.68	Domestic Preferred shares	-	State-owned legal person
Zhongwei Capital Holding Co., Ltd.	-	15,000,000	2.68	Domestic Preferred shares	-	State-owned legal person
The Finance Bureau of Fujian Province	-	14,000,000	2.50	Domestic Preferred shares	-	State authority

Notes: 1.All preferred shares issued by the Company are preferred shares without selling restrictions. The shareholders hold Industrial P1, Industrial P2 and Industrial P3 at the same time, all of which were presented in consolidation.

2. The connected relationship exists among Ping An Life Insurance Company of China-participating-personal insurance (participating), Ping An Property and Casualty Company Limited-traditional common insurance product, Ping An Life Insurance Company of China-self-owned funds and Ping An Life Insurance Company of China-universal-personal insurance (universal). The connected relationship exists Jiangsu Company of China National Tobacco Corporation, Sichuan Company of China National Tobacco Corporation, and Zhongwei Capital Holding Co., Ltd.. Apart from that, the Company is not aware of any connected relationship or concerted actions among the above shareholders.

3. As at the end of the reporting period, the Finance Bureau of Fujian Province held 3,915,181,039 ordinary shares of the Company. Jiangsu Company of China National Tobacco Corporation, Sichuan Company of China National Tobacco Corporation, and Zhongwei Capital Holding Co., Ltd. are subsidiaries of China National Tobacco Corporation, which is a holder of ordinary shares of the Company. China National Tobacco Corporation and its subsidiaries jointly hold 2,055,937,778 ordinary shares of the Company. Apart from that, the Company is not aware of any connected relationship or concerted actions among the above shareholders and the top ten holders of ordinary shares.

III. Profit distribution of preferred shares

(I) Profit distribution

The dividend distribution of the preferred shares under this issuance shall be made once in each accounting year by cash payment.

The aggregate par value of the preferred shares "Industrial P1" is RMB13 billion, the interest period of preferred shares for 2021 was from January 1, 2021 to December 31, 2021. The proposed dividends for 2021 are RMB722 million with an annual dividend yield of 5.55%.

The aggregate par value of the preferred shares "Industrial P2" is RMB13 billion, the interest period of preferred shares for 2021 was from January 1, 2021 to December 31, 2021. The proposed dividends for 2021 are RMB602 million with an annual dividend yield of 4.63%.

The aggregate par value of the preferred shares "Industrial P3" is RMB30 billion and the interest period of preferred shares for 2021 was from January 1, 2021 to December 31, 2021, and the 2021 proposed dividends are RMB1,470 million with an annual dividend yield of 4.90%.

The above distribution plans will be implemented in two months after the approval of the general meeting.

(II) Distribution amount and ratio of preferred shares of the previous three years

Unit: RMB million

Year	Amount	Ratio (%)
2021	2,793	100
2020	2,841	100
2019	2,549	100

Note: distribution ratio = announced distribution amount / agreed distribution amount for the year * 100%.

IV. During the reporting period, the Company made no repurchase of preferred shares, conversion of preferred shares into ordinary shares or restoration of voting rights of preferred shares.

V. Accounting policies adopted by the Company for the preferred shares and reasons

Pursuant to the Accounting Standard for Business Enterprises No. 22–Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No.37–Presentation and Reporting of Financial Instrument and the Distinction between Financial Liabilities and Equity Instruments and Relevant Accounting Treatments promulgated by the Ministry of Finance of the People's Republic of China and the main terms of the issued preference shares of the Company, the Company's preferred shares meet the requirements for being accounted as an equity instrument. Therefore, the Company's issued preferred shares were accounted for as an equity instrument.

VI. Adjustments regarding the mandatory conversion price

The initial mandatory conversion price of the preferred shares under the issuance shall be the average trading price (the initial mandatory conversion price of Industrial P1 and Industrial P2 is RMB9.86/share and the initial mandatory conversion price of Industrial P3 is RMB16.50/share) of the ordinary A shares of the Company in the 20 trading days preceding the date of the resolution of the meeting of the Board at which the issuance proposal of the preferred shares was considered and approved. Following the date of the Board resolution, in the event of the issuance of bonus shares, conversion of share capital, issuance of new shares (excluding additional share capital as a result of conversion into shares of financing instruments attached with terms for conversion into ordinary shares, such as preferred shares and convertible corporate bonds, of which their share capital is increased by the conversion), rights issue, and etc., the Company shall, based on the sequence of the occurrences of the above events, undertake cumulative adjustments to the mandatory conversion prices in accordance with the specified formula.

Upon the approval of the CSRC, the Company issued 1,721,854,000 A shares in a non-public way and handled registration and lock-up procedures with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited for the newly issued A shares on April 7, 2017. Calculated with the formula for adjustment of compulsory conversion price of "Industrial P1" and "Industrial P2" as set out in relevant terms of the Prospectus for Non-public Issuance of Domestic Preferred Shares of Industrial Bank Co., Ltd. for 2014 and the Prospectus for Non-public Issuance of Domestic Preferred Shares (Second Tranche) of Industrial Bank Co., Ltd. for 2015, upon completion of the non-public issuance of A shares by the Company, the compulsory conversion price of "Industrial P1" and "Industrial P2" issued by the Company was adjusted from RMB9.86/share to RMB9.80/share. For details, please refer to the Company's announcement dated April 11, 2017.

Particulars of Convertible Corporate Bonds

I. Issuance of the convertible corporate bonds

On December 31, 2021, the Company completed the issuance of A share convertible corporate bonds (hereinafter referred to as the "Convertible Bonds"). The proceeds raised was RMB50 billion and the net proceeds raised after deducting issuance costs was RMB49.92 billion. The above A Share Convertible Bonds has been listed on the Shanghai Stock Exchange for trading on January 14, 2022, with the stock abbreviation of Industrial Convertible Bonds and stock code of 113052.

II. Particulars of the holders of the Convertible Bonds during the reporting period

Name of convertible bondholders		Industrial Convertible Bonds
Number of the holders of the Convertible Bonds at the end of the period		8,704,707
Particulars of the top ten holders of the Convertible Bonds are set out below:		
Name of holders	Amount of bonds held at the end of the period (in RMB)	Percentage of total issued convertible bonds (%)
The Finance Bureau of Fujian Province	8,643,676,000	17.29
Huaxia Life Insurance Co., Ltd.-self-owned funds	1,369,445,000	2.74
Longyan Cultural Tourism Huijin Development Group Co., Ltd.	481,163,000	0.96
Huaxia Life Insurance Co., Ltd.-universal insurance products	428,727,000	0.86
Huaxia Life Insurance Co., Ltd.-dividends-dividends for personal insurance	382,768,000	0.77
Zhejiang Zheneng Electric Power Co., Ltd.	284,534,000	0.57
Huaxia Life Insurance Co., Ltd.-traditional products	267,979,000	0.54
National Social Security Fund 114 portfolio	250,283,000	0.50
National Social Security Fund 103 portfolio	204,534,000	0.41
National Social Security Fund 106 portfolio	182,736,000	0.37

III. Changes in the Convertible Bonds during the reporting period

The conversion period of the A Share Convertible Bonds issued by the Company commences on the first trading day immediately following the expiry of a six-month period from the date of issuance of the Convertible Bonds and ends on the maturity date of the Convertible Bonds, i.e. June 30, 2022 to December 26, 2027. As at the end of the reporting period, the A Share Convertible Bonds issued by the Company had not entered into the conversion period.

IV. Historical adjustments of conversion price

In accordance with relevant provisions of the Prospectus on the Public Issuance of the A Share Convertible Bonds of Industrial Bank Co., Ltd. and relevant laws and regulations, after the issuance of A Share Convertible Bonds of the Company and upon the occurrence of distribution of scrip dividend, capitalization issue, issuance of new shares, rights issue (excluding any increase in the share capital as a result of conversion of the A Share Convertible Bonds) or any other situation which affect the share capital of the Company or distribution of cash dividend, the Company will adjust the conversion price. There are no adjustments of conversion price caused by the above situation during the reporting period. No above situation occurred and resulted in the adjustments of conversion price during the reporting period.

V. The Bank's outstanding debts, creditworthiness and availability of cash for repayment of debts in future years

In accordance with the relevant provisions in the Administration Measureson the Issuance of Securities by Listed Companies, the Administrative Measures on the Issuance and Transaction of Corporate Bonds and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Company entrusted a credit rating agency Shanghai Brilliance Credit Rating&Investors Service Co., Ltd. (hereinafter referred to as "Shanghai Brilliance") to conduct credit rating for the Convertible Bonds issued by the Company. Shanghai Brilliance issued the Report on Credit Rating of the Public Offering of A Share Convertible Bonds of Industrial Bank Co., Ltd.. The rating results are as follows: the corporate credit rating of the Company was AAA with a stable outlook, and the credit rating of the Convertible Bonds was also AAA. The Company's operations are stable in all aspects with reasonable asset structure, and the liabilities situation has not changed significantly, and the credit status is good. The Company's cash sources for debt repayment in the coming years mainly include cash inflows from income from the normal business operations of the Company and realization of current assets.

Financial Statements

The Company's financial statements for Year 2021 have been audited by KPMG Huazhen and signed by certified public accountants Chen Sijie and Wu Zhongming, who have issued an auditor's report with unqualified opinion. For full text of the financial statements, please refer to the appendix.

Documents Available for Inspection

I. Financial statements bearing the signatures and seals of the Company's legal representative, president and person in charge of the accounting body.

II. Original auditors' report bearing the seal of the accounting firm and personally signed and sealed by certified public accountants.

III. All the original documents and announcements publicized by the Company during the reporting period.

兴业银行股份有限公司
董事会

Board of Directors of Industrial Bank Co., Ltd.

March 24, 2022

Appendix: Auditor's Report and Financial Statements

CONTENTS

AUDITOR'S REPORT

KPMG Huazhen Shen Zi No.2202008

To the shareholders of Industrial Bank Co., Ltd.:

I. OPINION

We have audited the accompanying financial statements of Industrial Bank Co., Ltd. (the "Bank"), which comprise the consolidated and bank balance sheets as at 31 December 2021, the consolidated and Bank's income statements, the consolidated and Bank's cash flow statements, the consolidated and Bank's statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and Bank's financial position of bank as at 31 December 2021, and the consolidated and Bank's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises (ASBE) issued by the Ministry of Finance of the People's Republic of China.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the China Code of Ethics for Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

III. KEY AUDIT MATTERS (continued)

The determination of allowance for impairment losses on loans and advances to customers and debt investments	
Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 7.6 and "VII. Notes to the consolidated financial statements" 6 and 7.2.	
The Key Audit Matter	How the matter was addressed in our audit
The determination of allowance for impairment losses on loans and advances to customers and debt investments using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions. In particular, the determination of expected credit loss model is heavily dependent on the external macro environment and the Bank's internal credit risk management strategy. The expected credit losses for corporate loans and debt investments are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The expected credit losses for personal loans are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors. Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third party valuers and considers the influence of various factors including the market price, location and use when assessing the value of property held as collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral. We identified the impairment of loans and advances to customers and debt investments as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Bank.	Our audit procedures to assess allowance for impairment losses on loans and advances to customers and debt investments included the following: • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and advances to customers or debt investments, the credit grading process and the measurement of allowances for impairment; • involving our IT specialists to assess the design and operating effectiveness of information system controls, including general information technology controls, completeness of automatically extracted key internal historical data, data transmission between systems, mapping of parameters of expected credit loss model, and logic settings for system calculation of allowance for impairment losses for expected credit loss; • with the assistance of our internal specialists in financial risk management, assessing the reliability of the expected credit loss model used by management in determining allowance for impairment losses, and assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments; • assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original loan agreements, we compared the total balance of the loan and financial assets list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing individual loan and financial assets information with the underlying agreements and other related documentation to assess the accuracy of compilation of the loan and financial assets list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources;

III. KEY AUDIT MATTERS (continued)

The determination of allowance for impairment losses on loans and advances to customers and debt investments (continued)	
Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 7.6 and "VII. Notes to the consolidated financial statements" 6 and 7.2.	
The Key Audit Matter	How the matter was addressed in our audit
	• for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Bank's internal records including historical loss experience and type of collateral. As part of these procedures, we challenged management's revisions to estimates and input parameters compared with prior period and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development; • for key internal data generated by the system, we selected samples and checked the system input data against source documents to assess the accuracy of the system input data, and tested the logic for preparing information about overdue loans and advances based on the samples and with the help of our IT specialists; • evaluating the reasonableness of the management's judgment as to whether the credit risk of loans and advances to customers or debt investments has increased significantly since the initial recognition and whether the credit impairment has occurred by selecting a risk-based sample for credit review. We analysed the loan portfolio by industry sector to select samples for credit review in industries more vulnerable to the current economic situation. We also selected samples based on other risk criteria, including but not limited to borrowers with adverse press coverage and from the Bank's overdue report; Based on the selected samples, we checked information about overdue loans, learned about the borrowers' credit risk profile, made enquiries to the credit managers about the borrowers' business operations, checked the borrowers' financial information, and researched market information related to the borrowers' businesses.

III. KEY AUDIT MATTERS (continued)

The determination of allowance for impairment losses on loans and advances to customers and debt investments (continued)	
Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 7.6 and "VII. Notes to the consolidated financial statements" 6 and 7.2.	
The Key Audit Matter	How the matter was addressed in our audit
	• performing credit review procedures on the samples of corporate loans and advances and debt investments selected in accordance with the aforesaid criteria, to assess the appropriateness of the loss given default (LGD) of the credit-impaired corporate loans and advances and debt investments; assessing the estimated recoverable cash flow through inquiries, professional judgements, independent queries, etc.; evaluating the management's assessment of the value of any collateral held, comparing the managemen's valuation of the collaterals to their market prices, evaluating the timing and means of realisation of the collaterals, and considering other sources of repayment asserted by the management; assessing the consistency in the application of key assumptions by the management and comparing them with our data sources. • selecting samples to check the expected credit loss calculation, so as to comment on the Bank's application of the expected credit loss model; and • evaluating whether the disclosure related to allowance for impairment losses on loans and advances to customers and debt investments meets the disclosure requirements of the revised CAS 37 - Presentation of Financial Instruments.

III. KEY AUDIT MATTERS (continued)

Recognition of interests in and consolidation of structured entities	
Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 4, "VI. Consolidation scope" 2 and "VII. Notes to the consolidated financial statements" 45.	
The Key Audit Matter	How the matter was addressed in our audit
Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Bank may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing a wealth management product, an investment fund, an asset management plan, a trust plan or an asset-backed security. In determining whether a structured entity is required to be consolidated by the Bank, the management is required to consider the power the Bank is able to exercise over the activities of the entity, the variable returns to which the Bank has rights from its involvement with the structured entity, and its ability to influence its own variable returns from the entity. These factors are not purely quantitative and the substance of the transaction needs to be considered collectively. We identified the recognition of interests in and consolidation of structured entities as a key audit matter because some of these structured entities were complex in nature and judgement was required when the Bank performed qualitative assessment of terms and transaction substance for each structured entity.	Our audit procedures to assess the consolidation of structured entities and recognition of its entitlement rights included the following: • making enquiries of management and inspecting documents relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Bank has a robust process in this regard; • performing the following procedures for structured entities on a sample basis: - inspecting selected contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entities and the involvement the Bank has with the structured entities and to assess management's judgement over whether the Bank has the ability to exercise power over the structured entities; - inspecting the risk and reward structure of the structured entities, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgement as to exposure, or rights, to variable returns from the Bank's involvement in such entities; - evaluating management's analyses of the structured entities including qualitative analyses and calculations of the magnitude and variability associated with the Bank's economic interests in the structured entities to assess management's judgement over the Bank's ability to influence its own returns from the structured entities; - assessing management's judgement over whether the structured entities should be consolidated or not; and • assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.

III. KEY AUDIT MATTERS (continued)

Fair value of financial instruments	
Refer to "IV. Significant accounting policies and accounting estimates" 7 and "XI. Financial risk management" 7 set out in the notes to the financial statements.	
The Key Audit Matter	How the matter was addressed in our audit
Financial instruments carried at fair value account for a significant part of the Bank's assets and liabilities. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income. The valuation of the Bank's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where such observable data is not readily available for valuation techniques, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant management judgement. The Bank has developed its own models to value certain level 2 and level 3 financial instruments, which also involves significant management judgement. We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and the degree of judgement exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess the fair value of financial instruments included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments; • assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Bank with publicly available market data; • engaging our internal valuation specialists to assist us in performing independent valuations, on a sample basis, of level 2 and level 3 financial instruments and comparing our valuations with the Bank's valuations. Our procedures included developing parallel models, obtaining inputs independently and verifying the inputs; • assessing the appropriate application of fair value adjustments that form an integral part of fair values, inquiring of management about any changes in the fair value adjustments methodology and assessing the appropriateness of the inputs applied; and • assessing whether the financial statement disclosures appropriately reflected the Bank's exposure to financial instrument valuation risk with reference to the requirements of the related financial reporting standards.

IV. OTHER INFORMATION

The Bank's management is responsible for the other information. The other information comprises all the information included in 2021 annual report of the Bank, other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation (including disclousure), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

VI . AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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

KPMG Huazhen LLP

Certified Public Accountants

Registered in the People's Republic of China

Chen Sijie (Engagement Partner)

Beijing, China

Wu Zhongming

24 March 2022

THE CONSOLIDATED AND BANK'S BALANCE SHEETS

AS AT 31 DECEMBER 2021 *(Expressed in millions of Renminbi, unless otherwise stated)*

		The Group		The Bank	
	Note VII	2021	2020	2021	2020
Assets					
Cash and balances with Central Bank	1	**447,446**	411,147	**447,437**	411,138
Deposits with banks and other financial institutions	2	**66,251**	95,207	**59,021**	86,490
Precious metals		**156**	4,947	**156**	4,947
Placements with banks and other financial institutions	3	**351,822**	191,939	**366,783**	206,148
Derivative financial assets	4	**34,460**	59,396	**34,460**	59,387
Financial assets purchased under resale agreements	5	**141,131**	123,350	**137,072**	116,945
Loans and advances to customers	6	**4,310,306**	3,867,321	**4,260,746**	3,834,605
Financial investments:	7				
Trading assets	7.1	**909,794**	823,927	**847,457**	773,552
Debt investments	7.2	**1,601,030**	1,550,131	**1,585,226**	1,535,542
Other debt investments	7.3	**484,624**	516,368	**484,758**	514,919
Other equity investments	7.4	**3,148**	2,388	**3,068**	2,308
Finance lease receivables	8	**103,957**	100,616	**-**	-
Long-term equity investments	9	**3,732**	3,549	**23,957**	23,776
Fixed assets	10	**26,060**	26,414	**20,666**	20,471
Construction in progress	11	**2,775**	1,935	**2,770**	1,931
Right-of-use assets	12	**9,581**	N/A	**8,806**	N/A
Intangible assets		**883**	712	**809**	652
Goodwill	13	**532**	532	**-**	-
Deferred tax assets	14	**49,146**	45,513	**45,664**	42,348
Other assets	15	**56,190**	68,608	**45,722**	56,101
Total assets		**8,603,024**	7,894,000	**8,374,578**	7,691,260

(Continued)

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

		The Group		The Bank	
	Note VII	2021	2020	2021	2020
Liabilities and Shareholders' equity					
Liabilities					
Borrowing from Central Bank		**95,777**	290,398	**95,777**	290,398
Deposits from banks and other financial institutions	16	**1,710,879**	1,487,079	**1,719,889**	1,495,587
Placements from banks and other financial institutions	17	**173,778**	180,171	**53,239**	71,448
Trading liabilities	18	**47,830**	16,062	**41,907**	14,721
Derivative financial liabilities	4	**38,847**	61,513	**38,847**	61,505
Financial assets sold under repurchase agreements	19	**265,576**	123,567	**253,669**	111,630
Deposits from customers	20	**4,355,748**	4,084,242	**4,356,738**	4,085,300
Employee benefits payable	21	**24,783**	20,204	**22,103**	17,790
Tax payable	22	**12,767**	12,304	**11,619**	11,018
Provisions	23	**4,085**	5,397	**4,083**	5,397
Debt securities issued	24	**1,120,116**	947,393	**1,089,480**	916,560
Lease liabilities	25	**9,053**	N/A	**8,488**	N/A
Deferred tax liabilities	14	**163**	74	**-**	-
Other liabilities	26	**49,324**	40,793	**26,168**	18,956
Total liabilities		**7,908,726**	7,269,197	**7,722,007**	7,100,310
Shareholders' equity					
Share capital	27	**20,774**	20,774	**20,774**	20,774
Other equity instruments	28	**88,960**	85,802	**88,960**	85,802
Including: preference shares		**55,842**	55,842	**55,842**	55,842
perpetual bonds		**29,960**	29,960	**29,960**	29,960
convertible corporate bonds		**3,158**	-	**3,158**	-
Capital reserve	29	**74,914**	74,914	**75,260**	75,260
Other comprehensive income	41	**2,859**	(749)	**2,852**	(751)
Surplus reserve	30	**10,684**	10,684	**10,684**	10,684
General reserve	31	**97,944**	87,535	**91,176**	83,382
Retained earnings	32	**387,976**	336,626	**362,865**	315,799
Equity attributable to shareholders of the Bank		**684,111**	615,586	**652,571**	590,950
Non-controlling interests		**10,187**	9,217	**-**	-
Total shareholders' equity		**694,298**	624,803	**652,571**	590,950
Total liabilities and shareholders' equity		**8,603,024**	7,894,000	**8,374,578**	7,691,260

The financial statements were approved by the Board of Directors of the Bank on 24 March 2022.

Lyu Jiajin	Tao Yiping	Lai Furong
Chairman of the Board	President	Person in-charge of the Accounting Body
Legal Representative	Financial Director	

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

THE CONSOLIDATED AND BANK'S INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021 *(Expressed in millions of Renminbi, unless otherwise stated)*

		The Group		The Bank	
	Note VII	2021	2020	2021	2020
I. Operating income		**221,236**	203,137	**201,122**	186,224
Net interest income	33	**145,679**	143,515	**134,055**	133,057
Interest income	33	**315,158**	303,478	**298,013**	288,447
Interest expense	33	**(169,479)**	(159,963)	**(163,958)**	(155,390)
Net fee and commission income	34	**42,680**	37,710	**36,011**	32,315
Fee and commission income	34	**47,567**	42,477	**42,380**	37,957
Fee and commission expense	34	**(4,887)**	(4,767)	**(6,369)**	(5,642)
Investment income	35	**28,478**	26,154	**28,784**	26,080
Including: income from joint ventures and associates		**213**	154	**211**	210
income from derecognition of financial assets at amortised cost		**1,360**	716	**1,355**	688
Gains (losses) from changes in fair values	36	**2,178**	(6,267)	**985**	(6,413)
Foreign exchange gains		**1,001**	813	**1,014**	845
(Losses) income from asset disposal		**(10)**	3	**(10)**	3
Other income		**613**	510	**100**	129
Other operating income		**617**	699	**183**	208
II. Operating expenses		**(126,037)**	(126,590)	**(116,758)**	(118,700)
Taxes and surcharges	37	**(2,207)**	(2,086)	**(2,016)**	(1,916)
General and administrative expenses	38	**(55,468)**	(48,262)	**(51,633)**	(44,356)
Credit impairment losses	39	**(66,841)**	(75,301)	**(62,615)**	(71,887)
Impairment losses on other assets		**(169)**	(126)	**-**	(93)
Other operating expenses		**(1,352)**	(815)	**(494)**	(448)
III. Operating profit		**95,199**	76,547	**84,364**	67,524
Add: Non-operating income		**286**	295	**205**	219
Less: Non-operating expenses		**(175)**	(205)	**(161)**	(192)
IV. Total profit		**95,310**	76,637	**84,408**	67,551
Less: Income tax expenses	40	**(11,494)**	(8,956)	**(8,627)**	(6,695)
V. Net profit		**83,816**	67,681	**75,781**	60,856

(Continued)

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

		The Group		The Bank	
	Note VII	2021	2020	2021	2020
V. Net profit (continued)		**83,816**	67,681	**75,781**	60,856
1. Categorized by continuity of operation:					
(1). Net profit from continuing operations		**83,816**	67,681	**75,781**	60,856
(2). Net profit from discontinued operations		**-**	-	**-**	-
2. Categorized by ownership:					
(1). Attributable to shareholders of the Bank		**82,680**	66,626	**75,781**	60,856
(2). Non-controlling interests		**1,136**	1,055	**-**	-
VI. Other comprehensive income- net of tax	41	**3,611**	(3,987)	**3,603**	(3,943)
Other comprehensive income attributable to shareholders of the Bank		**3,608**	(3,981)	**3,603**	(3,943)
1. Items that may be reclassified subsequently to profit or loss					
(1) Changes in fair value of other debt investments		**4,016**	(5,722)	**3,977**	(5,668)
(2) Credit losses on other debt investments		**(1,015)**	1,464	**(986)**	1,426
(3) Translation differences of financial statements denominated in foreign currencies		**(5)**	(22)	**-**	-
(4) Other comprehensive income recognised under equity method		**-**	-	**-**	-
2. Items that will not be reclassified subsequently to profit or loss:					
(1) Actuarial profits on defined benefit plans		**418**	391	**418**	391
(2) Changes in fair value of other equity investments		**194**	(92)	**194**	(92)
Other comprehensive income attributable to non-controlling interests		**3**	(6)	**-**	-
VII. Total comprehensive income		**87,427**	63,694	**79,384**	56,913
Total comprehensive income attributable to shareholders of the Bank		**86,288**	62,645	**79,384**	56,913
Non-controlling interests		**1,139**	1,049	**-**	-
VIII. Earnings per share (expressed in RMB)					
Basic earnings per share	42	**3.77**	3.08		
Diluted earnings per share	42	**3.77**	3.08		

The financial statements were approved by the Board of Directors of the Bank on 24 March 2022.

Lyu Jiajin	Tao Yiping	Lai Furong
Chairman of the Board	President	Person in-charge of the Accounting Body
Legal Representative	Financial Director	

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

The Consolidated and Bank's Cash Flow Statements

FOR THE YEAR ENDED 31 DECEMBER 2021 *(Expressed in millions of Renminbi, unless otherwise stated)*

		The Group		The Bank	
	Note VII	2021	2020	2021	2020
I. Cash flows from operating activities:					
Net decrease in balances with Central Bank and deposits with banks and other financial institutions		**7,889**	30,460	**12,642**	26,441
Net decrease in placements with banks and other financial institutions and financial assets purchased under resale agreements		**-**	11,981	**-**	9,732
Net decrease in finance leases		**-**	2,672	**-**	-
Net increase in borrowing from Central Bank		**-**	122,100	**-**	122,100
Net increase in deposits from customers and deposits from banks and other financial institutions		**489,437**	519,169	**489,858**	514,352
Net increase in placements from banks and other financial institutions financial assets sold under repurchase agreements		**135,638**	-	**123,999**	-
Cash receipts from interest, fee and commission		**304,724**	275,281	**280,758**	257,734
Other cash receipts relating to operating activities		**13,711**	14,753	**9,139**	8,393
Subtotal of cash inflows from operating activities		**951,399**	976,416	**916,396**	938,752
Net increase in placements with banks and other financial institutions and financial assets purchased under resale agreements		**(112,009)**	-	**(110,105)**	-
Net increase in loans and advances to customers		**(468,473)**	(577,456)	**(448,944)**	(570,923)
Net increase in financial assets held for trading		**(326,921)**	(139,003)	**(312,964)**	(133,026)
Net increase in finance lease receivables		**(3,190)**	-	**-**	-
Net decrease in borrowing from Central Bank		**(193,065)**	-	**(193,065)**	-
Net decrease in placements from banks and other financial institutions and financial assets sold under repurchase agreements		**-**	(81,488)	**-**	(97,327)
Cash payments to interest, fee and commission		**(145,441)**	(131,079)	**(142,177)**	(128,818)
Cash payments to and on behalf of employees		**(30,110)**	(26,605)	**(26,993)**	(24,213)
Cash payments of various types of taxes		**(33,288)**	(33,310)	**(28,626)**	(30,640)
Other cash payments relating to operating activities		**(28,673)**	(21,703)	**(27,868)**	(19,596)
Subtotal of cash outflows from operating activities		**(1,341,170)**	(1,010,644)	**(1,290,742)**	(1,004,543)
Net cash flow from operating activities	43	**(389,771)**	(34,228)	**(374,346)**	(65,791)

(Continued)

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

		The Group		The Bank	
	Note VII	2021	2020	2021	2020
II. Cash flows from investing activities					
Cash receipts from recovery of investments		**2,669,316**	2,686,075	**2,649,706**	2,628,813
Cash receipts from investment income		**130,814**	113,560	**128,385**	110,813
Cash receipts from disposals of fixed assets, intangible assets and other long-term assets		**720**	363	**186**	248
Subtotal of cash inflows from investing activities		**2,800,850**	2,799,998	**2,778,277**	2,739,874
Cash payments to acquire investments		**(2,715,572)**	(2,559,411)	**(2,699,060)**	(2,537,628)
Cash payments to acquire fixed assets, intangible assets and other long - term assets		**(5,624)**	(6,585)	**(4,274)**	(2,795)
Subtotal of cash outflows from investing activities		**(2,721,196)**	(2,565,996)	**(2,703,334)**	(2,540,423)
Net cash flow from investing activities		**79,654**	234,002	**74,943**	199,451
III. Cash flows from financing activities:					
Cash receipts from capital contributions		**-**	30,000	**-**	30,000
Including: Cash receipts from capital contributions from non-controlling shareholders of subsidiaries		**-**	-	**-**	-
Proceeds from issuance of bonds		**1,239,898**	1,069,109	**1,227,904**	1,059,509
Subtotal of cash inflows from financing activities		**1,239,898**	1,099,109	**1,227,904**	1,089,509
Cash repayments of borrowings		**(1,059,383)**	(1,024,429)	**(1,045,305)**	(1,017,619)
Cash payments for distribution of dividends or profits or settlement of interest expenses		**(52,865)**	(45,004)	**(51,437)**	(43,781)
Including: Dividends paid to					
non-controlling shareholders of subsidiaries		**(65)**	(10)	**-**	-
Other cash payments relating to financing activities		**(3,062)**	(40)	**(2,581)**	(40)
Subtotal of cash outflows from financing activities		**(1,115,310)**	(1,069,473)	**(1,099,323)**	(1,061,440)
Net cash flow from financing activities		**124,588**	29,636	**128,581**	28,069
IV. Effect of foreign exchange rate changes on cash and cash equivalents		**(2,358)**	(4,345)	**(2,200)**	(4,303)
V. Net (decrease) increase in cash and cash equivalents	43	**(187,887)**	225,065	**(173,022)**	157,426
Add: Opening balance of cash and cash equivalents		**956,795**	731,730	**933,105**	775,679
VI. Closing balance of cash and cash equivalents	43	**768,908**	956,795	**760,083**	933,105

The financial statements were approved by the Board of Directors of the Bank on 24 March 2022.

Lyu Jiajin	Tao Yiping	Lai Furong
Chairman of the Board	President	Person in-charge of the Accounting Body
Legal Representative	Financial Director	

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

THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in millions of Renminbi, unless otherwise stated)

		2021								
		Attributable to shareholders of the Bank								
	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total
I. Balance at 1 January 2021		**20,774**	**85,802**	**74,914**	**(749)**	**10,684**	**87,535**	**336,626**	**9,217**	**624,803**
II. Changes for the year										
(I) Net profit		-	-	-	-	-	-	**82,680**	**1,136**	**83,816**
(II) Other comprehensive income	41	-	-	-	**3,608**	-	-	-	**3**	**3,611**
Subtotal of (I) and (II)		-	-	-	**3,608**	-	-	**82,680**	**1,139**	**87,427**
(III) Capital contribution from shareholders		-	**3,158**	-	-	-	-	-	-	**3,158**
Capital injection by issuing convertible corporate bonds	28	-	**3,158**	-	-	-	-	-	-	**3,158**
(IV) Profit distribution		-	-	-	-	-	**10,409**	**(31,330)**	**(169)**	**(21,090)**
1. Appropriation to general reserve	31	-	-	-	-	-	**10,409**	**(10,409)**	-	-
2. Dividends paid to ordinary shareholders	32	-	-	-	-	-	-	**(16,661)**	**(65)**	**(16,726)**
3. Dividends paid to preference shareholders	32	-	-	-	-	-	-	**(2,841)**	-	**(2,841)**
4. Distribution to perpetual debt holders	32	-	-	-	-	-	-	**(1,419)**	**(104)**	**(1,523)**
III. Balance at 31 December 2021		**20,774**	**88,960**	**74,914**	**2,859**	**10,684**	**97,944**	**387,976**	**10,187**	**694,298**

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

FOR THE YEAR ENDED 31 DECEMBER 2020 *(Expressed in millions of Renminbi, unless otherwise stated)*

		2020								
		Attributable to shareholders of the Bank								
	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total
I. Balance at 1 January 2020		**20,774**	**55,842**	**74,914**	**3,232**	**10,684**	**78,525**	**297,389**	**8,292**	**549,652**
II. Changes for the year										
(I) Net profit		-	-	-	-	-	-	**66,626**	**1,055**	**67,681**
(II) Other comprehensive income	41	-	-	-	**(3,981)**	-	-	-	**(6)**	**(3,987)**
Subtotal of (I) and (II)		-	-	-	**(3,981)**	-	-	**66,626**	**1,049**	**63,694**
(III) Capital contribution from shareholders		-	**29,960**	-	-	-	-	-	**(10)**	**29,950**
1. Changes in shareholdings in subsidiaries		-	-	-	-	-	-	-	**(10)**	**(10)**
2. Capital injection by other equity instruments shareholders	28	-	**29,960**	-	-	-	-	-	-	**29,960**
(IV) Profit distribution		-	-	-	-	-	**9,010**	**(27,389)**	**(114)**	**(18,493)**
1. Appropriation to general reserve	31	-	-	-	-	-	**9,010**	**(9,010)**	-	-
2. Dividends paid to ordinary shareholders	32	-	-	-	-	-	-	**(15,830)**	**(10)**	**(15,840)**
3. Dividends paid to preference shareholders	32	-	-	-	-	-	-	**(2,549)**	-	**(2,549)**
4. Distribution to perpetual debt holders		-	-	-	-	-	-	-	**(104)**	**(104)**
III. Balance at 31 December 2020		**20,774**	**85,802**	**74,914**	**(749)**	**10,684**	**87,535**	**336,626**	**9,217**	**624,803**

The financial statements were approved by the Board of Directors of the Bank on 24 March 2022.

Lyu Jiajin	Tao Yiping	Lai Furong
Chairman of the Board	President	Person in-charge of the Accounting Body
Legal Representative	Financial Director	

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

THE BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

(Expressed in millions of Renminbi, unless otherwise stated)

		2021							
	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
I. Balance at 1 January 2021		**20,774**	**85,802**	**75,260**	**(751)**	**10,684**	**83,382**	**315,799**	**590,950**
II. Changes for the year									
(I) Net profit		-	-	-	-	-	-	**75,781**	**75,781**
(II) Other comprehensive income	41	-	-	-	**3,603**	-	-	-	**3,603**
Subtotal of (I) and (II)		-	-	-	**3,603**	-	-	**75,781**	**79,384**
(III) Capital contribution from shareholders		-	**3,158**	-	-	-	-	-	**3,158**
Capital injection by issuing convertible corporate bonds	28	-	**3,158**	-	-	-	-	-	**3,158**
(IV) Profit distribution		-	-	-	-	-	**7,794**	**(28,715)**	**(20,921)**
1. Appropriation to general reserve	31	-	-	-	-	-	**7,794**	**(7,794)**	-
2. Dividends paid to ordinary shareholders	32	-	-	-	-	-	-	**(16,661)**	**(16,661)**
3. Dividends paid to preference shareholders	32	-	-	-	-	-	-	**(2,841)**	**(2,841)**
4. Distribution to perpetual debt holders	32	-	-	-	-	-	-	**(1,419)**	**(1,419)**
III. Balance at 31 December 2021		**20,774**	**88,960**	**75,260**	**2,852**	**10,684**	**91,176**	**362,865**	**652,571**

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

FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in millions of Renminbi, unless otherwise stated)

		2020							
	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
I. Balance at 1 January 2020		**20,774**	**55,842**	**75,260**	**3,192**	**10,684**	**74,829**	**281,875**	**522,456**
II. Changes for the year									
(I) Net profit		-	-	-	-	-	-	**60,856**	**60,856**
(II) Other comprehensive income	41	-	-	-	**(3,943)**	-	-	-	**(3,943)**
Subtotal of (I) and (II)		-	-	-	**(3,943)**	-	-	**60,856**	**56,913**
(III) Capital contribution from shareholders		-	**29,960**	-	-	-	-	-	**29,960**
Capital injection by other equity instruments shareholders	28	-	**29,960**	-	-	-	-	-	**29,960**
(IV) Profit distribution		-	-	-	-	-	**8,553**	**(26,932)**	**(18,379)**
1. Appropriation to general reserve	31	-	-	-	-	-	**8,553**	**(8,553)**	-
2. Dividends paid to ordinary shareholders	32	-	-	-	-	-	-	**(15,830)**	**(15,830)**
3. Dividends paid to preference shareholders	32	-	-	-	-	-	-	**(2,549)**	**(2,549)**
III. Balance at 31 December 2020		**20,774**	**85,802**	**75,260**	**(751)**	**10,684**	**83,382**	**315,799**	**590,950**

The financial statements were approved by the Board of Directors of the Bank on 24 March 2022.

Lyu Jiajin	Tao Yiping	Lai Furong
Chairman of the Board	President	Person in-charge of the Accounting Body
Legal Representative	Financial Director	

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

Notes to the Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

I. General information

Industrial Bank Co., Ltd. (hereinafter referred to as "the Bank") which was referred to as Fujian Industrial Bank Co., Ltd. previously, is a stock commercial bank approved by the People's Bank of China (the "PBOC"), with the document YF [1988] No.347 issued on 20 July 1988, in accordance with the Application by Fujian Province for Deepening Reform and Opening and Accelerating the Development of Export-oriented Economy (GH [1988] No.58) approved by the State Council. The Bank started trading on Shanghai Stock Exchange on 5 February 2007 with the stock code 601166.

The Bank holds the license for carrying out financial activities issued by China Banking and Insurance Regulatory Commission (former China Banking Regulatory Commission, the "CBIRC") with the license number of No.B0013H135010001; and the Business License of Enterprise Legal Person issued by Fujian Provincial Administration for Industry and Commerce with uniform social credit code of 91350000158142711F. The Bank's registered address is No.154 Hudong Road, Fuzhou, Fujian Province, the PRC. Lyu Jiajin was delegated with the duties of legal representative.

The principal activities of the Bank comprise the provision of banking service, which includes accepting deposits from the public; granting short-term, medium-term and long-term loans; domestic and overseas settlement services; issuance of discount and acceptance bills and notes; issuing financial bonds; agency issuance and encashment, underwriting of government bonds and debentures; trading of government and financial bonds and debentures; agency trading and trading of marketable securities except stock; asset custody business; inter - bank lending and borrowings; agency trading, trading, settlement and sale of foreign exchanges; bank card business; letters of credit and letters of guarantee; remittance and insurance agent services; safety deposit box services; financial advisory services; credit investigation, advisory and attestation services and other banking activities approved by the CBRC.

The principal activities of the Bank's subsidiaries comprise finance leasing; trust services; fund raising and marketing; asset management for specific clients; asset management; consumer finance; equity investment; industrial investment; investment management and advisory; investment consulting (excluding brokerage); financial consulting; business consulting; enterprise management consulting; financial data processing; commodity futures brokerage; financial futures brokerage; futures investment consulting; asset management; economic information consulting service; application software development and operational services; system integration services; investment and asset management; acquisition, transfer and disposal of bad debts in batches of financial institutions in the province; acquisition, transfer and disposal of bad debts of non-financial institutions; issuance of wealth management products to non-specific public customers and investment and management of the investors' assets as entrusted; issuance of wealth management products to qualified investors and investment and management of the investors' assets as entrusted; wealth management consulting and advisory services; database services; data processing and storage services; cloud platform services; cloud software services and other banking activities approved by the CBRC as well as other businesses permitted by China Securities Regulatory Commission (the "CSRC").

II. Basis of preparation of financial statements

The report is prepared on a going concern basis.

The Bank and its subsidiaries (hereinafter referred to as "the Group") has the CAS No.14 - Income issued by the MOF in 2017, since 1 January 2020, also the Group has adopted the CAS 21 – Leases issued by the MOF in 2018, since 1 January 2021.(see Note IV, 30.1).

III. Statement of compliance with the ASBE

The financial statements of the Bank have been prepared in accordance with ASBE issued by the MOF, and present truly and completely, the consolidated and Bank's financial position as of 31 December 2021, and the consolidated and Bank's results of operations and cash flows for the year then ended.

In addition, the Bank's financial statements also comply with relevant disclosure requirements on financial statements and notes of the revised Rules on the Preparation and Submission of Information Disclosed by Companies Offering Securities to the Public (No.15) – General Rules on Financial Reports issed by China Securities Regulatory Commission (CSRC) in 2014.

IV. Significant accounting policies and accounting estimates

1. Accounting period

The Bank's accounting year starts on 1 January and ends on 31 December.

2. Functional currency

The Group and its domestic subsidiaries choose Renminbi ("RMB") as their functional currency and these financial statements are presented in Renminbi, while its subsidiaries overseas choose their functional currency depends on the primary economic environment in which the subsidiaries operate and was translated into RMB according to the principles stated in Note IV, 6.

3. Accounting treatments for business combinations involving entities under common control and not under common control

A transaction constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets). Business combination is classified as either business combinations involving enterprises under common control or business combinations not involving enterprises under common control.

For a transaction not involving enterprises under common control, the acquirer determines whether acquired set of assets constitute a business. The Group may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is not a business. If the concentration test is met and the set of assets is determined not to be a business, no further assessment is needed. If the concentration test is not met, the Group shall perform the assessment according to the guidance on the determination of a business.

When the set of assets the Group acquired does not constitute a business, acquisition costs should be allocated to each identifiable assets and liabilities at their acquisition date fair values. It is not required to apply the accounting of business combination described as below.

3.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

The assets acquired and liabilities assumed are measured based on their carrying amounts (or the total par value of the issued shares) in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

3.2 Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregation of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and the equity securities issued by the acquirer in exchange for control of the acquire. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

For a business combination involving entities not under common control and achieved in stages, the Group remeasured its previously-held equity interest in the acquiree to its acquisition-date fair value and recognised any resulting difference between the fair value and the carrying amount as investment income or other comprehensive income for the current period. In addition, any amount recognised in other comprehensive income and other changes in the owners' equity under equity accounting in prior reporting periods relating to the previously-held equity interest that may be reclassified to profit or loss were transferred to investment income at the date of acquisition (see Note IV, 9.3.(2)); Any previously-held equity interest that was designated as equity investment at fair value through other comprehensive income, the other comprehensive income recognised in prior reporting periods was transferred to retained earnings at the date of acquisition.

The acquiree's identifiable assets, liabilities and contingent liabilities acquired by the acquirer in a business combination that meet the recognition criteria shall be measured at fair value at the acquisition date. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements. It is tested for impairment at least at the end of each year. On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

4. Preparation of consolidated financial statements

4.1 General principals

The scope of consolidated financial statements is determined on the basis of control and the consolidated financial statements comprise the Bank and its subsidiaries (including structured entities controlled). Control refers to the power an investor has over an investee, by virtue of which the investor enjoys variable returns by participating in related activities of the investee, and has the ability to use its power over the investee to influence the amount of its returns. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. Once the change in relevant facts and circumstances leads to a change in relevant elements involved in the definition of control, the Group will conduct reassessment.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of subsidiary.

Structured entities refers to the entities that voting rights or similar rights do not constitute decisive factors when recognise the controlling party, such as when voting rights are associated with the administration, or related activities are led by the contractual arrangements. Wealth management products, fund, trust fund plans and fund management plans could be used as examples of the structured entities.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Bank, the Bank makes necessary adjustments to the financial statements of the subsidiary based on the Bank's own accounting period or accounting policies.

Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

4.2 Subsidiaries acquired through a business combination

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For subsidiaries acquired through a business combination not involving enterprises under common control, their results of operation and cash flows from the acquisition date(the date when control is obtained) are included in the consolidated statements of comprehensive income and consolidated statement of cash flows, as appropriate.

For the stepwise acquisition of equity interest till acquiring control after a few transactions and leading to business combination not involving enterprises under common control, this should be dealt with based on whether this belongs to 'package deal': if it belongs to 'package deal', transactions will be dealt as transactions to acquire control. If it does not belong to 'package deal', transactions will be dealt as transactions of a business combination involving entities not under common control and achieved in stages (see Note IV, 3.2).

4.3 Disposal of subsidiaries

When the Group loses control over a subsidiary, any resulting disposal gains or losses are recognised as investment income for the current period. The remaining equity interests is re-measured at its fair value at the date when control is lost, any resulting gains or losses are also recognised as investment income for the current period.

When the Group loses control of a subsidiary in multiple transactions in which it disposes of its long-term equity investment in the subsidiary in stages, If each of the multiple transactions does not form part of a bundled transaction, the transactions conducted before the loss of control of the subsidiary are accounted for in accordance with the accounting policy for partial disposal of equity investment in subsidiaries where control is retained (see Note IV, 4.4). If each of the multiple transactions forms part of a bundled transaction which eventually results in the loss of control in the subsidiary, these multiple transactions are accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets (calculated continuously from the acquisition date) in each transaction prior to the loss of control shall be recognised in other comprehensive income and transferred to profit or loss when the parent eventually loses control of the subsidiary.

Acquisition of non-controlling interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the equity attributable to equity holders of the bank and non-controlling interests in equity are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests in equity are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

4.4 Changes in non-controlling interests

Where the Bank acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the proportion interests of the subsidiary's net assets being acquired or disposed and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

5. Recognition criteria of cash and cash equivalents

Cash comprises cash on hand and deposits of the Group that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6. Transactions denominated in foreign currencies and translation of foreign currency financial statement

Transactions in foreign currencies are translated into the respective functional currencies of account on initial recognition at the spot exchange rate on the date of the transaction. Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. Monetary items that are denominated in foreign currencies and classified as financial assets at fair value while its changes are recognized in other comprehensive income, its foreign currency translation differences are broken down into translation differences arising from changes in amortized cost and translation differences arising from changes in the other carrying amounts of these items. Translation differences arising from changes in amortized cost are recognized in profit or loss for the current period, and those arising from changes in other carrying amounts are recognized in other comprehensive income. Exchange differences on other foreign currency monetary items are recognized in profit or loss for the current period.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the dates of the transactions. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; Translation differences on equity investments at fair value through other comprehensive income are recognised in other comprehensive income. Other Translation differences recognised in the profit or loss.

When preparing consolidated financial statements, financial statements of overseas operations in foreign currency are translated into financial statements in RMB in the following methods: All assets and liabilities in the statements of financial position are translated by applying the spot exchange rates at the balance sheet date; shareholders' equities except retained earnings and other comprehensive income are translated by applying the spot exchange rate on the date of the transaction; statements of comprehensive income and items reflecting profit distribution occurred are translated by exchange rates similar with the spot exchange rate on the date of the transaction; retained earnings at the beginning of this year equal to the retained earnings after translation at the end of previous year; retained earnings at the end of period are presented as profit distributions after translation; differences between assets after translation and liabilities & shareholders' equity after translation are presented as "other comprehensive income" in shareholders' equity.

7. Financial instruments

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

The Group's financial instruments mainly include Cash and balances with Central Bank, Deposits with banks and other financial institutions, Placements with banks and other financial institutions, Derivative financial assets, Financial assets purchased under resale agreements, Loans and advances to customers, Trading assets, Debt investments, Other debt investments, Other equity investments, Other receivables, Borrowing from Central Bank, Deposits from banks and other financial institutions, Placements from banks and other financial institutions, Trading liabilities, Derivative financial liabilities, Financial assets sold under repurchase agreements, Deposits from customers, Debt securities issued, Other payables, Share capital, Preference Shares, Perprtual Bonds and

Convertible Instruments etc.

7.1 Recognition and initial measurement of financial instrument

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

A financial assets and financial liabilities is 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.

7.2 Classification and subsequent measurement of financial assets

(1) 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. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL").

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 FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows;

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

The financial assets measured at amortised cost held by the Group mainly include Cash and balances with Central Bank, Deposits with banks and other financial institutions, Placements with banks and other financial institutions, Financial assets purchased under resale agreements, Loans and advances to customers measured at amortised cost, Debt investments, Other receivables, etc.

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

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

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

The financial assets measured at FVOCI held by the Group mainly include Loans and advances to customers measured at FVOCI and Other debt investments.

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. The equity investments elected to fair value in other comprehensive income held by the Group mainly include Other equity investments.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at

FVTPL. 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 FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The financial assets measured at FVTPL held by the Group mainly include Loans and advances to customers measured at FVTPL and Trading assets.

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 of time 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.

(2) Subsequent measurement of financial assets

(i) Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

(ii) Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

(iii) Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(iv) Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

7.3 Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL or other financial.

(1) Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

(2) Other financial liabilities

Financial liabilities measured at amortised cost are subsequently measured at amortised cost using the effective interest method, However, the transfer of financial assets does not meet the conditions for termination of recognition or continues to involve in the transfer of financial liabilities, financial guarantee contracts and loan commitments (see Note IV, 7.4) formed by the financial assets shall be excluded.

7.4 Financial guarantee contracts and Loan commitments

(1) Financial guarantee contracts

Financial guarantees contracts 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.

Subsequent to initial recognition, deferred income related to financial guarantee is amortised in profit or loss in accordance with the accounting policies set out in Note IV, 19.

A financial guarantee liability is measured at the higher of the amount of the allowance for loss determined in accordance with impairment policies of financial instruments (see Note IV, 7.6); and the amount initially recognised less the cumulative amount of income.

(2) Loan commitments

Loan commitments are the commitments to extend credit under pre-defined terms and conditions.

The Group provides loan commitments that are assessed for impairment based on expected credit losses. The Group does not commit to extend loans at any below-market interest rates, or to make cash payments, or issue other financial instruments as a net settlement of loan commitments.

The provision for losses on loan commitments and financial guarantee contracts are stated in Provinsion by the Group.

7.5 Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions:

- the contractual rights to receive the cash flows from the financial asset expire; or

- 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.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset which has been transfered, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, and corresponding financial liability.

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.

As part of its business activities, the Bank securitised some of its assets, generally by selling the assets to structured entities, which then issue securities to investors. For the conditions for financial assets derecognition. When applying the financial assets derecognition conditions, the Group considers the risk and reward transfer degree of the assets transferred to structured entities, as well as the extent to which the Group exercises control over the entities. The financial assets related to the asset-backed securities failing to meet the derecognition conditions are not derecognised, and funds from third-party investors are treated as financial liabilities. Where the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial assets, the Group will consider whether it retains control over the transferred assets. If the Group does not retain control, it shall derecognise the financial assets and recognise the rights and obligations arising from or reserved during the transfer as assets or liabilities. If the Group retains control, the financial assets are recognised based on the extent of the its involvement in the financial assets.

7.6 Impairment of financial assets

The Group recognises allowance for impairment losses for expected credit loss (ECL) on:

- Financial assets measured at amortised cost;
- Debt investments measured at FVOCI;
- Financial lease receivables
- Loan commitments and financial guarantee contracts issued, which are not measured at FVTPL.

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

(1) Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The Group's method of measuring expected credit losses of financial instruments reflects the following elements: (i) unbiased weighted average probability determined by the results of evaluating a range of possible outcomes; (ii) time value of money;(iii) reasonable and evidence-based information about past events, current conditions, and future economic forecasts that are available at no additional cost or effort at the end of the reporting period.

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 ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result 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).

The Group applies a "three-stage model" for measuring ECL. For the measurement and segmentation of ECL of financial instruments of the Group, see Note XI, 3 Credit risk.

(2) Presentation of allowance for ECL

ECLs are 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 an allowance for loss account, except for debt investments that are measured at FVOCI, for which the allowance for impairment loss is recognised in other comprehensive income. For the loan commitments and financial guarantee contracts issued, which are not measured at FVTPL, the Group recognises the allowance for impairment losses in provisions (credit loss of off-balance sheet assets).

(3) 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.

7.7 Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet 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.

7.8 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

If the main contract included in the hybrid contract is an asset within the scope of a new financial instrument standard, the embedded derivative is no longer split from the main contract of the financial asset, but the hybrid financial instrument as a whole is related to the classification of the financial asset provision. If the main contract included in the hybrid contract is not an asset within the scope of the new financial instrument standard, when their economic characteristics and risks are not closely related to those of the hybrid contract, those separate instruments with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid instrument is not carried at FVTPL, certain derivatives embedded in other financial instruments should be split from the hybrid contract and treated as separate derivatives. These embedded derivatives are measured at fair value with the changes in fair value recognised in profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

7.9 Hedge accounting

Hedge accounting is a method which recognises in profit or loss (or other comprehensive income) the gain or loss on the hedging instrument and the hedged item in the same accounting period(s) to represent the effect of risk management.

Hedged items are items that expose the Group to risks of changes in fair value or cash flows and that are designated as being hedged and can be reliably measured. A hedging instrument is a designated financial instrument whose changes in fair value or cash flows are expected to offset changes in the fair value or cash flows of the hedged item.

The Group assesses at the inception of a hedging relationship, and on an ongoing basis, whether the hedging relationship meets the hedge effectiveness requirements. A hedging relationship is regarded as having met the hedge effectiveness requirements if all of the following conditions are satisfied:

- There is an economic relationship between the hedged item and the hedging instrument.

- The effect of credit risk does not dominate the value changes that result from the economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item.

The hedging relationship does not conform to the requirements of the hedging effectiveness due to hedging ratio, however, the risk management goal of existing hedging relationship has not changed. The Group performs the hedging relationship rebalancing and makes the adjustments to hedged items in the existing hedging relationship or the number of the hedging instruments, in order to make the hedging ratio conform to the requirements of the hedging effectiveness.

The Group discontinues applying hedge accounting in any of the following circumstances:

- The hedging relationship no longer meets the risk management objective on the basis of which it qualified for hedge accounting.

- The hedging instrument expires or is sold, terminated or exercised.

- There is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from that economic relationship.

- The hedging relationship no longer meets other criteria for applying hedge accounting.

Fair value hedges

Fair value hedges are hedges of the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or a portion of such an asset, liability or firm commitment.

Gains or losses arising from hedging instruments are recognized in current profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the recognised hedged item not measured at fair value and is recognised in profit or loss.

Any adjustment to the carrying amount of a hedged item is amortised to profit or loss if the hedged item is a financial instrument (or a component thereof) measured at amortised cost. The amortisation is based on a recalculated effective interest rate at the date that amortisation begins and is recognised in profit or loss.

7.10 Equity instrument

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument issued by the Group shall be classified as an equity instrument when both of the following conditions are satisfied: (1) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer; (2) if the instrument will or may be settled in the Group's own equity instrument, it is: a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. The Group's issuance (including refinancing), repurchase, sales or cancellation of an equity instrument shall be accounted for as a change to equity. The Group does not recognise changes in the fair value of an equity instrument. Transaction costs of an equity transaction are accounted for as a deduction from equity.

The Group's distribution to the holders of equity instruments is treated as profit distribution, and the issued stock dividends do not affect the total amount of shareholders' equity.

7.11 Preference share and perpetual bond

Such preference shares or their components are initially recognised as financial assets, financial liabilities or equity instruments according to the terms and the economic substance combined with the definition of financial assets, financial liabilities and equity instruments.

For the issued preference shares that should be classified as equity instruments, will be recognised as equity in actual amount received. Dividends payables are recognised as distribution of profits. Redemption before maturity will write down equity as redemption price.

7.12 Convertible instruments

Convertible instruments issued by the Group that can be converted to equity shares, where the number of shares to be issued and the value of consideration to be received at that time do not vary, are accounted for as compound financial instruments containing both liability and equity components.

The initial carrying amount of a compound financial instrument is allocated to its equity and liability components. The amount recognised in the equity is the difference between the fair value of the instrument as a whole and the separately determined fair value of the liability component (including the fair value of any embedded derivatives other than the equity component). Transaction costs that relate to the issuance of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method, unless it is designated upon recognition at fair value through profit or loss. The equity component is not re-measured.

If the convertible instrument is converted, the liability component, together with the equity component, is transferred to equity. If the convertible instrument is redeemed, the consideration paid for the redemption, together with the transaction costs that relate to the redemption, are allocated to the liability and equity components. The method used to allocate the consideration and transaction costs is the same as that used for issuance. After allocating the consideration and transaction costs, the difference between the allocated and carrying amounts is charged to profit and loss if it relates to the liability component or is directly recognised in equity if it relates to the equity component.

8. Precious metal

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in the statement of profit or loss.

9. Long-term equity investments

9.1 Determination of joint control or significant influence over investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

9.2 Determination of initial investment cost

For the acquisition of long-term equity investments involving enterprises under the common control, the Group measures the initial cost of the long-term equity investment as the share of the carrying amount of the owner's equity of the acquired enterprise at that date. The difference between the initial costs of the long-term equity investment and cash paid or non-cash assets transferred as well as the carrying amount of the debts borne by the Group shall offset against the capital reserve. If the capital reserve is insufficient to observe the difference, the retained earnings shall be adjusted. The investment cost which adopts the equity securities issued as the consideration should be adopted as the initial investment cost of the long-term equity investment according to the proportion carrying amount of combined party's shareholder equity in the consolidated financial statement of the final controlling part, and adjust the capital reserves by the difference between the initial investment cost of long-term equity investment and the amount of issued stock's face value, which is regarded as capital stock. If the capital reserves are insufficient to absorb the difference, retained income should be adjusted. For the acquisition of enterprises under the common control through several steps of trading, it should be confirmed whether it's a package deal. If it is, these deals should be measured as one acquiring-control deal. If not, the Group measures the initial cost of the long-term equity investment as the share of the carrying amount of the owner's equity of the acquired enterprise at that date. The difference between the initial costs of the long-term equity investment and the carrying amount of long-term equity investment before acquiring control as well as the carrying amount of the debts for more shares on the acquisition date shall offset against the capital reserve. If the capital reserve is insufficient to absorb the difference, the retained earnings shall be adjusted.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment is the cost of acquisition on the acquisition date. For the acquisition of enterprises under the common control through several steps of trading, it should be confirmed whether it's a package deal. If it is, these deals should be measured as one acquiring-control deal. If not, the carrying amount of long-term equity investment before acquiring control and the cost of new investment is the cost of acquisition measured under cost method.

Acquisition-related costs including auditing fees, legal services fees, valuation advice fees and other relevant management fees are generally recognised in profit or loss as incurred.

A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

9.3 Subsequent measurement and recognition of profit or loss

(1) Long-term equity investment accounted for using the cost method

The Bank uses the cost method for the long-term equity investment in subsidiaries in the financial statements. The subsidiary refers to the investee that controlled by the group.

Under the cost method, a long-term equity investment is measured at initial investment cost. Increasing or reducing investment will adjust the cost of long term equity investment accordingly. Investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

(2) Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates using the equity method. Associates are those that the group is able to exercise significant influence over the investee.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the initial cost of the investment, after reassessment of the long-term equity investment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Under the equity method, the Group recognizes investment income and other comprehensive income based on the Group's share of net profit or loss and other comprehensive income of the investee and adjust the carrying amount of long-term equity investment accordingly. The carrying amount of the investment decreases regarding the attributable share of cash dividends or profit distributions declared by the investee. Changes in shareholders' equity of the investee other than net profits or losses, other comprehensive income or profit distribution are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognized as capital reserve. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's identifiable assets after the adjustment of investee's net profit. When the accounting policy and accounting period adopted by the investee are inconsistent with the Group's, the investment income and other comprehensive income are recognized based on the adjusted financial statements of the investee in accordance with the Group's accounting policies and accounting period. Unrealized profits or losses resulting from the Group's transactions with its associates and joint ventures are recognized as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealized losses resulting from the Group's transactions with its investees in respect of impairment losses on the transferred assets shouldn't be eliminated.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

9.4 Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and the carrying amount is recognised in profit or loss for the period. When the Group reduces its ownership interest in investee but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the investee's disposal of the related assets or liabilities. Then the equity recognized by the Group other than the change of the net profits and loss, other comprehensive income and profit distribution of the invested entity is reclassified to profit and losses on proportion. When the Group reduces its ownership interest but the Group continues to use the cost method, for the other comprehensive income recognized by the Group using equity method prior to the control over the investee or under financial instrument recognition and measurement standard, the Group reclassifies to profit or loss the proportion of the gain or loss relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the investee's disposal of the related assets or liabilities. Then the other changes in owners' equity recognized by the Group using equity method, not arising from the change of the net profits and loss, other comprehensive income or profit distribution of the invested entity is reclassified to profit and loss on proportion.

10. Fixed assets

10.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset if it is probable that economic benefits associated with the asset will flow to the Group and the cost can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

10.2 Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The depreciation period, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation period	Estimated residual value rate	Annual depreciation rate
Buildings	20 - 30 years	0% - 3%	3.23% - 5.00%
Fixed assets improvement	The lower of improvement period and remaining useful life	0%	Linear depreciation according to depreciation life
Office and machinery equipment	3 - 20 years	0% - 5%	4.75% - 33.33%
Transportation vehicles	5 - 8 years	0% - 3%	12.50% - 20.00%
Flight equipment	25 years or 20 years	5% or 15%	3.80% or 4.25%

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

10.3 Other explanations

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

The Group reviews the useful life and estimated net residual value rate of a fixed asset and the depreciation method applied at least once at each financial year-end, and accounts for any change as a change in an accounting estimate.

11. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset or other asset when it is ready for intended use.

12. Intangible assets

Intangible assets include land use rights, franchising, etc.

An intangible asset is measured initially at cost. Expenses related to the intangible assets are recognised in the cost of intangible assets when (i) it is probable that the associated economic benefits will flow to the Group; and (ii) the associated costs can be measured reliably. Other expenses related to the intangible assets are recognized in profit or loss for the period in which it is incurred.

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

The acquired land use right is recognized as intangible assets. Expenses related to land use right and construction cost from buildings such as self-built factory, etc. are recognized as intangible assets and fixed assets, respectively. In the case of purchased buildings, it allocates related cost between land use right and buildings. If related cost cannot be allocated reasonably, it is recognized as fixed assets.

When an intangible asset with a finite useful life is available for use, its original cost is amortised over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortised.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the period, and accounts for any change as a change in an accounting estimate. For an intangible asset with an infinite useful life, the Group reviews the useful life. If it is evident that the duration of associated economic benefits is predictable, then estimate the useful life pursuant to amortization policies for intangible assets with finite useful life.

13. Impairment of non-financial assets

The Group checks whether long-term equity investment, fixed assets, construction in progress, right-of-use assets, intangible assets with a finite useful life, goodwill, long-term prepaid expenses, and non-financial foreclosed assets will impair in every balance sheet date. If the indication of impairment of these assets exists, the Group estimates their recoverable amount. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Estimation of recoverable amount of the assets is based on individual asset. If the recoverable amount is difficult to estimate, the amount should be estimated by the assets group which the asset belongs to. Recoverable amount is the higher of the two: net fair value of the assets or assets group after disposal expenses, or present value of the expected cash flow from the assets.

If asset's recoverable amount is lower than its carrying amount, the allowance for impairment losses should be recognized by their balances in profit or loss for the period.

The goodwill should be tested of impairment at least in the end of the each year with related assets group or combination of assets group. In purchase date, the carrying amount of goodwill should be allocated reasonably to assets group or combinations which can benefit from the synergy of enterprise merger. If the recoverable amount of assets group or combinations of allocated goodwill is lower than its carrying amount, impairment loss should be recognized. The amount of impairment loss should offset the carrying value which is allocated to the goodwill of certain assets group or combinations at first, then it should offset the carrying amount of other assets proportionally according to the proportion of other assets' carrying amount of assets group or combination after goodwill. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

The impairment losses cannot be reversed once they are recognized.

14. Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortised over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortised using the straight-line method over the expected periods in which benefits are derived.

15. Employee benefits

15.1 Accounting method of short-term employee benefits

In an accounting period in which an employee has rendered service to the Group, the Group recognizes the short-term employee benefits for that service as a liability, and the expenditure incurred for the period is recorded in profit or loss. The employee's welfare incurred is recognized in the profit or loss for the period as well. Non-monetary benefit included in employee's welfare expenses are recorded at fair value.

Payment made by the Group regarding social security contributions for employees such as contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as trade union fund and employee education fund provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognized as relevant liabilities, with a corresponding charge to the profit or loss for the period in the accounting period in which employees provide services.

15.2 Accounting method of post-employment benefits

Termination benefits are classified as defined contribution pension plans and defined benefit plans.

In an accounting period in which an employee has rendered service to the Group, the Group recognises the employee benefits for that service as a liability and included in profit or loss for the period.

For the defined benefit plan, the Group recognizes the obligations arising from such plan based on formula under estimated cumulated welfare method in the period in which employees render service and included in profit or loss for the period. The classifications of the costs are as follows:

- Service costs (including service costs of the period, service costs in the past, and profit and loss).

- Net value of interests from net liabilities or net assets of defined benefit plans (including interest income of planned assets, obligated interest cost of defined benefit plans and interest of influence of assets upper limit).

- The changes of recalculating the net liabilities and net assets of defined benefit plans.

Net interests of service costs and net liabilities and net assets of defined benefit plans are recorded in the profit and loss. The changes of recalculating the net liabilities and net assets of defined benefit plans, including actuarial gains or loss, planned assets yield deducting net value of interests from net liabilities or net assets of defined benefit plans, change rising from upper limit of assets deducting net value of interests from net liabilities or net assets of defined, are recorded in other comprehensive income.

The difference between the present value of defined benefit obligation and the fair value of defined benefit asset is recognized as a net asset or liability of defined benefit plans. If there is surplus, the net assets of defined benefit plans should be measured by the lower of the two: 1. the surplus of defined benefit plans; 2. upper limit of assets.

15.3 Accounting method of termination benefits

In an accounting period in which an employee has rendered service to the Group, a liability for a termination benefit and an expense accordingly are recognized at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

16. Assets transferred under repurchase agreements

16.1 Financial assets purchased under resale agreements

The financial assets are not recognized in the statements of financial position if they are committed to be resold at a specific price at a specific date in the future. The cost of purchasing such assets is presented under "financial assets purchased under resale agreements" in the statements of financial position. The difference between the purchasing price and reselling price is recognized as interest income during the term of the agreement using the effective interest method.

16.2 Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date and price are not derecognised in the statements of financial position. The proceeds from selling such assets are presented under "financial assets sold under repurchase agreements" in the statements of financial position. The difference between the selling price and repurchasing price is recognised as interest expense during the term of the agreement using the effective interest method.

17. Provisions

Provisions are recognised when the Group has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognised does not exceed the carrying amount of the provision.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

18. Income

18.1 Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the book value of the financial asset, or the amortised cost of financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not expected credit losses.

Interest income is calculated by applying the effective interest rate to the book value of financial assets and is included in interest income, except for:

- For purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit adjusted effective interest rate to their amortised cost;

- Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their book value.

18.2 Fee and commission income

Fees and commissions is recognized by providing various services to customers, which reflects the consideration amount expected to be entitled to receive for the service provided to customers, and the income is recognized when the performance obligations in the contract are fulfilled.

The group will confirm the income according to the performance schedule within the time period when one of the following conditions is met:

- The customer obtains and consumes the economic benefits brought by the group's performance while performing the contract;

- The customer can control the services performed during the performance of the group;

- The services performed by the group in the performance process are irreplaceable and the group has the right to collect money for the cumulative performance part which has been completed so far throughout the contract period;

In other cases, the Group recognizes revenue when customers obtains the relevant service control right.

19. Enpenses

19.1 Interest expense

The interest expense of the financial liability is calculated according to the amortized cost of the financial liability and the time occupied by the capital according to the effective interest rate method, and is recognized in the corresponding period.

19.2 Other expenses

Other enpenses are recognized on an accrual basis.

20. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period. Government grants are classified into government grants related to assets and government grants related to income according the subjects required by the Government documents.

A government grant related to an asset is offset against the carrying amount of related asset. For a government grant related to income, if the grant is a compensation for related costs or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs or losses are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

A government grant related to the Group's daily activities is included in other income according to the economic business substance. A government not related to the Group's daily activities is included in non-operating income and expense.

For the repayment of a government grant already recognized, if the carrying value of related assets is written off upon initial recognition, the carrying value of the assets is adjusted; if there is any related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognized in profit or loss for the period; if there is no related deferred income, it is recognized immediately in profit or loss for the period.

21. Deferred tax assets / deferred tax liabilities

The income tax expenses include current income tax and deferred income tax.

21.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

21.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax is generally recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

When they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

22. Fiduciary activities and agent business

The Group acts in a fiduciary activities and agent business as a trustee or an agent for customers. Customers should bear the risk and return generated by such activities. The Group only charges fee and commission. The fiduciary activities and agent business are excluded from the financial statements.

23. Lease

A contract is lease if the lessor conveys the right to control the use of an identified asset to lessee for a period of time in exchange for consideration.

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 assesses whether:

- the contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly speiced in a contrat and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the ecomonic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;

- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;

- the lessee has the right to direct the use of the asset.

For a contract that contains more separate lease componets, the lessee and the lessor separate lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate lease components from non-lease components. For a contract that contains lease and non-lease components, the lessee allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. On the contract inception date, the Lessor determines the stand-alone selling price of the lease and non-lease components underlying each performance obligation and allocates the transaction price in proportion to those stand-alone selling prices to recognise income.

(1) The Group as lessee

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, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated 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. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note IV, 13.

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.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

- there is a change in the amounts expected to be payable under a residual value guarantee;

- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;

- there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

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

The Group 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 in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(2) The Group as lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, 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 practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are recognised in accordance with the accounting policy in Note IV, 7. Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases is recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

24 Foreclosed asset

Foreclosed asset is initially measured at its fair value. At the balance sheet date, foreclosed asset is measured at the lower of carrying amount and net realizable value. The difference by which the net realizable value is lower than the carrying amount of the assets shall be provided for the current period. The foreclosed assets other than equity instruments are charged to other assets.

On disposal of a foreclosed asset, the difference between (i) income from disposal and (ii) the carrying amount of the foreclosed asset is charged to income from disposal of assets.

If the foreclosed asset is transferred for self-use, it should be measured at the carrying amount at the transfer date. Provision is to taken into account if applicable (see Note IV, 13).

25. Profit distribution

Proposed dividends which are declared and approved after the end of each balance sheet date are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each balance sheet date in the notes to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

26. Contingent liabilities

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or non-occurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

Contingent liabilities which are not recognised as a liability are expected to be disclosed in the notes only. If the situation changes, the contingent liabilities are recognised as provisions when it is probable that an outflow of economic resources will be required and the amount of obligation can be measured reliably.

27. Related parties

If the Group has the power to control, jointly control or exercise significant influence over another party, or vice versa, or the two parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Bank determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

28. Operating segment

The Group determines its operating segments on the basis of its internal organisational structure, management requirements and internal reporting practices.

An operating segment is a component of the Group that meets all the following requirements: (i) it engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group; (ii) its operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (iii) separate financial information is available. The operating segments that meet the specified criteria have been aggregated, and the operating segment that meets quantitative thresholds have been reported separately.

29. Significant accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

29.1 Significant accounting estimates

In addition to the accounting estimates related to the depreciation and amortization of fixed assets and intangible assets (see Note IV, 10 and 12) and the impairment of various assets (see Note VII, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 15), other major accounting estimates are as follows:

(1) Note VII, 14. Recognized deferred tax assets;

(2) Note VII, 44. Post-employment benefits - defined benefit plans; and

(3) Note XI, 7. Fair value of financial instruments.

29.2 Significant accounting judgements

The significant accounting judgements made by the Group in the application of accounting policies are as follows:

(1) Note IV, 7 - Classification of financial investment;

(2) Note IV, 4 and 9 Significant judgments and assumptions on control, joint control or significant impact on other entities;

(3) Note VII, 24 and 28 - Other financial instruments are classified as financial liabilities or equity instruments; and

(4) Note VII, 45 - Judgement of consolidated structured entities.

30. Changes in significant accounting policies

The Group has adopted these standards released by the MOF recently from the accounting year beginning on 1 January 2021.

• *CAS No.21 - Leases (Revised) (Cai Kuai [2018] No.35) ("New leases standard")*

• *Provisions on Accounting Treatment for COVID-19-Related Rent Concessions (Cai Kuai [2020] No.10) and Notice of Extending the Applicable Period of "Accounting Treatment of COVID-19 Related Rent Concessions" (Cai Kuai [2021] No.9)*

• *China Accounting Standards Bulletin No.14 (Cai Kuai [2021] No.1) (CAS Bulletin No.14)*

30.1 New leases standard

New leases standard has revised CAS No.21 - Leases issued by the MOF in 2006 ("previous leases standard"). The Group has initially adopted new leases standard from 1 January 2021, and made some adjustments in the relevant content of accounting policy. New leases standard introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies. Under new leases standard, the Group, as the lessor of a sub-lease, is required to assess the classification of the sub-lease with reference to the right-of-use asset, not the underlying asset. The Group reassess sub-leased that were classified as operating leases and are ongoing at the date of initial application on the basis of the remaining contractual terms and conditions of the head lease and sub-lease at the date of initial application, and determined the classification of sub-lease applying this standard. For subleases that were classified as finance leases, the Group accounted for the sub-lease as a new finance lease.

According to the requirement of transitioning into the new leases standard, entities may choose to recognise the cumulative effects of initial application of this standard in retained earnings and other relevant accounts at the beginning of the current year, and not to restate the comparative information. Accordingly, the Group has prepared its financial reports and disclosures under the new leases standard since 2021, and has not restated the comparative information presented at the end of 2020. The details of the changes in accounting policies are disclosed below:

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under new leases standard, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. On transition to new leases standard, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied new leases standard only to contracts that were previously identified as leases. Contracts that were not identified as leases under the previous leases standard were not reassessed. Therefore, the definition of a lease under the new leases standard has been applied only to contracts entered into or changed on or after 1 January 2021. For a contract that contains a lease component, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

The Group acting as a lessee

The Group leases many assets, including buildings, vehicles, equipments and other office equipments.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under new leases standard, the Group no longer distinguishes between operating or finance leases. The Group includes all major leases with lease terms over 12 months and with values higher than RMB40,000 at the time of initial recognition in the consolidated balance sheet, and recognises right-of-use assets and lease liabilities.

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

Significant accounting policies

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, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The Group applies CAS 8 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified. The Group presents the right-of-use asset in the consolidated balance sheet as a separate line item.

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 Group's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. The Group presents the lease liabilities in the consolidated balance sheet as a separate line item.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Impacts on transition of new leases standard

The Group has initially applied new leases standard using the modified retrospective approach. Under this approach, comparative information is not restated. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. At the date of initial application, the Group's total assets and total liabilities both increased by RMB8,790 million, among which right-of-use assets increased by RMB10,024 million (including operating leases of RMB9,432 million and finance leases of RMB592 million) and lease liabilities increased by RMB9,225 million. Fixed assets, other assets and other liabilities decreased by RMB592 million, RMB642 million and RMB435 million respectively. It has no impacts on the beginning balance of retained earnings.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2021. Each institution of the Group uses interest rate that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment as incremental borrowing rate.

	The Group	The Bank
Operating lease commitment at 31 December 2020 as disclosed in the Group's consolidated financial statements	11,081	10,684
Present value discounted using the incremental borrowing rate at 1 January 2021	10,091	9,868
Less: Recognition exemption of low-value assets and leases with lease term less than 12 months at transition	(1,280)	(1,280)
Finance lease liabilities recognised as at 31 December 2020	414	-
Lease liabilities recognised as at 1 January 2021	9,225	8,588

30.2 Cai Kuai [2020] No.10 and Cai Kuai [2021] No.9

Cai Kuai [2020] No.10 provides a practical expedient for rent concessions that arise as a direct consequence of COVID-19 and meet the qualifying criteria. When an enterprise adopts the practical expedient, it does not need to assess whether a change in the lease has occurred or reassess the lease classification. Combining the requirements of Caikuai [2021] No.9, such practical expedient is only applicable to any reduction in lease payments due before 30 June 2022. The Group did not adopt the practical expedient, therefore, the above regulations does not have significant effect on the financial position and financial performance of the Group.

30.3 CAS Bulletin No.14

CAS Bulletin No.14 takes effect on 26 January 2021 (implementation date).

CAS Bulletin No.14 introduces the accounting and disclosure requirements for the modification of financial instruments and lease liabilities resulting from the benchmark interest rate reform. Transactions related to the benchmark interest rate reform that occurred before 31 December 2020 and during 1 January 2021 to the implementation date are subject to retrospective adjustments. Cumulative effects are adjusted to the opening retained earnings or other comprehensive income for the year 2021.

Comparative information is not restated. The adoption of CAS Bulletin No.14 does not have significant effect on the financial position and financial performance of the Group.

V. Taxation

1. Corporate income tax

According to the Corporate Income Tax Law of the People's Republic of China, the income tax of the Bank is 25% (2020: 25%). The Bank's subsidiaries are calculated and settled at the tax rate in accordance with the tax rate applicable in the relevant territory.

The income tax of overseas branches of the Bank is calculated in accordance with the local tax rate, and the difference between the overseas tax rate and domestic tax rate is settled by the head office.

The deductible items of Corporate income tax are calculated in accordance with the relevant regulations. Corporate income tax is prepaid by domestic branches of the Bank and conducted annual filing by the head office.

2. Value-added tax

The value-added tax ("VAT") on sales is calculated using applicable tax rate on the basis of the revenue from sales determined as per tax regulations, and is paid after deducting the VAT on purchases. According to the

Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Policies for Deepening the VAT Reform (MOF/STA/GACC Announcement [2019] No.39), the Group's applicable VAT rate range was changed from 3% - 16% to 3% - 13% from 1 April 2019.

According to the Supplementary Notice on Issues relating to VAT Policies on Assets Management Products (Cai Shui [2017] No.2) and Notice on Issues relating to VAT Policies on Assets Management Products (Cai Shui [2017] No.56) issued by MOF and State Administration of Taxation, since 1 January 2018, the manager of asset management products will be the VAT taxpayer for VAT taxable behaviours occurred in the operation of asset management products. And the VAT is levied at the rate of 3% with a provisional application of simple taxation method.

3. City maintenance and construction tax

The Group's city maintenance and construction tax is calculated according to 1% ~ 7% of VAT.

4. Education surcharge

The Group's education surcharge and local education surcharge is calculated according to 3% ~ 5% of VAT.

VI. Consolidation scope

1. Details of the Bank's principal subsidiaries included in the scope of consolidation are set out as follows:

Key subsidiaries	Main business place/ Place of registration	Business nature	Registered capital In millions of Renminbi	Total shareholding by the Group			
				31 December 2021		31 December 2020	
				Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Industrial Bank Financial Leasing Co., Ltd.	Tianjin	Financial leasing	9,000	**100**	-	100	-
China Industrial International Trust Limited	Fuzhou	Trust	10,000	**73**	-	73	-
CIB Fund Management Co., Ltd.	Fuzhou	Fund management	1,200	**90**	-	90	-
Industrial Consumer Finance Co., Ltd.	Quanzhou	Consumer finance	1,900	**66**	-	66	-
CIB Wealth Management Co., Ltd.	Fuzhou	Wealth management	5,000	**100**	-	100	-
CIIT Asset Management Co., Ltd. (1)	Shanghai	Assets management	3,400	-	**100**	-	100
China Industrial Asset Management Co., Ltd. (1)	Fuzhou	Assets management	1,950	-	**100**	-	100
Industrial Future Co., Ltd. (1)	Ningbo	Futures brokerage	500	-	**100**	-	100

(1) The companies are the subsidiaries of the Bank's controlled subsidiaries.

2. Refer to Note VII, 45 for the information of consolidated structure entities included in the consolidation scope.

VII. Notes to items in the financial statements

1. Cash and balances with Central Bank

		The Group		The Bank	
	Note	2021	2020	2021	2020
Cash on hand		**5,026**	4,956	**5,026**	4,956
Mandatory reserves with central bank	(1)	**343,500**	350,307	**343,491**	350,302
Excess reserves with central bank	(2)	**97,027**	55,289	**97,027**	55,285
Other deposits with central bank	(3)	**1,726**	423	**1,726**	423
Interest accrued		**167**	172	**167**	172
Total		**447,446**	411,147	**447,437**	411,138

(1) The domestic institution of the Bank places general deposit reserves mainly with the PBOC as required, including RMB deposit reserves and foreign deposit reserves. These deposit reserves are not available for the Group's daily operations and can't be transferred or used without the PBOC's approval. General deposit generates from organizations deposit, non-financial-budget deposit, individual deposit, enterprise deposit, net trust funds and other deposits. As at 31 December 2021, the ratio of the Bank's RMB deposit reserves is 8% (31 December 2020: 9%), the ratio of foreign deposit reserves is 9% (31 December 2020: 5%). According to related regulations from the PBOC, foreign deposit reserves are non-interest bearing. The Group's subsidies' RMB reserve deposit ratio is in accordance with regulations of PBOC. Deposit ratio of statutory reserve in Hong Kong branch is in accordance with regulations from local regulators.

(2) Excess reserves with central bank in Central Bank are maintained with the PBOC mainly for the purpose of clearing, transferring, etc.

(3) The majority of other deposits with central bank are the fiscal deposits placed at Central Bank. Fiscal deposit at Central Bank refers to the fiscal deposit at PBOC by the Bank according to regulations, including the Bank's agent central budgetary revenues, local treasury deposits, etc. The fiscal deposits placed with the PBOC of institutions in mainland China are non-interest bearing.

2. Deposits with banks and other financial institutions

	The Group		The Bank	
	2021	2020	2021	2020
Banks operating in Mainland China	**35,529**	44,227	**28,540**	35,681
Other financial institutions operating in Mainland China	**7,500**	5,114	**7,316**	4,943
Banks operating outside Mainland China	**23,368**	45,923	**23,368**	45,923
Other financial institutions operating outside Mainland China	**90**	85	**90**	85
Interest accrued	**171**	195	**110**	185
Subtotal	**66,658**	95,544	**59,424**	86,817
Less: allowance for impairment losses	**(407)**	(337)	**(403)**	(327)
Net value	**66,251**	95,207	**59,021**	86,490

3. Placements with banks and other financial institutions

	The Group		The Bank	
	2021	2020	2021	2020
Banks operating in Mainland China	**16,092**	12,957	**15,293**	11,458
Other financial institutions operating in Mainland China	**220,639**	139,264	**236,224**	154,861
Banks operating outside Mainland China	**115,975**	39,678	**115,975**	39,678
Interest accrued	**542**	671	**717**	782
Subtotal	**353,248**	192,570	**368,209**	206,779
Less: allowance for impairment losses	**(1,426)**	(631)	**(1,426)**	(631)
Net value	**351,822**	191,939	**366,783**	206,148

4. Derivative financial instruments

The Group enters into derivative financial instruments related to foreign currency exchange rate, interest rate and precious metals for purposes of trading, asset and liability management and customer driven business.

The notional amounts of derivative instruments represent the value of the underlying asset or the reference rate as a basis to measure changes in derivative financial instruments, which provide an indication of the volume of business transacted by the Group, but don't stand for the relevant future cash flow or current fair value, thus, do not indicate the Group's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or precious metal prices relative to their terms. The aggregate fair values of derivative financial assets and financial liabilities can fluctuate significantly from time to time.

The notional amount and fair value of the Group's derivative financial instruments are as follows:

	The Group		
	2021		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	**5,104,796**	**18,989**	**(21,448)**
Exchange rate derivatives	**1,707,928**	**14,984**	**(15,280)**
Precious metal derivatives	**64,022**	**423**	**(1,939)**
Credit derivatives and others	**13,504**	**64**	**(180)**
Total		**34,460**	**(38,847)**

	2020		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	5,032,016	17,478	(17,764)
Exchange rate derivatives	1,958,034	41,037	(42,424)
Precious metal derivatives	40,563	705	(903)
Credit derivatives and others	13,619	176	(422)
Total		59,396	(61,513)

	The Bank		
	2021		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	**5,104,796**	**18,989**	**(21,448)**
Exchange rate derivatives	**1,707,928**	**14,984**	**(15,280)**
Precious metal derivatives	**64,022**	**423**	**(1,939)**
Credit derivatives and others	**13,498**	**64**	**(180)**
Total		**34,460**	**(38,847)**

	2020		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	5,032,016	17,477	(17,764)
Exchange rate derivatives	1,956,788	41,029	(42,416)
Precious metal derivatives	40,563	705	(903)
Credit derivatives and others	13,619	176	(422)
Total		59,387	(61,505)

Fair value hedge

The Group uses the fair value hedges to hedge the influences of changes in fair value of financial assets and trading spots caused by the changes of market interest rate and market value. For interest rate risk of financial assets, the Group adopts interest rate swaps as hedging instruments. For pricing risk of trading spots, the Group adopts future contracts as hedging instruments. Included in the aforesaid derivative financial instruments, the hedging instruments designated by the Group and the Bank are as follows:

	The Group		
	2021		
	Notional amount	Fair value	
		Assets	Liabilities
Derivatives designated as fair value hedging instruments:			
Interest rate derivatives - Interest rate swaps	**19,853**	**113**	**(177)**
Commodity derivatives			
- Future contracts (1)	**90**	**-**	**-**
		113	**(177)**

	2020		
	Notional amount	Fair value	
		Assets	Liabilities
Derivatives designated as fair value hedging instruments:			
Interest rate derivatives			
- Interest rate swaps	14,963	-	(328)

(1) Industrial Future Co., Ltd., a subsidiary of the Group, uses commodity derivatives to hedge the fair value changes caused by market price changes of trading spots held. The commodity derivatives are settled daily without liability and have a fair value of 0 on the balance sheet date.

	The Bank		
	2021		
	Notional amount	Fair value	
		Assets	Liabilities
Derivatives designated as fair value hedging instruments:			
Interest rate derivatives - Interest rate swaps	**19,853**	**113**	**(177)**

	2020		
	Notional amount	Fair value	
		Assets	Liabilities
Derivatives designated as fair value hedging instruments:			
Interest rate derivatives - Interest rate swaps	14,963	-	(328)

The effectiveness of the hedging activities in the year which is reflected by the changes in fair value of hedging instruments and the net profit or loss from the hedged item attributable to the hedged risks is as follows:

	The Group	
	2021	2020
Net gain (loss) from fair value hedge:		
Hedging instruments	**285**	(100)
Hedged item attributable to the hedged risk	**(276)**	95
	9	(5)

	The Bank	
	2021	2020
Net gain (loss) from fair value hedge:		
Hedging instruments	**264**	(100)
Hedged item attributable to the hedged risk	**(255)**	95
	9	(5)

Details of hedged exposure in fair value hedging strategy of the Group and the Bank as below:

	The Group				
	2021				
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	**20,117**	**-**	**80**	**-**	Other Debt Investments
Others	**90**	**-**	**(21)**	**-**	Other Assets
Total	**20,207**	**-**	**59**	**-**	

	2020				
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	15,356	-	335	-	Other Debt Investments

	The Bank				
	2021				
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	**20,117**	**-**	**80**	**-**	Other Debt Investments

	2020				
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	15,356	-	335	-	Other Debt Investments

5. Financial assets purchased under resale agreements

	The Group		The Bank	
	2021	2020	2021	2020
Bonds	**142,312**	124,148	**138,256**	117,743
Interest accrued	**66**	182	**63**	181
Subtotal	**142,378**	124,330	**138,319**	117,924
Less: allowance for impairment losses	**(1,247)**	(980)	**(1,247)**	(979)
Total	**141,131**	123,350	**137,072**	116,945

6. Loans and advances to customers

6.1 Analysis of loans and advances to customers by person and corporate:

	The Group		The Bank	
	2021	2020	2021	2020
Measured at amortised cost:				
Personal loans and advances				
Residential and business mortgage loans	**1,121,169**	1,053,059	**1,121,169**	1,053,059
Credit cards	**436,482**	409,826	**436,482**	409,826
Others	**322,281**	251,586	**264,225**	210,661
Subtotal	**1,879,932**	1,714,471	**1,821,876**	1,673,546
Corporate loans and advances				
Loans and advances	**2,221,044**	2,042,136	**2,226,658**	2,048,156
Subtotal	**2,221,044**	2,042,136	**2,226,658**	2,048,156
Less: allowance for impairment losses on loans and advances to customers measured at amortised cost	**(129,877)**	(108,068)	**(126,425)**	(105,482)
Carrying amount of loans and advances to customers measured at amortised cost	**3,971,099**	3,648,539	**3,922,109**	3,616,220
Fair value through other comprehensive income:				
Corporate loans and advances				
Discounted Bills	**324,356**	207,703	**324,356**	207,703
Subtotal	**324,356**	207,703	**324,356**	207,703
Fair value through profit or loss:				
Corporate loans and advances				
Loans and advances	**2,851**	1,364	**2,851**	1,364
Subtotal	**2,851**	1,364	**2,851**	1,364
Interest accrued	**12,000**	9,715	**11,430**	9,318
Net balance	**4,310,306**	3,867,321	**4,260,746**	3,834,605

As at 31 December 2021, the Group and Bank's allowance for impairment losses on loans and advances to customers measured at fair value through other comprehensive income was RMB1,032 million (As at 31 December 2020: RMB593 million).

6.2 Analysis of loans and advances to customers (interest accrued excluded) by industry distribution:

	The Group				The Bank			
	2021		2020		2021		2020	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Manufacturing	**437,716**	**9.89**	373,532	9.43	**437,716**	**10.00**	373,532	9.51
Leasing and commercial services	**378,765**	**8.55**	356,050	8.98	**378,765**	**8.66**	356,201	9.06
Real estate	**336,830**	**7.61**	317,522	8.01	**336,830**	**7.70**	317,522	8.08
Retail and wholesale	**247,648**	**5.59**	250,564	6.32	**246,291**	**5.63**	250,564	6.37
Water, environment and public facilities administration	**231,926**	**5.24**	231,766	5.84	**231,926**	**5.30**	231,766	5.90
Construction	**149,833**	**3.38**	134,205	3.38	**149,833**	**3.42**	134,205	3.41
Transport, logistics and postal service	**146,287**	**3.30**	121,472	3.06	**146,287**	**3.34**	121,472	3.09
Production and supply of power, gas and water	**117,743**	**2.66**	87,242	2.20	**117,743**	**2.69**	87,242	2.22
Extractive industry	**67,626**	**1.53**	58,636	1.48	**67,626**	**1.55**	58,189	1.48
Financial industry	**27,562**	**0.62**	32,658	0.82	**34,532**	**0.79**	38,974	0.99
Other corporate industries	**81,959**	**1.86**	79,853	2.01	**81,960**	**1.87**	79,853	2.03
Subtotal	**2,223,895**	**50.23**	2,043,500	51.53	**2,229,509**	**50.95**	2,049,520	52.14
Personal loans	**1,879,932**	**42.45**	1,714,471	43.23	**1,821,876**	**41.64**	1,673,546	42.58
Discounted bills	**324,356**	**7.32**	207,703	5.24	**324,356**	**7.41**	207,703	5.28
Gross loans and advances	**4,428,183**	**100.00**	3,965,674	100.00	**4,375,741**	**100.00**	3,930,769	100.00
Less: allowance for impairment losses	**(129,877)**		(108,068)		**(126,425)**		(105,482)	
(interest accrued excluded)	**4,298,306**		3,857,606		**4,249,316**		3,825,287	

6.3 Analysis of loans and advances to customers (interest accrued excluded) by geographical distribution:

	The Group				The Bank			
	2021		2020		2021		2020	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Guangdong	**516,058**	**11.66**	483,612	12.19	**512,081**	**11.70**	480,588	12.23
Head office (Note 1)	**511,398**	**11.55**	422,941	10.67	**511,398**	**11.69**	422,941	10.76
Fujian	**472,429**	**10.67**	410,418	10.35	**470,594**	**10.75**	410,253	10.44
Jiangsu	**429,137**	**9.69**	406,890	10.26	**422,798**	**9.66**	402,388	10.24
Zhejiang	**383,254**	**8.65**	339,335	8.56	**380,322**	**8.69**	337,533	8.59
Beijing	**221,082**	**4.99**	212,119	5.35	**218,914**	**5.00**	211,234	5.37
Shanghai	**201,100**	**4.54**	178,025	4.49	**186,695**	**4.27**	169,944	4.32
Others (Note 2)	**1,693,725**	**38.25**	1,512,334	38.13	**1,672,939**	**38.24**	1,495,888	38.05
Gross loans and advances	**4,428,183**	**100.00**	3,965,674	100.00	**4,375,741**	**100.00**	3,930,769	100.00
Less: allowance for impairment losses	**(129,877)**		(108,068)		**(126,425)**		(105,482)	
Loans and advances to customers (interest accrued excluded)	**4,298,306**		3,857,606		**4,249,316**		3,825,287	

Note 1: Head office contains the credit card centre and the treasury centre.
Note 2: As at 31 December 2021, the Bank has 45 tier 1 branches, apart from the tier 1 branches mentioned above, the rest is categorized into "Others". Loans and advances originated by the Bank and the subsidiaries are presented by geographical distribution.

6.4 Analysis of loans and advances (interest accrued excluded) to customers by security type:

	The Group		The Bank	
	2021	2020	2021	2020
Unsecured loans	**1,193,021**	1,054,966	**1,141,979**	1,020,509
Guaranteed loans	**876,315**	812,622	**876,315**	812,622
Collateralised loans	**2,034,491**	1,890,383	**2,033,091**	1,889,935
- Secured by mortgage	**1,720,791**	1,573,352	**1,719,391**	1,572,904
- Secured by collaterals	**313,700**	317,031	**313,700**	317,031
Discounted bills	**324,356**	207,703	**324,356**	207,703
Gross loans and advances	**4,428,183**	3,965,674	**4,375,741**	3,930,769
Less: allowance for impairment losses	**(129,877)**	(108,068)	**(126,425)**	(105,482)
Loans and advances to customers (interest accrued excluded)	**4,298,306**	3,857,606	**4,249,316**	3,825,287

6.5 Overdue loans (interest accrued excluded):

	The Group									
	2021					2020				
	1-90 days (including 90 days)	90-360 days (including 360 days)	360 days to 3 years (including 3 years)	Over 3 years	Total	1-90 days (including 90 days)	90-360 days (including 360 days)	360 days to 3 years (including 3 years)	Over 3 years	Total
Unsecured loans	**12,668**	**9,387**	**2,197**	**202**	**24,454**	8,395	7,940	806	138	17,279
Guaranteed loans	**5,882**	**4,145**	**3,500**	**762**	**14,289**	3,695	6,035	3,277	697	13,704
Collateralised loans	**8,821**	**9,904**	**6,710**	**805**	**26,240**	7,626	5,786	7,487	437	21,336
-Secured by mortgage	**8,818**	**9,478**	**6,405**	**779**	**25,480**	7,588	5,500	7,026	397	20,511
-Secured by collaterals	**3**	**426**	**305**	**26**	**760**	38	286	461	40	825
Total	**27,371**	**23,436**	**12,407**	**1,769**	**64,983**	19,716	19,761	11,570	1,272	52,319

	The Bank									
	2021					2020				
	1-90 days (including 90 days)	90-360 days (including 360 days)	360 days to 3 years (including 3 years)	Over 3 years	Total	1-90 days (including 90 days)	90-360 days (including 360 days)	360 days to 3 years (including 3 years)	Over 3 years	Total
Unsecured loans	**11,675**	**8,739**	**2,188**	**202**	**22,804**	7,836	7,181	805	138	15,960
Guaranteed loans	**5,882**	**4,145**	**3,500**	**762**	**14,289**	3,695	6,035	3,277	697	13,704
Collateralised loans	**8,821**	**8,504**	**6,710**	**805**	**24,840**	7,626	5,786	7,039	437	20,888
-Secured by mortgage	**8,818**	**8,078**	**6,405**	**779**	**24,080**	7,588	5,500	6,578	397	20,063
-Secured by collaterals	**3**	**426**	**305**	**26**	**760**	38	286	461	40	825
Total	**26,378**	**21,388**	**12,398**	**1,769**	**61,933**	19,157	19,002	11,121	1,272	50,552

The loan will be categorized into overdue when principal or interest is overdue for one day.

6.6 Allowance for loan impairment

As at 31 December 2021, changes in allowance for impairment losses on loans and advances to customers are as follows:

(1) Loans and advances to customers measured at amortised cost

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2021	**68,662**	**7,485**	**31,921**	**108,068**
Transfer:				
- to stage 1	**7,826**	**(2,664)**	**(5,162)**	**-**
- to stage 2	**(4,785)**	**10,005**	**(5,220)**	**-**
- to stage 3	**(4,745)**	**(1,499)**	**6,244**	**-**
Charge for the year	**14,977**	**753**	**29,315**	**45,045**
Write-offs and transfer out	**-**	**-**	**(32,795)**	**(32,795)**
Recoveries of amounts previously written off	**-**	**-**	**10,602**	**10,602**
Exchange difference and other movements	**-**	**-**	**(1,043)**	**(1,043)**
31 December 2021	**81,935**	**14,080**	**33,862**	**129,877**

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2020	**57,044**	**11,150**	**36,659**	**104,853**
Transfer:				
- to stage 1	**4,419**	**(1,994)**	**(2,425)**	**-**
- to stage 2	**(355)**	**605**	**(250)**	**-**
- to stage 3	**(419)**	**(1,277)**	**1,696**	**-**
Charge (reversal) for the year	**7,973**	**(999)**	**42,381**	**49,355**
Write-offs and transfer out	**-**	**-**	**(52,067)**	**(52,067)**
Recoveries of amounts previously written off	**-**	**-**	**7,967**	**7,967**
Exchange difference and other movements	**-**	**-**	**(2,040)**	**(2,040)**
31 December 2020	**68,662**	**7,485**	**31,921**	**108,068**

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2021	**67,566**	**7,238**	**30,678**	**105,482**
Transfer:				
- to stage 1	**7,781**	**(2,648)**	**(5,133)**	**-**
- to stage 2	**(4,780)**	**9,995**	**(5,215)**	**-**
- to stage 3	**(4,733)**	**(1,496)**	**6,229**	**-**
Charge for the year	**14,402**	**679**	**26,726**	**41,807**
Write-offs and transfer out	**-**	**-**	**(30,118)**	**(30,118)**
Recoveries of amounts previously written off	**-**	**-**	**10,297**	**10,297**
Exchange difference and other movements	**-**	**-**	**(1,043)**	**(1,043)**
31 December 2021	**80,236**	**13,768**	**32,421**	**126,425**

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2020	**56,070**	**11,051**	**35,908**	**103,029**
Transfer:				
- to stage 1	**4,417**	**(1,994)**	**(2,423)**	**-**
- to stage 2	**(339)**	**588**	**(249)**	**-**
- to stage 3	**(376)**	**(1,273)**	**1,649**	**-**
Charge (reversal) for the year	**7,794**	**(1,134)**	**40,313**	**46,973**
Write-offs and transfer out	**-**	**-**	**(50,232)**	**(50,232)**
Recoveries of amounts previously written off	**-**	**-**	**7,752**	**7,752**
Exchange difference and other movements	**-**	**-**	**(2,040)**	**(2,040)**
31 December 2020	**67,566**	**7,238**	**30,678**	**105,482**

(2) Loans and advances to customers measured at fair value through other comprehensive income

	Group and Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2021	**576**	**-**	**17**	**593**
Transfer:				
- to stage 1	-	-	-	-
- to stage 2	-	-	-	-
- to stage 3	-	-	-	-
Charge for the year	**432**	**3**	**4**	**439**
Write-offs and transfer out	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Exchange difference and other movements	-	-	-	-
31 December 2021	**1,008**	**3**	**21**	**1,032**

	Group and Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2020	**700**	**16**	**12**	**728**
Transfer:				
- to stage 1	-	-	-	-
- to stage 2	-	-	-	-
- to stage 3	-	-	-	-
(Reversal) charge for the year	**(124)**	**(16)**	**5**	**(135)**
Write-offs and transfer out	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Exchange difference and other movements	-	-	-	-
31 December 2020	**576**	**-**	**17**	**593**

7. Financial investments

		The Group		The Bank	
	Note	2021	2020	2021	2020
Trading assets	7.1	**909,794**	823,927	**847,457**	773,552
Debt investments	7.2	**1,601,030**	1,550,131	**1,585,226**	1,535,542
Other debt investments	7.3	**484,624**	516,368	**484,758**	514,919
Other equity investments	7.4	**3,148**	2,388	**3,068**	2,308
Total		**2,998,596**	2,892,814	**2,920,509**	2,826,321

7.1 Trading assets

	The Group		The Bank	
	2021	2020	2021	2020
Held for trading purpose:				
Government bonds	**70,086**	51,676	**68,682**	50,436
The Central Bank bills and policy financial bonds	**32,267**	10,797	**16,029**	7,277
Bonds issued by banks and other financial institutions	**16,665**	9,259	**2,976**	2,673
Interbank certificates of deposit	**802**	1,732	**482**	298
Corporate bonds and asset-backed securities	**82,131**	93,319	**45,904**	52,173
Funds	**589,920**	548,723	**632,477**	588,034
Other investments	**5,035**	8,798	**-**	-
Subtotal	**796,906**	724,304	**766,550**	700,891
Financial assets measured at fair value through profit or loss (mandatory):				
Bonds issued by banks and other financial institutions	**4,562**	2,802	**4,562**	2,802
Corporate bonds and asset-backed securities	**1,548**	3,339	**1,497**	3,267
Trust beneficiary rights and asset management plans	**77,580**	76,219	**68,700**	65,625
- Debt securities	**72,347**	64,723	**65,762**	58,994
- Credit assets	**2,248**	5,160	**1,827**	4,723
- Others	**2,985**	6,336	**1,111**	1,908
Equity investments	**19,536**	12,839	**1,059**	967
Funds	**2,984**	2,214	**-**	-
Wealth management products	**6,678**	2,210	**5,089**	-
Subtotal	**112,888**	99,623	**80,907**	72,661
Total	**909,794**	823,927	**847,457**	773,552

7.2 Debt investments

		The Group		The Bank	
	Note	2021	2020	2021	2020
Government bonds		**835,631**	705,846	**828,788**	702,498
The Central Bank bills and policy financial bonds		**2,040**	2,090	**2,040**	2,090
Bonds issued by banks and other financial institutions		**19,848**	59,549	**19,848**	59,609
Interbank certificates of deposit		**18,414**	16,646	**18,414**	16,646
Corporate bonds and asset-backed securities		**88,475**	100,017	**88,229**	99,617
Trust beneficiary rights and asset management plans		**662,771**	681,928	**652,520**	670,381
- Credit assets		**367,931**	467,153	**367,206**	467,153
- Debt securties		**229,540**	161,862	**229,426**	161,614
- Others		**65,300**	52,913	**55,888**	41,614
Interest accrued		**16,168**	15,557	**15,991**	15,318
Subtotal		**1,643,347**	1,581,633	**1,625,830**	1,566,159
Less: allowance for impairment losses	(1)	**(42,317)**	(31,502)	**(40,604)**	(30,617)
Net value		**1,601,030**	1,550,131	**1,585,226**	1,535,542

(1) Changes in allowance for impairment losses on debt investments are as follows:

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL	
credit-impaired				
1 January 2021	**14,162**	**3,420**	**13,920**	**31,502**
Transfer:				
- to stage 1	**224**	**(224)**	**-**	**-**
- to stage 2	**(261)**	**1,219**	**(958)**	**-**
- to stage 3	**(71)**	**(1,127)**	**1,198**	**-**
(Reversal) charge for the year	**(5,623)**	**3,383**	**23,171**	**20,931**
Write-offs and transfer out	**-**	**-**	**(10,207)**	**(10,207)**
Exchange difference and other movements	**(41)**	**-**	**132**	**91**
31 December 2021	**8,390**	**6,671**	**27,256**	**42,317**

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL	
credit-impaired				
1 January 2020	**8,892**	**2,936**	**12,281**	**24,109**
Transfer:				
- to stage 1	**161**	**(161)**	**-**	**-**
- to stage 2	**(64)**	**64**	**-**	**-**
- to stage 3	**(100)**	**(1,051)**	**1,151**	**-**
Reversal for the year	**5,500**	**1,632**	**12,754**	**19,886**
Write-offs and transfer out	**-**	**-**	**(12,730)**	**(12,730)**
Exchange difference and other movements	**(227)**	**-**	**464**	**237**
31 December 2020	**14,162**	**3,420**	**13,920**	**31,502**

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2021	**14,151**	**3,081**	**13,385**	**30,617**
Transfer:				
- to stage 1	**221**	**(221)**	**-**	**-**
- to stage 2	**(261)**	**1,219**	**(958)**	**-**
- to stage 3	**(71)**	**(897)**	**968**	**-**
(Reversal) charge for the year	**(5,614)**	**3,174**	**22,248**	**19,808**
Write-offs and transfer out	**-**	**-**	**(9,865)**	**(9,865)**
Exchange difference and other movements	**(40)**	**-**	**84**	**44**
31 December 2021	**8,386**	**6,356**	**25,862**	**40,604**

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2020	**8,860**	**2,805**	**11,340**	**23,005**
Transfer:				
- to stage 1	**161**	**(161)**	**-**	**-**
- to stage 2	**(64)**	**64**	**-**	**-**
- to stage 3	**(100)**	**(1,051)**	**1,151**	**-**
Charge for the year	**5,521**	**1,424**	**12,149**	**19,094**
Write-offs and transfer out	**-**	**-**	**(11,719)**	**(11,719)**
Exchange difference and other movements	**(227)**	**-**	**464**	**237**
31 December 2020	**14,151**	**3,081**	**13,385**	**30,617**

7.3 Other debt investments

	The Group		The Bank	
	2021	2020	2021	2020
Debt investments:				
Government bonds	**190,528**	208,107	**190,023**	208,107
The Central Bank bills and policy financial bonds	**8,478**	10,624	**8,478**	10,624
Bonds issued by banks and other financial institutions	**26,210**	25,526	**26,514**	25,536
Interbank certificates of deposit	**22,261**	42,097	**22,261**	42,097
Corporate bonds and asset-backed securities	**230,058**	219,462	**231,191**	219,992
Trust beneficiary rights and asset management plans	**2,565**	5,216	**1,754**	3,221
Interest accrued	**4,524**	5,336	**4,537**	5,342
Total	**484,624**	516,368	**484,758**	514,919

(1) Changes in fair value

		The Group		The Bank	
	Note	2021	2020	2021	2020
Initial recognition cost		**485,775**	523,280	**485,771**	521,625
Fair value		**484,624**	516,368	**484,758**	514,919
Accumulate amount recognised in other comprehensive income		**(1,231)**	(7,247)	**(1,093)**	(7,041)
Accumulate amount recognised in profit or loss	(i)	**80**	335	**80**	335

(i) The Bank uses interest rate swaps to hedge the changes in fair value caused by changes in bond interest rates of other debt investments held. Fair value changes of the part of hedged bonds are included in profit or loss.

(2) Changes in allowance for impairment losses on other debt investments are as follows:

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2021	**593**	**591**	**2,904**	**4,088**
Transfer:				
- to stage 2	**(2)**	**2**	**-**	**-**
- to stage 3	**-**	**(78)**	**78**	**-**
Charge (reversal) for the year	**170**	**(282)**	**468**	**356**
Write-offs and transfer out	**-**	**-**	**(2,137)**	**(2,137)**
Exchange difference and other movements	**(9)**	**-**	**-**	**(9)**
31 December 2021	**752**	**233**	**1,313**	**2,298**

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2020	**703**	**74**	**1,205**	**1,982**
Transfer:				
- to stage 1	**1**	**(1)**	**-**	**-**
- to stage 2	**(1)**	**1**	**-**	**-**
- to stage 3	**(2)**	**-**	**2**	**-**
(Reversal) Charge for the year	**(11)**	**517**	**1,977**	**2,483**
Write-offs and transfer out	**-**	**-**	**(280)**	**(280)**
Exchange difference and other movements	**(97)**	**-**	**-**	**(97)**
31 December 2020	**593**	**591**	**2,904**	**4,088**

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2021	**590**	**580**	**2,724**	**3,894**
Transfer:				
Charge (reversal) for the year	**151**	**(358)**	**617**	**410**
Write-offs and transfer out	**-**	**-**	**(2,137)**	**(2,137)**
Exchange difference and other movements	**(27)**	**-**	**-**	**(27)**
31 December 2021	**714**	**222**	**1,204**	**2,140**

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2020	**669**	**64**	**1,124**	**1,857**
Transfer:				
- to stage 2	**(1)**	**1**	**-**	**-**
Charge (reversal) for the year	**19**	**515**	**1,884**	**2,418**
Write-offs and transfer out	**-**	**-**	**(284)**	**(284)**
Exchange difference and other movements	**(97)**	**-**	**-**	**(97)**
31 December 2020	**590**	**580**	**2,724**	**3,894**

7.4 Other equity investments

	The Group		The Bank	
	2021	2020	2021	2020
Designated at fair value through other comprehensive income	**3,148**	2,388	**3,068**	2,308

The Group designates non-trading equity investments as financial assets at fair value through other comprehensive income. As at 31 December 2021, the fair value of the equity investments is RMB3,148 million (31 December 2020: RMB2,388 million). During the reporting period, dividend income of RMB16.25 million (2020: RMB11.99 million) recognized for such equity investments was included in the profit or loss.

Related analysis of other equity investments are as follows:

	The Group		The Bank	
	2021	2020	2021	2020
Initial recognition cost	**3,175**	2,673	**3,095**	2,593
Fair value	**3,148**	2,388	**3,068**	2,308
Accumulate amount recognised in other comprehensive income	**(27)**	(285)	**(27)**	(285)

8. Finance lease receivables

		The Group	
Presented by nature:			
	Note	2021	2020
Finance lease receivables		**120,046**	116,719
Less: unrealized financing income		**(11,184)**	(10,846)
Present value of minimum finance lease receivables		**108,862**	105,873
Less: allowance for impairment losses	(1)	**(4,905)**	(5,257)
Net value		**103,957**	100,616

Finance lease receivables Listed as follows:

	Note	2021	2020
Within 1 year		**49,302**	43,412
1 to 2 years		**30,295**	32,866
2 to 3 years		**18,079**	17,992
3 to 5 years		**13,160**	13,718
Over 5 years		**7,226**	6,751
Undated*		**1,984**	1,980
Minimum lease receipts in total		**120,046**	116,719
Unrealized financing income		**(11,184)**	(10,846)
Present value of minimum finance lease receivables		**108,862**	105,873
Less: allowance for impairment losses	(1)	**(4,905)**	(5,257)
Net value		**103,957**	100,616
-Finance lease receivables due within 1 year		**17,060**	37,814
-Finance lease receivables due more than 1 year		**86,897**	62,802

* Undated amount refers to the part that was impaired or overdue for more than one month.

(1) Changes in allowance for impairment losses on finance lease receivables :

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2021	**1,894**	**556**	**2,807**	**5,257**
Transfer:				
- to stage 1	**-**	**-**	**-**	**-**
- to stage 2	**(1)**	**1**	**-**	**-**
- to stage 3	**(215)**	**(130)**	**345**	**-**
Charge (reversal) for the year	**(217)**	**(226)**	**289**	**(154)**
Write-offs and transfer out	**-**	**-**	**(197)**	**(197)**
Recovery of writ-offs				
Exchange difference and other movements	**-**	**-**	**(1)**	**(1)**
31 December 2021	**1,461**	**201**	**3,243**	**4,905**

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2020	**1,358**	**982**	**2,683**	**5,023**
Transfer:				
- to stage 1	**316**	**(316)**	**-**	**-**
- to stage 2	**(7)**	**7**	**-**	**-**
- to stage 3	**(117)**	**-**	**117**	**-**
Charge (reversal) for the year	**346**	**(117)**	**(173)**	**56**
Write-offs and transfer out	**-**	**-**	**(1)**	**(1)**
Recovery of writ-offs	**-**	**-**	**181**	**181**
Exchange difference and other movements	**(2)**	**-**	**-**	**(2)**
31 December 2020	**1,894**	**556**	**2,807**	**5,257**

9. Long-term equity investments

The Group									
Investee	Accounting method	1 January 2021	Changes	31 December 2021	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	Explanation of inconsistency between the proportion of equity interest and the proportion of voting power in the investee	Provisions	Cash dividends for this year
Bank of Jiujiang (1)	Equity method	**3,227**	**181**	**3,408**	**12.23**	**12.23**	**not applicable**	-	**30**
Others	Equity method	**322**	**2**	**324**			**not applicable**	-	-
Total		**3,549**	**183**	**3,732**				-	**30**

The Bank									
Investee	Accounting method	1 January 2021	Changes	31 December 2021	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	Explanation of inconsistency between the proportion of equity interest and the proportion of voting power in the investee	Provisions	Cash dividends for this year
Bank of Jiujiang (1)	Equity method	**3,227**	**181**	**3,408**	**12.23**	**12.23**	**not applicable**	-	**30**
Industrial Bank Financial Leasing Co., Ltd. (Note. VI)	Cost method	**7,000**	-	**7,000**	**100.00**	**100.00**	**not applicable**	-	**450**
China Industrial International Trust Limited (Note. VI)	Cost method	**6,395**	-	**6,395**	**73.00**	**73.00**	**not applicable**	-	-
CIB Fund Management Co., Ltd. (Note. VI)	Cost method	**900**	-	**900**	**90.00**	**90.00**	**not applicable**	-	-
Industrial Consumer Finance Co., Ltd. (Note. VI)	Cost method	**1,254**	-	**1,254**	**66.00**	**66.00**	**not applicable**	-	**125**
CIB Wealth Management Co., Ltd. (Note. VI)	Cost method	**5,000**	-	**5,000**	**100.00**	**100.00**	**not applicable**	-	-
Total		**23,776**	**181**	**23,957**				-	**605**

(1) As the Bank held 12.23% shares and voting rights of Bank of Jiujiang and sent a director to the Bank of Jiujiang, the Bank has significant influence over the Bank of Jiujiang and the equity investment is accounted for using the equity method.

(2) There are no restrictions of the investees' capacities of capital transferring to the Group and the Bank on 31 December 2021.

10. Fixed assets

	The Group					
	Buildings	Fixed assets improvement	Office and machinery equipment	Transportation vehicles	Flight equipment	Total
Cost						
At 1 January 2021	**21,638**	**1,171**	**8,714**	**456**	**6,053**	**38,032**
Purchase	**485**	**53**	**2,527**	**50**	**-**	**3,115**
Transfers from constructions in progress	**254**	**28**	**-**	**-**	**-**	**282**
Sales / disposals	**(85)**	**(4)**	**(1,519)**	**(53)**	**-**	**(1,661)**
At 31 December 2021	**22,292**	**1,248**	**9,722**	**453**	**6,053**	**39,768**
Accumulated depreciation						
At 1 January 2021	**(4,168)**	**(545)**	**(6,277)**	**(328)**	**(858)**	**(12,176)**
Depreciation for the year	**(771)**	**(72)**	**(1,007)**	**(35)**	**(364)**	**(2,249)**
Eliminated on sales / disposals	**46**	**3**	**842**	**29**	**-**	**920**
At 31 December 2021	**(4,893)**	**(614)**	**(6,442)**	**(334)**	**(1,222)**	**(13,505)**
Net value						
At 1 January 2021	**17,470**	**626**	**2,437**	**128**	**5,195**	**25,856**
At 31 December 2021	**17,399**	**634**	**3,280**	**119**	**4,831**	**26,263**
Allowance for impairment losses						
At 1 January 2021	**(3)**	**-**	**-**	**-**	**(31)**	**(34)**
Charge for the year	**-**	**-**	**-**	**-**	**(169)**	**(169)**
At 31 December 2021	**(3)**	**-**	**-**	**-**	**(200)**	**(203)**
Net carrying amount						
At 1 January 2021	**17,467**	**626**	**2,437**	**128**	**5,164**	**25,822**
At 31 December 2021	**17,396**	**634**	**3,280**	**119**	**4,631**	**26,060**

As at 31 December 2021, the cost of flight equipment leased out under operating lease business by the Group's subsidiary Industrial Bank Financial Leasing Co., Ltd. was RMB6,053 million (1 January 2021: RMB6,053 million).

As at 31 December 2021, buildings which cost RMB1,338 million are in use but the legal ownership registrations were still in process (31 December 2020: RMB2,100 million).

	The Bank				
	Buildings	Fixed assets improvement	Office and machinery equipment	Transportation vehicles	Total
Cost					
At 1 January 2021	**21,604**	**1,170**	**8,322**	**425**	**31,521**
Purchase	**71**	**5**	**1,723**	**42**	**1,841**
Transfers from constructions in progress	**254**	**28**	**-**	**-**	**282**
Sales/disposals	**(85)**	**(4)**	**(924)**	**(47)**	**(1,060)**
At 31 December 2021	**21,844**	**1,199**	**9,121**	**420**	**32,584**
Accumulated depreciation					
At 1 January 2021	**(4,155)**	**(545)**	**(6,039)**	**(308)**	**(11,047)**
Depreciation for the year	**(765)**	**(72)**	**(868)**	**(29)**	**(1,734)**
Eliminated on sales/disposals	**46**	**3**	**794**	**23**	**866**
At 31 December 2021	**(4,874)**	**(614)**	**(6,113)**	**(314)**	**(11,915)**
Net value					
At 1 January 2021	**17,449**	**625**	**2,283**	**117**	**20,474**
At 31 December 2021	**16,970**	**585**	**3,008**	**106**	**20,669**
Allowance for impairment losses					
At 1 January 2021	**(3)**	**-**	**-**	**-**	**(3)**
At 31 December 2021	**(3)**	**-**	**-**	**-**	**(3)**
Net carrying amount					
At 1 January 2021	**17,446**	**625**	**2,283**	**117**	**20,471**
At 31 December 2021	**16,967**	**585**	**3,008**	**106**	**20,666**

As at 31 December 2021, buildings which cost RMB1,338 million are in use but the legal ownership registrations were still in process (31 December 2020: RMB2,100million).

11. Construction in progress

11.1 Details of construction in progress are as follows:

	The Group					
	2021			2020		
	Carrying amount	Allowance for impairment loss	Net carry amount	Carrying amount	Allowance for impairment loss	Net carry amount
Operating building, Nanchang	**395**	**-**	**395**	351	-	351
Operating building, Changsha	**404**	**-**	**404**	397	-	397
Operating building, Nanning	**330**	**-**	**330**	365	-	365
Operating building, Dongguan	**293**	**-**	**293**	-	-	-
Operating building, Hohhot	**272**	**-**	**272**	196	-	196
Operating building, Huizhou	**271**	**-**	**271**	-	-	-
Operating building, Putian	**194**	**-**	**194**	160	-	160
Operating building, Nanping	**157**	**-**	**157**	-	-	-
Others	**459**	**-**	**459**	466	-	466
Total	**2,775**	**-**	**2,775**	1,935	-	1,935

	The Bank					
	2021			2020		
	Carrying amount	Allowance for impairment loss	Net carry amount	Carrying amount	Allowance for impairment loss	Net carry amount
Operating building, Nanchang	**395**	**-**	**395**	351	-	351
Operating building, Changsha	**404**	**-**	**404**	397	-	397
Operating building, Nanning	**330**	**-**	**330**	365	-	365
Operating building, Dongguan	**293**	**-**	**293**	-	-	-
Operating building, Hohhot	**272**	**-**	**272**	196	-	196
Operating building, Huizhou	**271**	**-**	**271**	-	-	-
Operating building, Putian	**194**	**-**	**194**	160	-	160
Operating building, Nanping	**157**	**-**	**157**	-	-	-
Others	**454**	**-**	**454**	462	-	462
Total	**2,770**	**-**	**2,770**	1,931	-	1,931

11.2 Significant changes in construction in progress are as follows:

	The Group				
	2021				
	At 1 January	Additions	Transfer to fixed assets	Transfer to long-term prepaid expenses	At 31 December 2021
Operating building, Nanchang	**351**	**44**	-	-	**395**
Operating building, Changsha	**397**	**7**	-	-	**404**
Operating building, Nanning	**365**	**7**	-	**(42)**	**330**
Operating building, Dongguan	-	**293**	-	-	**293**
Operating building, Hohhot	**196**	**76**	-	-	**272**
Operating building, Huizhou	-	**271**	-	-	**271**
Operating building, Putian	**160**	**34**	-	-	**194**
Operating building, Nanping	-	**157**	-	-	**157**
Others	**466**	**758**	**(282)**	**(483)**	**459**
Total	**1,935**	**1,647**	**(282)**	**(525)**	**2,775**

	The Bank				
	2021				
	At 1 January	Additions	Transfer to fixed assets	Transfer to long-term prepaid expenses	At 31 December 2021
Operating building, Nanchang	**351**	**44**	-	-	**395**
Operating building, Changsha	**397**	**7**	-	-	**404**
Operating building, Nanning	**365**	**7**	-	**(42)**	**330**
Operating building, Dongguan	-	**293**	-	-	**293**
Operating building, Hohhot	**196**	**76**	-	-	**272**
Operating building, Huizhou	-	**271**	-	-	**271**
Operating building, Putian	**160**	**34**	-	-	**194**
Operating building, Nanping	-	**157**	-	-	**157**
Others	**462**	**757**	**(282)**	**(483)**	**454**
Total	**1,931**	**1,646**	**(282)**	**(525)**	**2,770**

12. Right-of-use assets

	The Group			
	Buildings	Flight equipment	Others	Total
Cost				
At 1 January 2021	**9,404**	**652**	**39**	**10,095**
Additions for the year	**2,502**	**-**	**22**	**2,524**
Less for the year	**(167)**	**-**	**(5)**	**(172)**
At 31 December 2021	**11,739**	**652**	**56**	**12,447**
Accumulated depreciation				
At 1 January 2021	**-**	**(55)**	**(11)**	**(66)**
Depreciation for the year	**(2,762)**	**(41)**	**(19)**	**(2,822)**
Eliminated for the year	**26**	**-**	**1**	**27**
At 31 December 2021	**(2,736)**	**(96)**	**(29)**	**(2,861)**
Allowance for impairment losses				
At 1 January 2021	**-**	**(5)**	**-**	**(5)**
Charge for the year	**-**	**-**	**-**	**-**
Reversal for the year	**-**	**-**	**-**	**-**
At 31 December 2021	**-**	**(5)**	**-**	**(5)**
Net value				
At 1 January 2021	**9,404**	**592**	**28**	**10,024**
At 31 December 2021	**9,003**	**551**	**27**	**9,581**

	The Bank		
	Buildings	Others	Total
Cost			
At 1 January 2021	**9,198**	**20**	**9,218**
Additions for the year	**2,297**	**20**	**2,317**
Less for the year	**(154)**	**(5)**	**(159)**
At 31 December 2021	**11,341**	**35**	**11,376**
Accumulated depreciation			
At 1 January 2021	**-**	**-**	**-**
Depreciation for the year	**(2,577)**	**(15)**	**(2,592)**
Eliminated for the year	**21**	**1**	**22**
At 31 December 2021	**(2,556)**	**(14)**	**(2,570)**
Allowance for impairment losses			
At 1 January 2021	**-**	**-**	**-**
Charge for the year	**-**	**-**	**-**
Reversal for the year	**-**	**-**	**-**
At 31 December 2021	**-**	**-**	**-**
Net value			
At 1 January 2021	**9,198**	**20**	**9,218**
At 31 December 2021	**8,785**	**21**	**8,806**

13. Goodwill

	The Group				
	1 January 2021	Additions	Deductions	31 December 2021	Provision at 31 December 2021
China Industrial International Trust Limited	**532**	**-**	**-**	**532**	**-**

Goodwill arose from acquisition of China Industrial International Trust Limited in February 2011, and the overweight of China Industrial Future Limited by China Industrial International Trust Limited in March 2015.

At the end of the period, the Group performed impairment tests on goodwill based on expected future cash flow of the investee, meanwhile, calculated the expected present value of future cash flow of the investee by applying an appropriate discount rate to determine recoverable amount. No evidence shows that the recoverable amount of goodwill is less than the carrying amount and therefore no impairment is recognized.

14. Deferred tax asset and deferred tax liability

14.1 Recognized deferred tax assets and liabilities

	The Group			
	2021		2020	
	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)
Deferred tax assets				
Impairment losses on assets	**172,648**	**43,162**	152,748	38,187
Fair value changes of derivative financial instruments	**2,356**	**589**	2,496	624
Fair value changes of trading assets	**1,588**	**397**	6,020	1,505
Fair value changes of trading liabilities	**276**	**69**	-	-
Changes in fair value in other debt investments	**1,800**	**450**	7,148	1,787
Changes in fair value in other equity investments	**28**	**7**	284	71
Accrued but not paid employee benefits	**19,864**	**4,966**	15,548	3,887
Accounting and tax basis differences related to lease liabilities	**8,488**	**2,122**	N/A	N/A
Others	**1,680**	**420**	2,000	500
Subtotal	**208,728**	**52,182**	186,244	46,561
Offset	**(12,144)**	**(3,036)**	(4,192)	(1,048)
Deferred tax assets after offset	**196,584**	**49,146**	182,052	45,513
Deferred tax liabilities				
Accounting and tax basis differences related to right-of-use assets	**(8,808)**	**(2,202)**	N/A	N/A
Differences of fixed assets depreciation	**(3,336)**	**(834)**	(2,520)	(630)
Fair value changes of trading assets	**(648)**	**(162)**	-	-
Fair value changes of other debt investments	**(4)**	**(1)**	-	-
Fair value changes of derivative financial instruments	**-**	**-**	(32)	(8)
Fair value changes of trading liabilities	**-**	**-**	(228)	(57)
Fair value changes of precious metals	**-**	**-**	(136)	(34)
Others	**-**	**-**	(1,572)	(393)
Subtotal	**(12,796)**	**(3,199)**	(4,488)	(1,122)
Offset	**12,144**	**3,036**	4,192	1,048
Deferred tax liabilities after offset	**(652)**	**(163)**	(296)	(74)

	The Bank			
	2021		2020	
	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)
Deferred tax assets				
Impairment losses on assets	**162,412**	**40,604**	143,628	35,907
Fair value changes of derivative financial instruments	**2,356**	**589**	2,496	624
Fair value changes of trading assets	**1,336**	**334**	5,884	1,471
Fair value changes of trading liabilities	**276**	**69**	-	-
Fair value changes of other debt investments	**1,749**	**436**	7,053	1,763
Fair value changes of other equity investments	**27**	**7**	285	71
Accrued but not paid employee benefits	**17,916**	**4,479**	13,688	3,422
Accounting and tax basis differences related to lease liabilities	**8,488**	**2,122**	N/A	N/A
Others	**240**	**60**	276	69
Subtotal	**194,800**	**48,700**	173,310	43,327
Offset	**(12,144)**	**(3,036)**	(3,916)	(979)
Deferred tax assets after offset	**182,656**	**45,664**	169,394	42,348
Deferred tax liabilities				
Differences of fixed assets depreciation	**(3,336)**	**(834)**	(2,520)	(630)
Accounting and tax basis differences related to right-of-use assets	**(8,808)**	**(2,202)**	N/A	N/A
Fair value changes of trading liabilities	**-**	**-**	(24)	(6)
Fair value changes of precious metals	**-**	**-**	(136)	(34)
Others	**-**	**-**	(1,236)	(309)
Subtotal	**(12,144)**	**(3,036)**	(3,916)	(979)
Offset	**12,144**	**3,036**	3,916	979
Deferred tax liabilities after offset	**-**	**-**	-	-

The tax payment of domestic branches of the Bank can be aggregated in the way that the deferred tax assets and deferred tax liabilities are presented at the net amount after offset; overseas branches are individual taxable entities, and the deferred tax assets and deferred tax liabilities of the same entity can be presented at the net amount after offset. When there are net deferred tax assets/liabilities in overseas branches, they are not offset against those in domestic branches. The subsidiaries of the Bank are individual taxable entities, and the deferred tax assets and deferred tax liabilities of the same entity can be presented at the net amount after offset.

14.2 Movements in deferred income tax assets and liabilities

	The Group	The Bank
31 December 2020	45,439	42,348
- Deferred tax assets	46,561	43,327
- Deferred tax liabilities	(1,122)	(979)
Net changes of deferred tax recognized in income tax expenses	**4,946**	**4,707**
Net changes of deferred tax recognized in other comprehensive income	**(1,402)**	**(1,391)**
31 December 2021	**48,983**	**45,664**
- Deferred tax assets	**52,182**	**48,700**
- Deferred tax liabilities	**(3,199)**	**(3,036)**

15. Other assets

		The Group		The Bank	
	Note	2021	2020	2021	2020
Items in the process of clearance and settlement		**20,905**	29,324	**17,304**	26,067
Other receivables	15.1	**14,588**	18,125	**10,582**	15,409
Continuing involvement assets (Note XII, 3.1)		**12,191**	11,490	**11,314**	9,337
Prepaid purchase cost of lease assets		**1,662**	4,193	**-**	-
Interest receivable	15.2	**2,882**	1,909	**2,626**	1,788
Net assets of defined benefit plan (Note VII, 44.2)		**2,167**	1,763	**2,167**	1,763
Long-term prepaid expenses	15.3	**1,382**	1,357	**1,316**	1,290
Foreclosed assets	15.4	**413**	447	**413**	447
Total		**56,190**	68,608	**45,722**	56,101

15.1 Other receivables

Listed by aging:

	The Group				The Bank			
Account age	2021	Proportion %	2020	Proportion %	2021	Proportion %	2020	Proportion %
Within 1 year	**9,982**	**60.39**	15,498	72.60	**6,604**	**53.42**	12,958	69.89
1-2 years	**1,132**	**6.85**	3,138	14.70	**460**	**3.72**	3,057	16.49
2-3 years	**2,990**	**18.09**	209	0.98	**2,938**	**23.77**	149	0.80
Over 3 years	**2,425**	**14.67**	2,502	11.72	**2,360**	**19.09**	2,377	12.82
Subtotal	**16,529**	**100.00**	21,347	100.00	**12,362**	**100.00**	18,541	100.00
Less: Allowance for impairment losses	**(1,941)**		(3,222)		**(1,780)**		(3,132)	
Net value	**14,588**		18,125		**10,582**		15,409	

15.2 Interest receivable

	The Group		The Bank	
	2021	2020	2021	2020
Loans and advances to customers	**2,139**	1,141	**2,109**	1,117
Bonds and other investments	**743**	768	**517**	671
Total	**2,882**	1,909	**2,626**	1,788

15.3 Long-term prepaid expenses

	The Group				
	1 January 2021	Changes	Transferred from construction in progress	Amortization	31 December 2021
Leasehold improvements	**1,255**	**41**	**525**	**(515)**	**1,306**
Others	**102**	**(12)**	**-**	**(14)**	**76**
Total	**1,357**	**29**	**525**	**(529)**	**1,382**

	The Bank				
	1 January 2021	Changes	Transferred from construction in progress	Amortization	31 December 2021
Leasehold improvements	**1,223**	**10**	**525**	**(497)**	**1,261**
Others	**67**	**(3)**	**-**	**(9)**	**55**
Total	**1,290**	**7**	**525**	**(506)**	**1,316**

15.4 Foreclosed assets

Analysed by category of the foreclosed assets:

	The Group and the Bank	
	2021	2020
Buildings and land use rights	**536**	583
Others	**1**	1
Subtotal	**537**	584
Less: Allowance for impairment losses	**(124)**	(137)
Net value	**413**	447

16. Deposits from banks and other financial institutions

	The Group		The Bank	
	2021	2020	2021	2020
Amount due to banks:				
Banks operating in Mainland China	**287,186**	317,622	**287,186**	317,622
Banks operating outside Mainland China	**63,076**	78,231	**63,076**	78,231
Deposits from other financial institutions:				
Other financial institutions operating in Mainland China	**1,353,540**	1,086,659	**1,362,497**	1,095,126
Other financial institutions operating outside Mainland China	**-**	-	**-**	-
Interest accrued	**7,077**	4,567	**7,130**	4,608
Total	**1,710,879**	1,487,079	**1,719,889**	1,495,587

17. Placements from banks and other financial institutions

	The Group		The Bank	
	2021	2020	2021	2020
Banks operating in Mainland China	**106,969**	126,590	**9,687**	19,556
Other financial institutions operating in Mainland China	**29,809**	2,098	**7,481**	1,398
Banks operating outside Mainland China	**35,995**	50,473	**35,995**	50,268
Interest accrued	**1,005**	1,010	**76**	226
Total	**173,778**	180,171	**53,239**	71,448

18. Trading liabilities

		The Group		The Bank	
	Note	2021	2020	2021	2020
Trading liabilities:					
Financial liabilities related to precious metals	(1)	**29,896**	13,789	**29,896**	13,789
Sold financing bonds		**11,663**	679	**11,663**	679
Others		**348**	253	**348**	253
Subtotal		**41,907**	14,721	**41,907**	14,721
Financial liabilities assigned as at fair value through profit or loss	(2)	**5,923**	1,341	**-**	-
Total		**47,830**	16,062	**41,907**	14,721

(1) The Group's financial liabilities related to the precious metals are matched with the precious metals or derivatives based on the risk management strategy and are included in the financial liabilities at fair value through profit or loss.

(2) The Group's other shareholder's equity that are included in the consolidated financial statements are designated as financial liabilities at fair value through profit or loss. No significant changes in fair value from changes in credit risk occurred on 31 December 2021 (31 December 2020: Nil).

19. Financial assets sold under repurchase agreements

	The Group		The Bank	
	2021	2020	2021	2020
Bonds	**233,230**	82,358	**221,327**	70,423
Bills	**32,190**	41,035	**32,190**	41,035
Interest accrued	**156**	174	**152**	172
Total	**265,576**	123,567	**253,669**	111,630

20. Deposits from customers

	The Group		The Bank	
	2021	2020	2021	2020
Demand deposits				
- Corporate	**1,434,288**	1,290,261	**1,435,197**	1,291,198
- Personal	**334,958**	324,566	**334,958**	324,566
Subtotal	**1,769,246**	1,614,827	**1,770,155**	1,615,764
Term deposits (including call deposits)				
- Corporate	**1,754,633**	1,711,733	**1,754,712**	1,711,853
- Personal	**458,205**	401,882	**458,205**	401,882
Subtotal	**2,212,838**	2,113,615	**2,212,917**	2,113,735
Guaranteed and margin deposits	**326,763**	311,007	**326,763**	311,007
Others	**2,194**	3,445	**2,195**	3,445
Interest accrued	**44,707**	41,348	**44,708**	41,349
Total	**4,355,748**	4,084,242	**4,356,738**	4,085,300

The pledged deposits included in deposits from customers are analysed as follows:

	The Group and the Bank	
	2021	2020
Bank acceptances	**212,736**	197,853
Letters of credit	**20,891**	26,912
Guarantee	**11,358**	8,075
Others	**81,778**	78,167
Total	**326,763**	311,007

21. Employee benefits payable

	The Group				The Bank			
	1 January 2021	Increase	Decrease	31 December 2021	1 January 2021	Increase	Decrease	31 December 2021
Salaries and bonus	**17,594**	**26,777**	**(22,671)**	**21,700**	**15,310**	**24,117**	**(20,248)**	**19,179**
Labor union expenditure and staff educational funds	**2,448**	**1,076**	**(654)**	**2,870**	**2,366**	**995**	**(595)**	**2,766**
Social insurance	**33**	**2,577**	**(2,573)**	**37**	**29**	**2,270**	**(2,272)**	**27**
Housing funds	**45**	**1,370**	**(1,364)**	**51**	**38**	**1,214**	**(1,210)**	**42**
Defined contribution plans	**84**	**2,889**	**(2,848)**	**125**	**47**	**2,710**	**(2,668)**	**89**
Total	**20,204**	**34,689**	**(30,110)**	**24,783**	**17,790**	**31,306**	**(26,993)**	**22,103**

The salaries, bonus, retirement benefits and other social insurance of employee benefits payable are granted or paid according to time limit set by relevant laws, regulations and the Group's policies. See defined contribution pension plans in Note VII, 44.1.

22. Tax payable

	The Group		The Bank	
	2021	2020	2021	2020
Corporate income tax	**8,266**	7,984	**7,391**	7,156
Value added tax	**3,684**	3,566	**3,486**	3,187
City maintenance and construction tax	**293**	288	**269**	259
Others	**524**	466	**473**	416
Total	**12,767**	12,304	**11,619**	11,018

23. Provisions

	The Group		The Bank	
	2021	2020	2021	2020
Credit loss of off-balance sheet assets	**4,083**	5,397	**4,083**	5,397
Litigation provisions	**2**	-	**-**	-
Total	**4,085**	5,397	**4,083**	5,397

As at 31 December 2021, movements of credit loss on off-balance sheet assets are as follows:

	The Group and the Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2021	**4,214**	**614**	**569**	**5,397**
Transfer:				
- to stage 1	**2**	**(1)**	**(1)**	**-**
- to stage 2	**(11)**	**11**	**-**	**-**
- to stage 3	**(4)**	**-**	**4**	**-**
Reversal for the year	**(249)**	**(498)**	**(562)**	**(1,309)**
Exchange difference and other movements	**(5)**	**-**	**-**	**(5)**
31 December 2021	**3,947**	**126**	**10**	**4,083**

	The Group and the Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2020	4,818	148	1,287	6,253
Transfer:				
- to stage 1	2	(2)	-	-
- to stage 2	(3)	3	-	-
- to stage 3	(5)	(1)	6	-
(Reversal) charge for the year	(582)	466	(724)	(840)
Exchange difference and other movements	(16)	-	-	(16)
31 December 2020	4,214	614	569	5,397

24. Debt securities issued

	The Group		The Bank	
	2021	2020	2021	2020
Financial bonds	**132,901**	224,170	**117,436**	206,436
Tier 2 capital bonds	**127,987**	83,442	**125,956**	81,411
Interbank certificates of deposit	**788,094**	612,210	**788,094**	612,210
Certificates of deposit	**11,210**	6,225	**11,210**	6,225
Convertible corporate bonds	**46,784**	-	**46,784**	-
Long-term subordinated bonds	**-**	10,278	**-**	10,278
Private placement note	**1,026**	2,027	**-**	-
Corporate bonds	**10,300**	9,041	**-**	-
Super short-term commercial paper	**1,001**	-	**-**	-
Mid-term note	**813**	-	**-**	-
Total	**1,120,116**	947,393	**1,089,480**	916,560

Note: Debt securities issued by the Group include financial bonds, tier 2 capital bonds, interbank certificates of deposit, certificates of deposit, asset-backed securities, convertible corporate bonds and long-term subordinated bonds. Tier 2 capital bonds are issued by commercial banks and their subsidiaries to supplement the secondary capital. Tier 2 capital bonds and the long-term subordinated bonds are in the same liquidation sequence.

Details of debt securities issued are as follows:

			The Group	The Bank
Category of bonds	Issuing date	Interest payment frequency	2021	2021
Financial bonds				
19 CIB green financial bond 01[(1)]	2019-07-16	Yearly	**20,000**	**20,000**
20 CIB small and micro enterprise bond 01[(2)]	2020-04-28	Yearly	**23,000**	**23,000**
20 CIB small and micro enterprise bond 02[(2)]	2020-04-28	Yearly	**7,000**	**7,000**
20 CIB small and micro enterprise bond 03[(2)]	2020-05-25	Yearly	**22,000**	**22,000**
20 CIB small and micro enterprise bond 04[(2)]	2020-05-25	Yearly	**5,000**	**5,000**
20 CIB small and micro enterprise bond 05[(2)]	2020-08-11	Yearly	**23,000**	**23,000**
USD medium-term notes[(3)]	2018-03-05	Semi-annually	**1,594**	**1,594**
USD medium-term notes[(3)]	2018-03-05	Quarterly	**3,188**	**3,188**
HKD Interbank certificates of deposit[(3)]	2020-11-06	Semi-annually	**2,453**	**2,453**
USD Interbank certificates of deposit[(3)]	2020-11-06	Semi-annually	**2,869**	**2,869**
USD green financial bond[(3)]	2021-06-10	Semi-annually	**3,825**	**3,825**
HKD green financial bond[(3)]	2021-06-10	Semi-annually	**2,044**	**2,044**
19 CIB leasing debt 01[(4)]	2019-03-04	Yearly	**2,500**	**-**
21 CIB leasing green debt 01[(5)]	2021-06-02	Yearly	**3,500**	**-**
21 CIB leasing green debt 02[(5)]	2021-06-16	Yearly	**1,500**	**-**
19 CIB consumer financial debt 01[(6)]	2019-08-15	Yearly	**2,000**	**-**
19 CIB consumer financial debt 02[(6)]	2019-11-20	Yearly	**1,000**	**-**
20 CIB consumer financial debt 01[(6)]	2020-08-18	Yearly	**2,000**	**-**
21 CIB consumer financial debt 01[(6)]	2021-03-02	Yearly	**1,500**	**-**
21 CIB consumer financial debt 02[(6)]	2021-10-12	Yearly	**1,198**	**-**
Interest accrued			**1,810**	**1,524**
Less: unamortised issuance cost			**(80)**	**(61)**
Subtotal			**132,901**	**117,436**
Tier 2 capital bonds				
19 CIB secondary 01[(7)]	2019-08-23	Yearly	**30,000**	**30,000**
19 CIB secondary 02[(7)]	2019-09-17	Yearly	**20,000**	**20,000**
21 CIB secondary 01[(7)]	2021-10-25	Yearly	**30,000**	**30,000**
21 CIB secondary 02[(7)]	2021-11-25	Yearly	**40,000**	**40,000**
21 CIB secondary 03[(7)]	2021-11-25	Yearly	**5,000**	**5,000**
17 CIB leasing secondary[(8)]	2017-09-14	Yearly	**2,000**	**-**
Interest accrued			**1,079**	**1,048**
Less: unamortised issuance cost			**(92)**	**(92)**
Subtotal			**127,987**	**125,956**

Category of bonds	Issuing date	Interest payment frequency	The Group	The Bank
			2021	2021
Interbank certificates of deposit				
Par value of interbank certificates of deposit (9)			**796,339**	**796,339**
Interest accrued			**154**	**154**
Less: unamortised issuance cost			**(8,399)**	**(8,399)**
Subtotal			**788,094**	**788,094**
Certificates of deposit				
Par value of certificates of deposit (10)			**11,207**	**11,207**
Interest accrued			**10**	**10**
Less: unamortised issuance cost			**(7)**	**(7)**
Subtotal			**11,210**	**11,210**
Convertible corporate bonds				
Convertible corporate bonds (11)	2021-12-27	Yearly	**46,784**	**46,784**
Private placement note				
20 CIAMC PPN001(12)	2020-03-09	Yearly	**500**	**-**
20 CIAMC PPN001(12)	2020-04-20	Yearly	**500**	**-**
Interest accrued			**26**	**-**
Subtotal			**1,026**	**-**
Corporate bonds				
19 CIAMC 02(13)	2019-11-19	Yearly	**500**	**-**
20 CIAMC 01(13)	2020-03-20	Yearly	**320**	**-**
20 CIAMC 02(13)	2020-03-20	Yearly	**365**	**-**
20 CIAMC 04(13)	2020-08-20	Yearly	**600**	**-**
21 CIAMC 01(13)	2021-08-13	Yearly	**600**	**-**
21 CIAMC 02(13)	2021-11-02	Yearly	**500**	**-**
19 CIIT 01(14)	2019-12-30	Yearly	**1,456**	**-**
20 CIIT 01(14)	2020-03-16	Yearly	**1,379**	**-**
20 CIIT 02(14)	2020-07-27	Yearly	**2,999**	**-**
21 CIIT 01(14)	2021-03-30	Yearly	**1,398**	**-**
Interest accrued			**192**	**-**
Less: unamortised issuance cost			**(9)**	**-**
Subtotal			**10,300**	**-**
Super short-term commercial paper				
21 CIAMC SCP002(15)	2021-12-15	Upon maturity	**1,000**	**-**

Category of bonds	Issuing date	Interest payment frequency	The Group	The Bank
			2021	2021
Interest accrued			**1**	-
Subtotal			**1,001**	-
Mid-term note				
21 CIAMC MTN001(16)	2021-07-07	Yearly	**798**	-
Interest accrued			**15**	-
Subtotal			**813**	-
Total			**1,120,116**	**1,089,480**

(1) In July 2019, the Group issued RMB20 billion 3-year fixed-rate green financial bond with annual interest rate of 3.55%.

(2) In April 2020, the Group issued RMB23 billion 3-year fixed-rate and RMB7 billion 5-year fixed-rate small and micro enterprise bonds, with annual interest rates of 2.17% and 2.67%, respectively. In May 2020, the Group issued RMB22 billion 3-year fixed-rate and RMB5 billion 5-year fixed-rate small and micro enterprise bonds, with annual interest rates of 2.58% and 2.95%, respectively. In August 2020, the Group issued RMB23 billion 3-year fixed-rate small and micro enterprise bond, with annual interest rate of 3.45%.

(3) In March 2018, the Hong Kong branch of the Bank issued USD250 million 5-year fixed-rate medium-term notes and USD500 million 5-year fixed-rate medium-term notes, with annual interest rate of 3.75% and 105 basis points over the 3-month LIBOR, respectively; in November 2020, the Hong Kong branch of the Bank issued HKD3 billion 2-year and USD450 million 3-year interbank certificates of deposit, with annual interest rates of 1.10% and 1.125%; in June 2021, the Hong Kong branch of the Bank issued USD600 million 3-year fixed-rate USD green financial bond and HKD2.5 billion 3-year fixed-rate HKD green financial bond, with annual interest rates of 0.875% and 0.75%, respectively.

(4) In March 2019, the Group's subsidiary Industrial Financial Leasing Co., Ltd. issued RMB2.5 billion 3-year fixed-rate RMB financial bonds with annual interest rate of 3.52%.

(5) In June 2021, the Group's subsidiary Industrial Financial Leasing Co., Ltd. issued RMB3.5 billion and RMB1.5 billion 3-year fixed-rate green financial bond with annual interest rates of 3.42% and 3.49%.

(6) In August 2019, November 2019, August 2020, March 2021 and October 2021, the Group's subsidiary Industrial Consumer Finance Co., Ltd. respectively issued 3-year fixed-rate RMB financial bonds amounting RMB2 billion, RMB1 billion, RMB2 billion, RMB1.5 billion and RMB1.5 billion with annual interest rates of 3.77%, 3.79%, 3.70%, 3.85% and 3.45%. As of 31 December 2021, the "21 CIB consumer financial debt 02" of RMB302 million issued by Industrial Consumer Finance Co., Ltd. was held by the Bank.

(7) In August 2019 and September 2019, the Group respectively issued RMB30 billion and RMB20 billion tier 2 capital bonds with a 10-year maturity, a fixed rate and a redemption right at the end of the fifth year. During the tenure of the bonds, the annual interest rates remain at 4.15% and 4.12%. In October 2021 and November 2021, the Group respectively issued RMB30 billion and RMB40 billion tier 2 capital bonds with a 10-year maturity, a fixed rate and a redemption right at the end of the fifth year. During the tenure of the bonds, the annual interest rates remain at 3.83% and 3.62%. In November 2021, the Group issued RMB5 billion tier 2 capital bond with a 15-year maturity, a fixed rate and a redemption right at the end of the tenth year. During the tenure of the bonds, the annual interest rates remain at 3.85%.

(8) In September 2017, the Group's subsidiary Industrial Financial Leasing Co., Ltd. issued RMB2 billion 10-year tier 2 capital bonds with fixed rate and issuer's redemption right at the end of the 5th year. During the tenure of the bonds, the annual interest rate remains at 5.15%.

(9) As at 31 December 2021, the Group had 277 unpaid interbank certificates of deposit with total amount of RMB796,339 million, including 10 USD interbank certificates of deposit, of which the issued par value was USD795 million (RMB5,069 million) and the terms are within 1 year; 2 HKD interbank certificates of deposit, of which the issued par value is HKD600 billion (RMB490 million) and the terms are within 1 year; and 265 RMB interbank certificates of deposit, of which the issued par value is RMB 790,780 million and the terms are within 1 year. The annual interest rate is 1.95% to 3.18%. Except for interest of 12 interest-bearing debts being paid quarterly, the interest of the rest is paid upon maturity.

(10) As at 31 December 2021, Hong Kong branch had 21 unpaid certificates of deposit, with a total amount of RMB11,207 million and the terms are within 1 year. The amount of 1 HKD certificates was HKD500 million (RMB409 million); the amount of 19 USD certificates was USD1,678 million (RMB10,698 million); the amount of 1 RMB certificates was RMB 100 million. The annual interest rate is between 0.28% to 0.42%. The interest of all certificates is paid upon maturity.

(11) Approved by relevant regulatory agencies, the Bank issued RMB50 billion of 500 million A-shares convertible corporate bonds publicly with face value of RMB100 per share (hereinafter referred to as "convertible bonds") on 27 December 2021. The duration of this convertible bond is 6 years, which is from 27 December 2021 to 26 December 2027. The coupon rate of the convertible bond is 0.2% in the first year, 0.4% in the second year, 1.0% in the third year, 1.5% in the fourth year, 2.3% in the fifth year and 3.0% in the sixth year. Within five trading days after the expiration of the convertible bonds issued, the Bank will redeem all unconverted bonds at the price of 109% of the face value of the convertible bonds issued (including the last annual interest). Convertible bonds holders may, within the period from the first trading day subsequent to six months after the end of the issuance to the maturity date of the convertible bond (hereinafter referred to as the "conversion period"), which is 30 June 2022 to 26 December 2027 (in case of statutory holidays or weekends, the conversion period is extended to the next first weekday; interest paid during the deferred period will not be calculated separately), convert the convertible bonds held into ordinary shares of the Bank according to the agreed clauses.

The initial conversion price is RMB25.51 per share. After the issuance, if the Bank changes its shares and distributes cash dividends due to the issuance of share dividends, conversion of share capital, additional issuance of new shares or allotment of shares (excluding the increase of share capital resulting from the conversion of convertible bonds issued), the Bank will adjust the conversion price according to the terms of issue in accordance with the principles of equity, justice and fairness and the principle of fully protecting the rights and interests of the convertible bond holders.

The convertible bonds include conditional redemption clauses: during the conversion period, if the closing price of the Bank's A-share stocks for at least 15 trading days in any 30 consecutive trading days is not less than 130% (including 130%) of the current conversion price, the Bank has the right to redeem all or part of the convertible bonds that have not been converted into shares at the price of the bond's face value plus current interest. If a conversion price adjustment occurs due to ex-rights or ex-dividends within the aforementioned 30 trading days, on trading days before adjustment, it is calculated according to the conversion price and the closing price before adjustment. On subsequent trading days, it is calculated based on the conversion price and the closing price after adjustment. In addition, when the total par value of the convertible bonds issued is less than RMB30 million, the Bank has the right to redeem all the convertible bonds at the face value plus the interest accrued in the current period.

As of December 31 2021, the convertible bonds have not entered the conversion period, and no equity conversion has occurred.

Equity and liability components of the convertible bonds issued by the Group and the Bank is allocated as follow:

	Liability components	Equity compoents (Note VII, 28)	Total
Issuing amounts of convertible corporate bonds	**46,837**	**3,163**	**50,000**
Direct trading fees	**(75)**	**(5)**	**(80)**
Balance at the issue date	**46,762**	**3,158**	**49,920**
Amortization	**22**	**-**	**22**
Conversion amounts	**-**	**-**	**-**
As of December 31 2021	**46,784**	**3,158**	**49,942**

(12) In March 2020 and April 2020, China Industrial Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB500 million 3-year fixed-rate placement note with annual interest rate of 3.59% and RMB500 million 3-year fixed-rate placement note with annual interest rate of 3.19% respectively.

(13) In November 2019, China Industrial Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB500 million 3+2-year fixed-rate corporate bond with annual interest rate of 4.25%.

In March 2020, China Industrial Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB400 million 2-year fixed-rate corporate bond with annual interest rate of 3.40% and RMB450 million 3-year fixed-rate corporate bond with annual interest rate of 3.65% respectively. In August 2020, it issued RMB600 million 3-year fixed-rate corporate bond with annual interest rate of 4.00%. In August 2021 and November 2021, it issued RMB600 million 3-year fixed-rate corporate bond with annual interest rate of 3.40% and RMB500 million 3-year fixed-rate corporate bond with annual interest rate of 3.60% respectively.

As at 31 December 2021, the Bank holds "20 CIAMC 01" and "20 CIAMC 02" of RMB165 million respectively issued by China Industrial Asset Management Co., Ltd..

(14) In December 2019, March 2020 and July 2020, CIIT Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB1,900 million 3+2-year fixed-rate corporate bond with annual interest rate of 4.40%, RMB1,500 million 3+2-year fixed-rate corporate bond with annual interest rate of 3.50% and RMB3,100 million 3+2-year fixed-rate corporate bond with annual interest rate of 4.38% respectively. In March 2021, it issued RMB1,500 million 3+2-year fixed-rate corporate bond with annual interest rate of 4.60%. As at 31 December 2021, the Bank holds "19 CIIT 01" of RMB444 million issued by CIIT Asset Management Co., Ltd., "20 CIIT 01" of RMB121 million issued by CIIT Asset Management Co., Ltd., "20 CIIT 02" of RMB101 million issued by CIIT Asset Management Co., Ltd., and "21 CIIT 01" of RMB102 million issued by CIIT Asset Management Co., Ltd..

(15) In Decemer 2021, China Industrial Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB1 billion 3-month fixed-rate super short-term commercial paper with annual interest rate of 2.85%.

(16) In July 2021, China Industrial Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB 1 billion 3-year fixed-rate medium-term note with annual interest rate of 3.82%. As at 31 December 2021, the Bank holds "21 CIAMC MTN001" of RMB 202 million issued by China Industrial Asset Management Co., Ltd..

25. Lease liabilites

	31 December 2021	
	The Group	The Bank
Due within 1 year	**2,477**	**2,408**
1 - 5 years	**6,011**	**5,637**
Not yet due in 5 years	**1,296**	**1,161**
Closing balance of undiscounted lease liabilities	**9,784**	**9,206**
Lease liabilities	**9,053**	**8,488**

26. Other liabilites

	The Group		The Bank	
	2021	2020	2021	2020
Continuing involvement liabilities (Note XII, 3.1)	**12,191**	11,490	**11,314**	9,337
Items in the process of clearance and settlement	**13,842**	11,457	**1,854**	1,703
Other accounts payable	**13,777**	8,894	**11,207**	6,286
Advance collection of financial leasing funds	**1,596**	2,860	**-**	-
Notes payable	**4,423**	2,844	**-**	-
Contract liabilities	**931**	734	**931**	734
Deferred income	**1,224**	1,721	**379**	549
Others	**1,340**	793	**483**	347
Total	**49,324**	40,793	**26,168**	18,956

27. Share capital

	The Group and the Bank		
	1 January 2021	Change for the period	31 December 2021
Shares without limited sales restrictions RMB ordinary shares (A shares)	**19,615**	**-**	**19,615**
Shares with limited sales restrictions RMB ordinary shares (A shares)	**1,159**	**-**	**1,159**
Total shares	**20,774**	**-**	**20,774**

As at 31 December 2021, the share capital of the Bank is RMB20,774 million (31 December 2020: RMB20,774 million) with par value of RMB 1 per share.

28. Other equity instruments

The Group and the Bank			
	Note	31 December 2021	31 December 2020
Equity components of convertible corporate bonds	28.1	**3,158**	-
Preference shares	28.2	**55,842**	55,842
Perpetual bonds	28.3	**29,960**	29,960
Total		**88,960**	85,802

28.1 As of 31 December 2021, the equity components of convertible corporate bonds issued by the Bank are RMB3,158 million (as of 31 December 2020: Nil), and detail refers to Note VII, 24 (11) .

28.2 Preference shares

The Group and the Bank									
Outstanding financial instrument	Issue date	Classification	Rate	Issue price RMB / share	Quantity million share	Amount in millions of Renminbi	Maturity date	Conversion condition	Conversion
Outstanding preference shares									
Preference shares	December 2014	Equity instrument	Note 1	100	130	13,000	N/A	Note 4	N/A
Preference shares	June 2015	Equity instrument	Note 2	100	130	13,000	N/A	Note 4	N/A
Preference shares	April 2019	Equity instrument	Note 3	100	300	30,000	N/A	Note 4	N/A

Note 1: For the initial issuance of the preference shares ("Xing Ye You 1"), every five year was an interest-bearing cycle starting from the payment deadline (i.e. 8 December 2014). The dividend rate was the same in every interest-bearing cycle. The dividend rate of preference shares of this issuance was the sum of benchmark interest rate and basic interest rate. The benchmark interest rate was adjusted every 5 years from the deadline for payment of preference shares issued. The basic spread was the dividend rate of first cycle deducting the benchmark interest rate, i.e. 2.55%. The basic spread would no longer be adjusted after the issuance. The subsequent coupon interest rate was determined by the current benchmark interest rate plus the basis spread. the benchmark interest rate of current interest-bearing cycle is national debt (which period before payment is for 5 years) YTM's arithmetic mean (rounded to 0.01%), from the fixed-rate national debt yield curve in Bank Debt published on www.chinabond.com.cn (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before benchmark interest rate adjustment date which's the date of each 5 years of the deadline for payment of preference shares issued (which is 8 December). If the YTM regarding treasury bonds, with 5-year remaining terms is not available on the benchmark interest adjustment date, the Bank and investors will negotiate with the investor to determine the subsequent benchmark interest rate or its determining principles at the request of the regulatory authorities.

In December 2019, the dividend yield ratio of the "Xing Ye You 1" preferred stock for the second dividend period was adjusted in accordance with relevant provisions in the Prospectus. The current benchmark interest rate was the arithmetic mean (i.e. 3.00% rounded to 0.01%) of the yield to maturity of the 5-year treasury bond within the ChinaBond treasury bond yield curve (previously known as the ChinaBond interbank fixed interest rate treasury bond yield curve) in the 20 trading days (excluding the benchmark interest rate adjustment date) prior to the current benchmark interest rate adjustment date (8 December 2019) published on www.chinabond.com.cn or other websites recognised by China Central Depository & Clearing Co., Ltd., and the basic spread was 2.55%. Therefore, the dividend yield ratio of "Xing Ye You 1" for the second dividend period was changed to 5.55% from 8 December 2019.

Note 2: For the second issuance of the preference shares ("Xing Ye You 2"), every five year was an interest-bearing cycle starting from the payment deadline (i.e. 24 June 2015). The dividend rate was the same in every interest-bearing cycle. The dividend rate of preference shares of this issuance was the sum of benchmark interest rate and basic interest rate. The benchmark interest rate was adjusted every 5 years from the deadline for payment of preference shares issued. The basic spread was the dividend rate of first cycle deducting the benchmark interest rate, i.e. 2.15%. The basic spread would no longer be adjusted after the issuance. The subsequent coupon interest rate was determined by the current benchmark interest rate plus the basis spread, the benchmark interest rate of current interest-bearing cycle is national debt (which period before payment is for 5 years) YTM's arithmetic mean (rounded to 0.01%), from the fixed-rate national debt yield curve in Bank Debt published on www.chinabond.com.cn (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before benchmark interest rate adjustment date which's the date of each 5 years of the deadline for payment of preference shares issued (which is 24 June). If the YTM regarding treasury bonds, with 5-year remaining terms is not available on the benchmark interest adjustment date, the Bank and investors will negotiate with the investor to determine the subsequent benchmark interest rate or its determining principles at the request of the regulatory authorities.

In June 2020, the dividend yield ratio of the "Xing Ye You 2" preferred stock for the second dividend period was adjusted in accordance with relevant provisions in the Prospectus. The current benchmark interest rate was the arithmetic mean (i.e. 2.48% rounded to 0.01%) of the yield to maturity of the 5-year treasury bond within the ChinaBond treasury bond yield curve (previously known as the ChinaBond interbank fixed interest rate treasury bond yield curve) in the 20 trading days (excluding the benchmark interest rate adjustment date) prior to the current benchmark interest rate adjustment date (24 June 2020) published on www.chinabond.com.cn or other websites recognised by China Central Depository & Clearing Co., Ltd., and the basic spread was 2.15%. Therefore, the dividend yield ratio of "Xing Ye You 2" for the second dividend period was changed to 4.63% from 24 June 2020.

Note 3: For the the preference shares ("Xing Ye You 3") issued in 2019, every five year was an interest-bearing cycle starting from the payment deadline (i.e. 10 April 2019). The dividend rate was the same in every interest-bearing cycle. The dividend rate of first cycle was determined as 4.9% through inquiry by the Board of Directors authorized by shareholders' meeting and was in accordance with factors such as national policy, market conditions, specific circumstances of the Bank and requirements from investors at that time. The dividend rate of preference shares of this issuance was not higher than the annual weighted average ROE of ordinary shareholders over the last two fiscal years. The dividend rate of preference shares of this issuance was the sum of benchmark interest rate and basic interest rate. The benchmark interest rate of the first interest-bearing cycle (i.e. 3.06%, rounded to 0.01%) was determined by calculating the arithmetic mean of 20 trading days (before 10 April 2019) of the YTM regarding treasury bonds, with 5-year remaining terms. The data was obtained from the interbank fixed-rate treasury bond yield curve published by ChinaBond Information Website (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited). The benchmark interest rate was adjusted every 5 years from the deadline for payment of preference shares issued. The basic spread was the dividend rate of first cycle deducting the benchmark interest rate, i.e. 1.84%. The basic spread would no longer be adjusted after the issuance. The subsequent coupon interest rate was determined by the current benchmark interest rate plus the basis spread. The benchmark interest rate of current interest-bearing cycle was determined by calculating the arithmetic mean of 20 trading days (before the benchmark interest adjustment date) of the YTM regarding treasury bonds, with 5-year remaining terms (rounded to 0.01%). If the YTM of 5-year treasury bonds is not available on the benchmark interest adjustment day, the benchmark interest rate or its principle will be determined under negotiations between the Bank and investors required by the regulator.

Note 4: When the Bank's core tier 1 capital adequacy ratio falls to 5.125%, the preference shares issued this time will be completely converted to A shares of ordinary shares with the mandatory price after the examination and determination made by CBIRC in accordance with the relevant requirements of CBIRC. The conversion is irrevocable.

When triggered events of the secondary capital instruments issued by the Bank occur, the preference shares issued this time will be completely converted to A shares of ordinary shares with the mandatory price after the examination and determination made by CBIRC in accordance with the relevant requirements of CBIRC. The conversion is irrevocable. The secondary capital instruments triggering event is the earlier of the following two situations: 1) CBIRC considers the Bank unable to survive without conversion or written off; 2) Relevant departments considers the Bank unable to survive without the contribution from public departments or the same effect of support provided.

(i) The principal terms of disclosure

The Bank will pay preference shares dividends in cash. The preference shares of this issuance uses a non-cumulative dividend payment, which means dividend that is not paid in full to preference shareholders will not accumulate to the next interest-bearing year. After the preference shareholders obtain distribution in accordance with the agreed dividend rate, they can no longer participate in the distribution of remaining profits with ordinary shareholders.

Under the premise of ensuring the capital adequacy ratio to satisfy the regulatory requirements, if there still is retained earnings in the Bank's financial statements caliber after covering losses, extracting statutory reserve and general reserve, the Bank could allocate dividends to preference shareholders. The priority of preference shareholders is higher than ordinary shareholders in dividend distribution. Payment of preference shares dividends is neither linked to ratings of the Bank, nor adjusted with the rating changes. The Bank can cancel payment of preference shares dividends in any case, which does not constitute an event of default. The Bank is entitled to arrange cancelled payment of preference shares dividends as repayment of other matured debts. Cancelling payment of dividends shall not constitute any further restrictions on the Bank except restrictions on profit distribution of ordinary shares. When the Bank exercises the aforesaid rights, it will take full account of the interests of preference shareholders. If payment of preference shares dividend is wholly or partly cancelled, the Bank shall not pay ordinary share dividend for the fiscal year.

The right of redemption for preference shares of this issuance belongs to the Bank. The Bank may exercise the right of redemption under the premise of obtaining CBIRC's approval. The Bank's preference shareholders do not have the right to request redemption of preference shares and should not expect that the preference shares will be redeemed.

The initial mandatory conversion price of the preference shares of this issuance is the arithmetic mean of 20 trading days of the Bank's A shares of ordinary shares before issuance of Board resolution which passed the issuance of the preference shares. Since the issuance plan of the preference shares is passed by the Bank's Board of Directors, when the Bank's shares change with the delivery of stock dividend, transferring of reserve to share capital, issuance of new shares (not including any share capital from conversion of financing instruments with terms that they could be converted to ordinary shares) or the allotment of shares, the mandatory conversion price of the preference shares will be accumulatively adjusted in turn in accordance with the established formula, and disclose relevant information in accordance with the provisions.

The Bank's preference shareholders are entitled with priority over ordinary shareholders of the remaining property distribution. The amount paid off is the sum of the neither cancelled nor paid dividends and the nominal amount of the preference shares; if it can not be paid in full, the remaining property will be distributed in proportion to preference shares.

(ii) Changes of outstanding preference shares are as follows:

The preferred shares issued by the Group and the Bank remained unchanged during the period.

	1 January 2021		Additional/Less		31 December 2021	
	Quantity Million	Book value in millions of Renminbi	Quantity Million	Book value in millions of Renminbi	Quantity Million	Book value in millions of Renminbi
Issuing Preference Shares						
Preference shares	**560**	**56,000**	-	-	**560**	**56,000**
Fees	-	**(158)**	-	-	-	**(158)**
Total	**560**	**55,842**	-	-	**560**	**55,842**

28.3 Perpetual Bonds

	The Group and the Bank								
Outstanding financial instrument	Issue Date	Classification	Rate	Issue price RMB/ share	Quantity million share	Amount in millions of Renminbi	Maturity date	Conversion condition	Conversion
Issuing Perpetual Bonds									
Perpetual Bonds	October 2020	Equity instrument	Note 1	100	300	30,000	N/A	N/A	N/A

Note 1: Approved by the relevant regulators, the Bank issued the Non-fixed-term Capital Bonds of Industrial Bank Co., Ltd. (Perpetual Bonds or "the Bonds") in the national inter-bank bond market on 13 October 2020. The Bank completed book building and the issuance of the Bonds on 13 October 2020 and 15 October 2020, respectively. The Bonds have a par value of RMB100 per unit and a coupon rate of 4.73% for the first five years. The coupon rate will be adjusted every five years, and the issuer shall have a conditional redemption right on every dividend payment date from the fifth year onwards. Proceeds from the issuance of the Bonds will be used to replenish Additional tier 1 capital of the Bank in accordance with the applicable laws and the approval of the competent authorities.

(i) The principal terms of disclosure

The Bonds will keep continuing so long as the Bank's business continues operating. The Bonds sets conditional redemption rights for the issuer. Specifically, from the fifth anniversary since the issuance, the Bank can redeem the Bonds, in whole or in part, on each dividend payment date (including the fifth dividend payment date since the issuance).

The coupon rate of the Bonds will be adjusted at defined intervals, with an adjustment period every five years from the payment due date. The dividend shall be paid at the same agreed rate in each adjustment period of coupon rate. The coupon rate at the time of issuance is determined by book building and centralized allotment.

The claims in respect of the Bonds will be subordinated to the claims of depositors, general creditors, and subordinated debts that rank senior to the Bonds; and will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

If a Non-Viability Trigger Event occurs (see Note IV, 28.2.4), the Bank has the right to write off, in whole or in part, the principal amount of the Bonds without the need for the consent of the Bondholders. The amount of the write-off shall be determined by the ratio of the outstanding principal amount of the Bonds to the aggregate outstanding principal amount of all additional tier 1 capital instruments under the identical trigger event.

The dividends on the Bonds are non-cumulative, any dividends unpaid to the Bondholders in full by the Bank will not accumulate or compound to the subsequent distribution period. The Bank have the right to cancel, in whole or in part, dividends on the Bonds and any such cancellation shall not constitute an event of default.

According to the applicable laws and approval of the competent authorities, the net proceeds from the issuance of the Bonds after deducting issuance costs will to be used to replenish the additional tier 1 capital of the Bank.

(ii) Changes of outstanding perpetual bonds are as follows:

The perpetual bonds issued by the Group and the Bank remained unchanged during the period.

	1 January 2021		Additional/Less		31 December 2021	
	Quantity Million	Book value in millions of Renminbi	Quantity Million	Book value in millions of Renminbi	Quantity Million	Book value in millions of Renminbi
Issuing Perpetual Bonds						
Perpetual Bonds	**300**	**30,000**	-	-	**300**	**30,000**
Fees	-	**(40)**	-	-	-	**(40)**
Total	**300**	**29,960**	-	-	**300**	**29,960**

As at 31 December 2021, the Bank issued the above-mentioned other equity instruments to supplement tier 1 capital of RMB88,960 million.

28.4 Attribution to holders of equity instrument:

	The Group	
	31 December 2021	31 December 2020
Equities attributable to shareholders of the Bank	**684,111**	615,586
Equities attributable to ordinary shareholders of the Bank	**598,309**	529,784
Equities attributable to preference shareholders of the Bank	**85,802**	85,802
Equity attributable to non-controlling shareholders	**10,187**	9,217
Equity attributable to non-controlling ordinary shareholders	**8,297**	7,223
Equity attributable to non-controlling shareholders of other equity instruments	**1,890**	1,994

29. Capital reserve

	The Group				The Bank			
	1 January 2021	Increase	Decrease	31 December 2021	1 January 2021	Increase	Decrease	31 December 2021
Share premium	**74,881**	-	-	**74,881**	**75,227**	-	-	**75,227**
Others	**33**	-	-	**33**	**33**	-	-	**33**
Total	**74,914**	-	-	**74,914**	**75,260**	-	-	**75,260**

30. Surplus reserve

	The Group and the Bank	
	2021	2020
Statutory surplus reserve	**10,387**	10,387
Discretionary surplus reserve	**297**	297
Total	**10,684**	10,684

Under relevant PRC law, the Bank is required to transfer 10% of its net profit to a nondistributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of this reserve has reached 50% of share capital. As of 31 December 2021, the Bank ceased to make appropriations to the statutory surplus reserves since the balance of them have reached 50% of the share capital of the Bank.

31. General reserve

	The Group		The Bank	
	2021	2020	2021	2020
General reserve	**97,944**	87,535	**91,176**	83,382

Pursuant to (CJ [2012] No.20) Measures on General Provision for Bad and Doubtful Debts for Financial Institutions promulgated by the MOF, the Bank is required to transfer certain percentage of its net profit to establish and maintain a general reserve within shareholders' equity, through the appropriation of profit to address unidentified potential impairment losses. In principle, the general reserve, accounted as profit distribution, should not be lower than 1.5% of the closing balance of gross risk-bearing assets since it is a part of shareholders' equity. Gross risk-bearing assets include Loans and advances to customers, Debt investments, Other debt investments, Other equity investments, Long-term equity investments, Deposits with banks and other financial institutions, Placements with banks and other financial institutions, Foreclosed assets and Other receivables and so forth. The subsidiaries of the Bank determine the general reserve according to the regulation.

32. Retained earnings

	The Group		The Bank	
	2021	2020	2021	2020
Opening balance	**336,626**	297,389	**315,799**	281,875
Net profit	**82,680**	66,626	**75,781**	60,856
Appropriations to general reserve	**(10,409)**	(9,010)	**(7,794)**	(8,553)
Dividends distribution of ordinary shares	**(16,661)**	(15,830)	**(16,661)**	(15,830)
Dividends distribution of preference shares	**(2,841)**	(2,549)	**(2,841)**	(2,549)
Dividends distribution of perpetual bonds	**(1,419)**	-	**(1,419)**	-
Closing balance	**387,976**	336,626	**362,865**	315,799

32.1 "2021 Profit Distribution Proposal of the Bank" approved by the Board of Directors on 24 March 2022 and will be submitted for approval by the annual general meeting is as follows :

(i) Appropriation of RMB7,794 million to general reserve. As at 31 December 2021, the proposed appropriation of general reserve has been included in the general reserve.

(ii) Distribute cash dividends of RMB10.35 per 10 shares (tax inclusive) on the basis of 20,774,190,751 ordinary shares of the Bank at the issuance date of the financial statements for the year ended 31 December 2021.

(iii) The divided period of preference shares issued in 2014 is from 1 January 2021 to 31 December 2021 (the annual dividend rate is 5.55%), the divided period of preference shares issued in 2015 is from 1 January 2021 to 31 December 2021 (the annual dividend rate is 4.63%), the divided period of preference shares issued in 2019 is from 1 January 2021 to 31 December 2021 (the annual dividend rate is 4.9%), the dividends payable of preference shares are RMB2,793 million in total.

The above profit distribution plan has not been approved by the Annual General Meeting of the Bank. The accounting treatment of dividend distribution scheme before the approval is not carried out.

32.2 "2020 Profit Distribution Proposal of the Bank" approved by the Board of Directors on 30 March 2021 and approved by the Annual General Meeting is as follows :

(i) Appropriate RMB8,553 million to general reserve. As at 31 December 2020, the proposed appropriation of general reserve has been included in the general reserve.

(ii) Distribute cash dividends of RMB8.02 per 10 shares (tax inclusive) on the basis of 20,774,190,751 ordinary shares of the Bank at the issuance date of the financial statements for the year ended 31 December 2020.

(iii) The divided period of preference shares issued in 2014 is from 1 January 2020 to 31 December 2020 (the annual dividend rate is 5.55%). The divided period of preference shares issued in 2015 is from 1 January 2020 to 31 December 2020 (the nominal dividend yield of the first dividend period was 5.4%, and was adjusted to 4.63% for the second dividend period since 24 June 2020). The divided period of preference shares issued in 2019 is from 1 January 2020 to 31 December 2020 (the annual dividend rate is 4.9%), the dividends payable of preference shares are RMB2,841 million in total.

As at 31 December 2021, the above-mentioned dividend distribution has been completed.

32.3 Surplus reserve appropriated by subsidiaries

As at 31 December 2021, the balance of the Group's retained earnings include surplus reserve appropriated by subsidiaries amounting to RMB3,217 million (31 December 2020: RMB2,487 million).

33. Net interest income

	The Group		The Bank	
	2021	2020	2021	2020
Interest income				
Balances with Central Bank	**5,641**	5,731	**5,640**	5,731
Deposits with banks and other financial institutions	**1,762**	1,659	**1,528**	1,568
Placements with banks and other financial institutions	**8,722**	6,849	**9,075**	7,073
Financial assets purchased under resale agreements	**2,475**	2,712	**2,455**	2,642
Loans and advances to customers	**211,807**	198,197	**202,244**	191,119
Including: Corporate	**96,106**	90,510	**96,304**	90,664
Personal	**109,891**	101,714	**100,130**	94,482
Discounted bills	**5,810**	5,973	**5,810**	5,973
Bonds and other investment	**79,370**	82,999	**77,052**	80,299
Finance lease receivables	**5,274**	5,159	**-**	-
Others	**107**	172	**19**	15
Subtotal	**315,158**	303,478	**298,013**	288,447
Interest expense:				
Borrowing from Central Bank	**(7,133)**	(5,485)	**(7,133)**	(5,485)
Deposits from banks and other financial institutions	**(33,873)**	(30,631)	**(34,010)**	(30,831)
Placements from banks and other financial institutions	**(4,230)**	(4,463)	**(463)**	(1,357)
Financial assets sold under repurchase agreements	**(2,278)**	(2,843)	**(1,913)**	(2,528)
Deposits from customers	**(90,866)**	(88,617)	**(90,882)**	(88,645)
Debt securities issued	**(30,783)**	(27,757)	**(29,424)**	(26,494)
Others	**(316)**	(167)	**(133)**	(50)
Subtotal	**(169,479)**	(159,963)	**(163,958)**	(155,390)
Net interest income	**145,679**	143,515	**134,055**	133,057

34. Net fee and commission income

	The Group		The Bank	
	2021	2020	2021	2020
Fee and commission income				
Bank card fee	**13,182**	11,678	**13,182**	11,678
Consultancy and advisory fee	**14,668**	13,369	**11,641**	12,049
Agency fee	**7,153**	4,948	**7,100**	4,897
Custodian fee	**3,553**	2,969	**3,553**	2,969
Settlement and clearing fee	**2,268**	1,730	**2,268**	1,730
Credit commitment fee	**1,544**	1,612	**1,544**	1,612
Transactional service fee	**1,235**	1,326	**1,235**	1,326
Trust service fee	**1,099**	1,914	**-**	-
Lease service fee	**560**	701	**-**	-
Others	**2,305**	2,230	**1,857**	1,696
Subtotal	**47,567**	42,477	**42,380**	37,957
Fee and commission expense	**(4,887)**	(4,767)	**(6,369)**	(5,642)
Net fee and commission income	**42,680**	37,710	**36,011**	32,315

35. Investment income

	The Group		The Bank	
	2021	2020	2021	2020
Trading assets	**26,691**	20,254	**26,536**	20,049
Debt investments	**1,360**	716	**1,355**	688
Other debt investments	**943**	4,440	**943**	4,440
Gains from long-term equity investments under the equity method	**213**	154	**211**	210
Trading liabilities	**47**	1,174	**(60)**	1,174
Other equity investments	**16**	12	**16**	12
Dividends declared by subsidiaries	**-**	-	**575**	90
Precious metal	**(84)**	(832)	**(84)**	(832)
Derivative financial instruments	**(1,990)**	(871)	**(2,004)**	(821)
Others	**1,282**	1,107	**1,296**	1,070
Total	**28,478**	26,154	**28,784**	26,080

36. Gains (losses) from changes in fair values

	The Group		The Bank	
	2021	2020	2021	2020
Trading assets	**4,422**	(4,929)	**3,312**	(5,098)
Precious metals	**(133)**	118	**(133)**	119
Trading liabilities	**(298)**	(7)	**(297)**	42
Derivative financial instruments and others	**(1,813)**	(1,449)	**(1,897)**	(1,476)
Total	**2,178**	(6,267)	**985**	(6,413)

37. Taxes and surcharges

	The Group		The Bank	
	2021	2020	2021	2020
City maintenance and construction tax	**1,075**	1,008	**984**	931
Education surcharge	**739**	693	**679**	640
Others	**393**	385	**353**	345
Total	**2,207**	2,086	**2,016**	1,916

38. General and administrative expenses

	The Group		The Bank	
	2021	2020	2021	2020
Employee benefits	**34,689**	29,071	**31,306**	26,094
Lease expenses	**430**	3,134	**415**	2,972
Depreciation and amortization	**5,551**	2,433	**5,288**	2,330
Others	**14,798**	13,624	**14,624**	12,960
Total	**55,468**	48,262	**51,633**	44,356

39. Credit impairment losses

	The Group		The Bank	
	2021	2020	2021	2020
Loans and advances to customers	**45,484**	49,220	**42,246**	46,838
Debt investments	**20,931**	19,886	**19,808**	19,094
Other debt investments	**356**	2,483	**410**	2,418
Finance lease receivables	**(154)**	56	**-**	-
Credit loss of off-balance sheet assets	**(1,309)**	(840)	**(1,309)**	(840)
Others	**1,533**	4,496	**1,460**	4,377
Total	**66,841**	75,301	**62,615**	71,887

40. Income tax expenses

	The Group		The Bank	
	2021	2020	2021	2020
Current income tax	**16,610**	15,036	**13,535**	12,506
Deferred income tax	**(5,324)**	(6,064)	**(5,085)**	(5,799)
Adjustment for prior years	**208**	(16)	**177**	(12)
Total	**11,494**	8,956	**8,627**	6,695

The tax charges can be reconciled to the profit as follows:

	The Group		The Bank	
	2021	2020	2021	2020
Accounting profit	**95,310**	76,637	**84,408**	67,551
Tax calculated at applicable statutory tax rate of 25%	**23,828**	19,159	**21,102**	16,888
Adjustments on income tax:				
Income not taxable for tax purpose	**(15,077)**	(12,661)	**(14,892)**	(12,561)
Expenses not deductible for tax purpose	**2,535**	2,474	**2,240**	2,380
Adjustment for prior years	**208**	(16)	**177**	(12)
Total	**11,494**	8,956	**8,627**	6,695

41. Other comprehensive income

	The Group						
	Year ended 31 December 2021						
	1 January 2021	Amount incurred before income tax	Other comprehensive income transferred to profit and loss	Income tax expense	Attributable to shareholders of the Bank after tax	Non-controlling interests after tax	31 December 2021
Other comprehensive income that will not be subsequently classified to profit and loss							
Including: Actuarial profits/losses on defined benefit plans	**1,388**	418	-	-	418	-	**1,806**
Fair value changes of other equity investments	**(214)**	258	-	(64)	194	-	**(20)**
Subtotal	**1,174**	676	-	(64)	612	-	**1,786**
Other comprehensive income that may be subsequently classified to profit and loss							
Including: Fair value changes of other debt investments (Note 1)	**(5,421)**	1,571	3,797	(1,338)	4,016	14	**(1,405)**
Credit losses on other debt investments (Note 2)	**3,489**	2,338	(3,706)	342	(1,015)	(11)	**2,474**
Translation differences of financial statements denominated in foreign currencies	**9**	(5)	-	-	(5)	-	**4**
Subtotal	**(1,923)**	3,904	91	(996)	2,996	3	**1,073**
Total	**(749)**	4,580	91	(1,060)	3,608	3	**2,859**

	The Bank				
	Year ended 31 December 2021				
	1 January 2021	Amount incurred before income tax	Other comprehensive income transferred to profit and loss	Income tax expense	31 December 2021
Other comprehensive income that will not be subsequently classified to profit and loss					
Including: Actuarial profits/losses on defined benefit plans	**1,388**	418	-	-	**1,806**
Fair value changes of other equity investments	**(214)**	258	-	(64)	**(20)**
Subtotal	**1,174**	676	-	(64)	**1,786**
Other comprehensive income that may be subsequently classified to profit and loss					
Including: Fair value changes of other debt investments (Note 1)	**(5,290)**	1,421	3,883	(1,327)	**(1,313)**
Credit losses on other debt investments (Note 2)	**3,365**	2,313	(3,627)	328	**2,379**
Subtotal	**(1,925)**	3,734	256	(999)	**1,066**
Total	**(751)**	4,410	256	(1,063)	**2,852**

Note 1: Fair value changes of other debt investments include changes in fair value of issued loans and advances measured at fair value through other comprehensive income.
Note 2: Provision for credit impairments of other debt investments include provision for impairments of issued loans and advances measured at fair value through other comprehensive income.

42. Earnings per share

	The Group	
	2021	2020
Current net profit attributable to ordinary shareholders of the Bank (in millions of Renminbi)	**78,420**	64,077
Weighted average ordinary shares issued by the Bank (shares in million)	**20,774**	20,774
Basic and diluted earnings per share (RMB)	**3.77**	3.08

When calculating the earnings per share, the current net profit attributed to ordinary shareholders did not include preference shares dividends and perpetual bonds interests announced of insurance during the year ended 31 December 2021 and 31 December 2020. The conversion characteristic of preference shares enables the existence or ownership of ordinary shares to be issued. As at 31 December 2021 and 31 December 2020, there was no triggering event for the conversion of shares, and the conversion characteristics of preference shares had no impact on the calculation of the basic and diluted earnings per share for the above period.

On 27 December 2021, the Group issued convertible bonds, the convertible characteristics of which resulted in the contingent existence of convertible ordinary shares of the Group. The convertible bond was issued on 27 December 2021, so the issue of the convertible bond is non-dilutive to earnings per share (2020: Nil).

43. Supplementary information to the cash flow statement

43.1 Reconciliation of net profit to cash flows from operating activities

	The Group		The Bank	
	2021	2020	2021	2020
Reconciliation of net profit to cash flows from operating activities				
Net profit	**83,816**	67,681	**75,781**	60,856
Add: Allowance for impairment losses on assets	**67,010**	75,427	**62,615**	71,980
Depreciation of fixed assets	**2,249**	1,967	**1,734**	1,666
Amortization of intangible assets	**218**	148	**150**	131
Depreciation of right-of-use assets	**2,822**	-	**2,592**	-
Amortization of unrecognised financing fee	**539**	-	**324**	-
Amortization of long-term deferred expenses	**529**	560	**506**	533
Gains from disposal of fixed assets, intangible assets and other long-term assets	**20**	(7)	**20**	(7)
Interest income of bonds and other investments	**(79,370)**	(82,999)	**(77,052)**	(80,299)
Interest income of impaired financial assets	**(1,747)**	(1,289)	**(1,747)**	(1,289)
(Gains) losses from changes in fair value	**(2,178)**	6,267	**(985)**	6,413
Investment income	**(28,478)**	(26,154)	**(28,784)**	(26,080)
Interest expense for debt securities issued	**30,783**	27,757	**29,424**	26,494
Increase in deferred tax assets	**(3,633)**	(4,814)	**(3,316)**	(4,443)
Decrease in deferred tax liabilities	**89**	174	**-**	79
Increase in receivables of operating activities	**(912,241)**	(671,038)	**(873,248)**	(668,632)
Increase in payables of operating activities	**449,801**	572,092	**437,640**	546,807
Net cash flow from operating activities	**(389,771)**	(34,228)	**(374,346)**	(65,791)
Net changes in cash and cash equivalents				
Closing balance of cash and cash equivalents	**768,908**	956,795	**760,083**	933,105
Less: opening balance of cash and cash equivalents	**956,795**	731,730	**933,105**	775,679
Net increase of cash and cash equivalents	**(187,887)**	225,065	**(173,022)**	157,426

43.2 Composition of cash and cash equivalents

Cash and cash equivalents stated in consolidated cash flow statement and cash flow statement comprise:

	The Group		The Bank	
	2021	2020	2021	2020
Cash on hand	**5,026**	4,956	**5,026**	4,956
Balances with Central Bank that can be withdrawn on demand	**97,031**	55,289	**97,027**	55,285
Original maturity less than three months:				
Deposits with banks and other financial institutions	**53,014**	79,864	**47,470**	67,649
Placements with banks and other financial institutions	**109,759**	60,504	**108,959**	59,004
Financial assets purchased under resale agreements	**138,370**	120,668	**137,470**	115,528
Bonds investment	**365,708**	635,514	**364,131**	630,683
Closing balance of cash and cash equivalents	**768,908**	956,795	**760,083**	933,105

44. Post-employment compensation

44.1 Defined contribution plans

The Group participates in the endowment insurance, unemployment insurance plans established by the government and the annuity plan established by the Group. According to these plans, the employees' salaries are paid to the plans proportionally each month. Except the expenses above, the Group undertakes no further payment duties. Certain expenses are charged in profit or loss of the period.

Expense recognized in profit or loss for the period:

	The Group		The Bank	
	2021	2020	2021	2020
Defined contribution plans	**2,889**	1,955	**2,710**	1,800

Amount of payable at the period-end:

	The Group		The Bank	
	2021	2020	2021	2020
Defined contribution plans	**125**	84	**89**	47

44.2 Defined benefit plans

The Group offers complementary retiring benefit plans to employees who start their service before 31 December 2007 and core personnel of grade 13 or above who join the Group after 31 December 2007 and are not due to retire for 10 or more years. The Group estimates the present value by actuary means based on expected cumulative benefits unit method. The project estimates the future cash outflow based on rate of inflation and rate of death, and recognizes its present value by discount rate. Discount rate is measured by the corresponding yield of the treasury bond which matches the period of defined benefit plans and currency on balance sheet date. The Group recognizes assets of this plan based on actuary results, related actuarial gains or losses recognized into other comprehensive income. Past service costs will be charged in profit or loss in the period of revising the plans. The interest net value is recognized by the defined benefit plans net liabilities or assets multiplying by appropriate discount rate.

The profit or loss charged by related influence from defined benefit plans is RMB14 million. Actuary gains charging to other comprehensive income are RMB418 million. Net assets of defined benefit plans are decreased by RMB404 million for the period, and the balance at the end of the period is RMB2,167 million, which is the net value of present value of defined benefit plans duties and fair value of defined benefit plans assets, and should be charged to other assets (Note VII, 15).

As at 31 December 2021, the Group's defined benefit plans' average benefit obligation period was about 5 to 7 years (31 December 2020: about 6 to 8 years).

Defined benefit plan makes the Group face the actuarial risks that include interest rate risk and longevity risk. The decrease of the yield of government bond will lead to an increase in the present value of defined benefit plan obligations. The present value of defined benefit plan obligations is calculated based on the best estimate of the mortality rate of the employees participating in the scheme, and the increase in life expectancy will lead to an increase in plan liabilities.

Discount rate and mortality rate are the key actuarial factors in determining the present value of the defined benefit plan obligations. The discount rate is 2.75% as at 31 December 2021 (31 December 2020: 3.25%). Mortality assumptions are based on Male Pension Service Form and Female Pension Service Form of China Experience Life Table of Life Insurance (2010-2013) released by Chinese Insurance Regulatory Commission. The male workers retired at the age of 60 and female workers retired at the age of 55 are expected to have an average residual life of 25.34 years and 34.03 years respectively.

The following sensitivity analysis is based on the corresponding hypothesis with reasonable possible changes occurred at the end of the reporting period (assuming all other assumptions remain unchanged):

If the discount rate increases (decreases) by 25 basis points, then the present value of defined benefit plan obligations will be decreased by RMB35 million (increased by RMB38 million).

As part of hypothesis may have correlation and a hypothesis cannot be changed in an isolate way, the sensitivity analysis may not reflect the actual changes in the fair value of the defined benefit plan obligations.

In the aforesaid sensitivity analysis, the calculation method in determining the defined benefit plan obligations is the same as the recognition of the relevant liabilities in the balance sheet at the end of the reporting period.

Compared with the previous year, the method for sensitivity analysis and the hypothesis didn't change.

45. Structured entities

Consolidated structured entities

The consolidated structured entities of the Group are fund products, asset-backed securities, trust plans and asset management plans. As the manager/initiator of the fund products, asset-backed securities, trust plans and asset management plans, the Group considers whether it has control over the structured entities, and determine whether the consolidation is necessary based on the scope of asset manager's decision, power of trust holder, reward from management service offering and the risk exposure of variable profit. In 2021, the Group didn't offer financial support to the consolidated structured entities (2020: Nil).

Unconsolidated structured entities

45.1 Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include funds, trust plans, asset management plans, asset-backed financings and wealth management products and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors including the Group and are financed through the issue of investment products to investors.

The following table sets out an analysis of the carrying amounts and the maximum risk exposure of interests held by the Group as at 31 December 2021 and 31 December 2020 in the structured entities sponsored by third party institutions:

	The Group					
	2021					
	Trading assets	Debt investments	Other debt investments	Carrying amount	Maximum risk exposure (note)	Type of income
Funds	**425,492**	**-**	**-**	**425,492**	**425,492**	Investment income
Trust plans	**4,389**	**285,907**	**461**	**290,757**	**290,757**	Investment income, interest income
Asset management plans	**59,607**	**222,556**	**1,508**	**283,671**	**283,671**	Investment income, interest income
Asset-backed securities	**12,346**	**33,013**	**105,315**	**150,674**	**150,674**	Investment income, interest income
Wealth management products	**5,089**	**-**	**-**	**5,089**	**5,089**	Investment income
Total	**506,923**	**541,476**	**107,284**	**1,155,683**	**1,155,683**	

	2020					
	Trading assets	Debt investments	Other debt investments	Carrying amount	Maximum risk exposure (note)	Type of income
Funds	529,381	-	-	529,381	529,381	Investment income
Trust plans	9,082	318,692	1,628	329,402	329,402	Investment income, interest income
Asset management plans	50,657	158,600	1,425	210,682	210,682	Investment income, interest income
Asset-backed securities	6,306	24,663	82,913	113,882	113,882	Investment income, interest income
Wealth management products	350	-	-	350	350	Investment income
Total	595,776	501,955	85,966	1,183,697	1,183,697	

Note: Maximum risk exposure to funds, trust plans, asset management plans, asset-backed securities and wealth management products is the amortised cost or fair value at the reporting date as recognized in the balance sheet.

45.2 Structured entities sponsored by the Group which the Group did not consolidate but held an interest

The structured entities which are not consolidated set up by the Group consist primarily of wealth management products, trust plans, funds, asset management plans and asset-backed securities. The nature and purpose of these structured entities is to manage investors' assets and collect management fees. These structured entities generally finance the purchase of assets by issuing units of the products. Interest held by the Group includes direct investments in these structured entities and fees charged by providing management services.

As at 31 December 2021 and 31 December 2020, unconsolidated structured entities sponsored by the Group are set out as below:

	The Group	
	2021	2020
Wealth management products	**1,746,548**	1,447,569
Trust plans	**220,021**	306,340
Funds	**218,518**	227,115
Asset management plans	**77,392**	95,062
Asset-backed securities	**53,500**	57,774
Total	**2,315,979**	2,133,860

As at 31 December 2021, the commission income earned from offering management service to the investors of these structured entities by the Group is RMB14,263 million (As at 31 December 2020: RMB12,545 million).

45.3 Unconsolidated structured entities sponsored by the Group during the year in which the Group does not have an interest at 31 December 2021

Unconsolidated structured entities sponsored after 1 January 2020 but matured before 31 December 2021 by the Group in which the Group does not have an interest at were mainly the non-principal-guaranteed wealth management products.

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2020 but matured before 31 December 2021 was RMB69,263 million (The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2020 but matured before 31 December 2020 was RMB155,012 million). As at 31 December 2021, the amount of fee and commission income received from such category of non-principal-guaranteed wealth management products by the Group was RMB197 million (As at 31 December 2020: RMB406 million).

VIII. Segment reporting

Senior management of the Group evaluates the operations of the Group in accordance with their economic areas of the respective branches and subsidiaries. Each branch serves its local customers and few customers in other regions. The Group does not deeply depend on one single external customer. Through the review of internal reports, the management of the Group conducts performance evaluation and determines the allocation of resources. Segment reporting is presented in a manner consistent with the Group's internal management and reports.

Segment accounting policies are consistent with the accounting policies of the consolidated financial statements. Inter-segment transfer transactions are measured at the actual transaction prices.

The Group includes the head office (including the head office and the operating institutions of the head office), Fujian, Beijing, Shanghai, Guangdong, Zhejiang, Jiangsu, northeast and other regions, western region, central region, a total of ten segments, of which branches within the northeast and other regions, western region, central region are presented in a consolidated manner.

Among them, the northeast and other regions includes: Harbin branch, Changchun branch, Shenyang branch, Dalian branch, Tianjin branch, Jinan branch, Qingdao branch, Haikou branch, Hong Kong branch and Industrial Bank Financial Leasing Co., Ltd.;

Western region includes: Chengdu branch, Chongqing branch, Guiyang branch, Xi'an branch, Kunming branch, Nanning branch, Urumqi branch, Lanzhou branch, Yinchuan branch, Xining branch and Lasa branch;

Central region includes: Hohhot branch, Shijiazhuang branch, Zhengzhou branch, Taiyuan branch, Hefei branch, Changsha branch, Wuhan branch and Nanchang branch.

	The Group											
	2021											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other regions	Westem region	Central region	Eliminations	Total
Operating income	94,075	28,320	6,504	6,836	12,615	9,188	12,338	17,963	14,212	19,185	-	221,236
Net interest income	37,964	19,206	5,778	5,796	11,525	9,599	11,233	15,082	12,545	16,951	-	145,679
Including: Net inter-segment interest income	(47,147)	5,444	13,298	9,559	7,496	(681)	182	4,721	1,623	5,505	-	-
Net fee and commission income	29,604	5,504	676	902	894	(537)	917	1,803	1,279	1,638	-	42,680
Other income	26,507	3,610	50	138	196	126	188	1,078	388	596	-	32,877
Operating expenses	(68,960)	(14,746)	(2,207)	(3,142)	(6,227)	(4,066)	(5,167)	(6,970)	(7,172)	(7,380)	-	(126,037)
Operating profit	25,115	13,574	4,297	3,694	6,388	5,122	7,171	10,993	7,040	11,805	-	95,199
Add: Non-operating income	56	98	6	6	23	9	15	17	31	25	-	286
Less: Non-operating expenses	(47)	(32)	(29)	(5)	(4)	(19)	(7)	(8)	(15)	(9)	-	(175)
Total profit	25,124	13,640	4,274	3,695	6,407	5,112	7,179	11,002	7,056	11,821	-	95,310
Less: Income tax expenses												(11,494)
Net profit												83,816
Segment assets	4,260,140	768,503	655,073	596,296	878,928	436,206	485,282	932,076	575,262	875,650	(1,909,538)	8,553,878
Including: Investment in an associate												3,732
Undistributed assets												49,146
Total assets												8,603,024
Segment liabilities	3,741,575	715,857	650,705	592,123	872,461	430,628	478,035	903,882	569,475	863,360	(1,909,538)	7,908,563
Undistributed liabilities												163
Total liabilities												7,908,726
Supplemental information												
Credit commitments	466,625	98,151	15,534	26,990	127,669	99,277	112,331	237,678	163,155	241,611	-	1,589,021
Depreciation and amortization	617	654	339	401	470	251	350	832	754	883	-	5,551
Capital expenditures	1,052	438	38	107	716	184	347	390	493	637	-	4,402

	2020											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other regions	Western region	Central region	Eliminations	Total
Operating income	86,810	24,475	6,561	5,493	11,814	7,817	11,466	16,807	13,944	17,950	-	203,137
Net interest income	44,777	17,048	5,793	4,576	10,935	7,896	10,523	14,447	12,099	15,421	-	143,515
Including: Net inter-segment interest income	(50,726)	5,047	12,400	8,556	9,078	(534)	860	5,066	4,315	5,938	-	-
Net fee and commission income	24,835	4,762	720	776	746	(173)	788	1,783	1,492	1,981	-	37,710
Other income	17,198	2,665	48	141	133	94	155	577	353	548	-	21,912
Operating expenses	(62,135)	(13,535)	(5,224)	(1,621)	(3,966)	(4,181)	(3,699)	(15,262)	(7,373)	(9,594)	-	(126,590)
Operating profit	24,675	10,940	1,337	3,872	7,848	3,636	7,767	1,545	6,571	8,356	-	76,547
Add: Non-operating income	76	88	4	13	26	18	8	24	15	23	-	295
Less: Non-operating expenses	(62)	(28)	(24)	(9)	(28)	(10)	(8)	(12)	(17)	(7)	-	(205)
Total profit	24,689	11,000	1,317	3,876	7,846	3,644	7,767	1,557	6,569	8,372	-	76,637
Less：Income tax expenses												(8,956)
Net profit												67,681
Segment assets	4,008,433	676,075	662,730	473,182	800,186	358,129	464,891	876,124	603,146	747,166	(1,821,575)	7,848,487
Including: Investment in an associate												3,549
Undistributed assets												45,513
Total assets												7,894,000
Segment liabilities	3,540,677		626,039		660,546		467,383		792,306		354,430	456,860
Undistributed liabilities												74
Total liabilities												7,269,197
Supplemental information												
Credit commitments	444,176	74,318	19,363	38,775	127,444	78,953	131,018	241,753	158,872	236,008	-	1,550,680
Depreciation and amortization	604	288	91	206	155	98	152	309	230	300	-	2,433
Capital expenditures	712	318	44	102	139	161	220	1,369	387	303	-	3,755

IX. Related party relationship and transactions

1. Related party relationship

The Group

Related parties with no controlling interest

1.1 Shareholders holding more than 5% (inclusive) of the Bank's shares

Name	Economic nature	Place of registration	Registered capital (RMB hundred million)	Principal activities	Legal representative
The Finance Bureau of Fujian Province	Legal entity of government agencies	Fuzhou	-	Administration of Fujian provincial fiscal and tax policy	Yu Jun
People's Insurance Company of China (1)	Incorporated Company	Beijing	222.43	Insurance services	Liao Jianmin
China Life Insurance Company (1)	Incorporated Company	Beijing	257.61	Insurance services	Xiao Jianyou
China National Tobacco Corporation (1)	Owned by the whole people	Beijing	570.00	Production, and sales of tobacco products	Zhang Jianmin
Haisheng Investment Management Company of Fujian Tobacco (1)	Limited Company	Xiamen	26.47	Investment management	Lin Shixun
China Tobacco Hunan Investment Management Company(1)	Limited Company	Changsha	2.00	Investment management	Xiao Bing
The People's Insurance Company (Group) of China Limited(1)	Incorporated Company	Beijing	442.24	Investment management and insurance services	Luo Xi
China National Tobacco Fujian Corporation(1)	Owned by the whole people	Fuzhou	1.37	Sales of tobacco products	Li Mindeng
China National Tobacco Guangdong Corporation (1)	Owned by the whole people	Guanghzou	1.40	Production, and sales of tobacco products	Wang Deyuan
Fujian Sanhua Color Printing Co., Ltd. (1)	Limited Company	Longyan	0.12	Trademark, advertisement and other printed matter production	Lu Dongfen

Number of shares held by Shareholders holding more than 5% (inclusive) of the Bank's shares:

Name	2021		2020	
	Shares (Million shares)	Proportion (%)	Shares (Million shares)	Proportion (%)
The Finance Bureau of Fujian Province	**3,915**	18.85	3,902	18.78
China Life Insurance Company (1)	**1,276**	6.14	1,276	6.14
People's Insurance Company of China(1)	**1,229**	5.91	1,229	5.91
China National Tobacco Corporation (1)	**1,110**	5.34	1,110	5.34
Haisheng Investment Management Company of Fujian Tobacco (1)	**441**	2.13	441	2.13
China Tobacco Hunan Investment Management Company (1)	**226**	1.09	226	1.09
The People's Insurance Company (Group) of China Limited (1)	**174**	0.84	174	0.84
China National Tobacco Fujian Corporation (1)	**132**	0.64	132	0.64
China National Tobacco Guangdong Corporation (1)	**99**	0.48	99	0.48
Fujian Sanhua Color Printing Co., Ltd. (1)	**46**	0.22	46	0.22
Total	**8,648**	41.64	8,635	41.57

Note: (1) Relationship between related parties: People's Insurance Company of China and China Life Insurance Company are both subsidiaries of The People's Insurance Company (Group) of China Limited. The aggregate proportion is 12.89%. Haisheng Investment Management Company of Fujian Tobacco, China Tobacco Hunan Investment Management Company, China National Tobacco Fujian Corporation, China National Tobacco Guangdong Corporation and Fujian Sanhua Color Printing Co., Ltd. are subsidiaries of China National Tobacco Corporation. The aggregate proportion is 9.90%.

1.2 Associates

Details of general information and related information of associates are set out in Note VII, 9.

1.3 Other related parties

Other related parties include key management personnel (director, supervisor, senior management of head office) and their close families, as well as other enterprises over which the key management personnel or their close families have control, common control or act as board of directors or senior management.

2. Related party transactions

The conditions and prices of related party transactions between the Group and the Bank are determined according to the Group's contract, and are examined and approved in accordance with the transaction type and content of transaction by corresponding decision-making authority.

2.1 Interest income

Related party	2021	2020
Fujian Yango Holdings Group and its related parties	**372**	434
Associates	**280**	274
Longyan Huijin Development Group Co., Ltd. and its related parties	**43**	42
Zhejiang Energy Group Co., Ltd. and its related parties	**17**	6
China Tobacco and its related parties	**14**	19
Other related parties	**1**	12
Total	**727**	787

2.2 Interest expense

Related party	2021	2020
China Tobacco and its related parties	**3,275**	1,130
The People's Insurance Company (Group) of China Limited and its related parties	**926**	870
Fujian Yango Holdings Group and its related parties	**128**	15
Associates	**74**	2
Zhejiang Energy Group Co., Ltd. and its related parties	**71**	21
The Finance Bureau of Fujian Province and its subsidiaries	**19**	20
Longyan Huijin Development Group Co., Ltd. and its related parties	**10**	1
Total	**4,503**	2,059

2.3 Investment income

Related party	2021	2020
Zhejiang Energy Group Co., Ltd. and its related parties	**2**	-
Longyan Huijin Development Group Co., Ltd. and its related parties	**-**	2
Total	**2**	2

2.4 Fee and commission income

Related party	2021	2020
The People's Insurance Company (Group) of China Limited and its related parties	**153**	59
Huaxia Life Insurance Co.,Ltd. and its related parties	**13**	17
China Tobacco and its related parties	**13**	-
Associates	**9**	-
Fujian Yango Holdings Group and its related parties	**8**	24
The Finance Bureau of Fujian Province and its subsidiaries	**1**	2
Longyan Huijin Development Group Co., Ltd. and its related parties	**1**	-
Zhejiang Energy Group Co., Ltd. and its related parties	**-**	10
Total	**198**	112

2.5 Fees and commission expense

Related party	2021	2020
The People's Insurance Company (Group) of China Limited and its related parties	**6**	5
Longyan Huijin Development Group Co., Ltd. and its related parties	**-**	2
Others	**12**	1
Total	**18**	8

2.6 General and administrative expenses-insurance

Related party	2021	2020
The People's Insurance Company (Group) of China Limited and its related parties	**521**	377

In 2021, the Bank was paid RMB1 million in compensation from People's Insurance Company of China (2020: RMB1 million).

2.7 General and administrative expenses-others

Related party	2021	2020
China Tobacco and its related parties	**28**	21
Others	**2**	20
Total	**30**	41

3. Unsettled amount of related party transactions

3.1 Deposits with banks and other financial institutions

Related party	2021	2020
Associates	**9**	14

3.2 Placements with banks and other financial institutions

Related party	2021	2020
Associates	**1,415**	2,949

3.3 Loans and advances to customers

Related party	2021	2020
Fujian Yango Holdings Group and its related parties	**7,417**	6,592
Associates	**2,260**	2,543
Zhejiang Energy Group Co., Ltd. and its related parties	**726**	522
Longyan Huijin Development Group Co., Ltd. and its related parties	**534**	867
China Tobacco and its related parties	**293**	197
Others	**13**	9
Total	**11,243**	10,730

3.4 Other debt investments

Related party	2021	2020
Zhejiang Energy Group Co., Ltd. and its related parties	**191**	-
Longyan Huijin Development Group Co., Ltd. and its related parties	**-**	100
Total	**191**	100

3.5 Debt investments

Related party	2021	2020
Associates	**3,609**	7,009
Fujian Yango Holdings Group and its related parties	**912**	1,215
Total	**4,521**	8,224

3.6 Deposits from banks and other financial institution

Related party	2021	2020
Associates	**1,232**	851
Zhejiang Energy Group Co., Ltd. and its related parties	**500**	3,000
China Tobacco and its related parties	**339**	54
The People's Insurance Company (Group) of China Limited and its related parties	**256**	38
Fujian Yango Holdings Group and its related parties	**10**	367
Total	**2,337**	4,310

3.7 Deposits from customers

Related party	2021	2020
China Tobacco and its related parties	**90,333**	82,535
The People's Insurance Company (Group) of China Limited and its related parties	**24,357**	24,063
Fujian Yango Holdings Group and its related parties	**4,173**	6,138
The Finance Bureau of Fujian Province and its subsidiaries	**3,087**	1,955
Associates	**1,240**	1,267
Longyan Huijin Development Group Co., Ltd. and its related parties	**1,140**	512
Zhejiang Energy Group Co., Ltd. and its related parties	**16**	36
Others	**59**	409
Total	**124,405**	116,915

3.8 Right-of-use assets

Related party	2021	2020
China Tobacco and its related parties	**23**	N/A

3.9 Lease liabilities

Related party	2021	2020
China Tobacco and its related parties	**24**	N/A

3.10 Credit line

Related party	2021	2020
The People's Insurance Company (Group) of China Limited and its related parties	**54,000**	54,000
Fujian Yango Holdings Group and its related parties	**18,500**	22,000
China Tobacco and its related parties	**17,000**	15,000
Zhejiang Energy Group Co., Ltd. and its related parties	**8,100**	8,100
Longyan Huijin Development Group Co., Ltd. and its related parties	**4,000**	4,000
Total(i)	**101,600**	103,100

Note (i): Based on the principle of materiality, the above table only disclosed the credit lines of material related party annouced by the Group.

3.11 Off-balance sheet items

Related party	Bank acceptances	
	2021	2020
Fujian Yango Holdings Group and its related parties	**1,705**	1,641
Associates	**1,421**	1,237
Longyan Huijin Development Group Co., Ltd. and its related parties	**67**	30
China Tobacco and its related parties	**40**	68
Zhejiang Energy Group Co., Ltd. and its related parties	**-**	113
The People's Insurance Company (Group) of China Limited and its related parties	**-**	294
Total	**3,233**	3,383

Related party	Letters of guarantee	
	2021	2020
Fujian Yango Holdings Group and its related parties	**283**	304
China Tobacco and its related parties	**56**	54
The People's Insurance Company (Group) of China Limited and its related parties	**-**	470
Total	**339**	828

Related party	Letters of credit	
	2021	2020
Associates	**492**	560
Zhejiang Energy Group Co., Ltd. and its related parties	**140**	-
Longyan Huijin Development Group Co., Ltd. and its related parties	**47**	-
China Tobacco and its related parties	**1**	-
Total	**680**	560

4. Key management personnel remuneration

	2021	2020
Salary and welfare	**14**	14

X. Contingencies and commitments

1. Pending litigations

As of the balance sheet date, the Group's management considers that there is no pending litigation which has a significant impact on the financial statements that needs to be disclosed.

2. Off-balance sheet items

Contractual amount

	The Group and the Bank	
	2021	2020
Credit card commitments	**466,625**	444,176
Letters of credit	**158,352**	148,465
Letters of guarantee	**106,912**	108,561
Bank acceptances	**835,418**	822,341
Irrevocable loan commitments	**21,714**	27,137
Total	**1,589,021**	1,550,680

3. Capital commitments

	Contractual amount of the Group		Contractual amount of the Bank	
	2021	2020	2021	2020
Authorized but not contracted for	**107**	156	**103**	155
Contracted but not paid for	**602**	406	**588**	388
	709	562	**691**	543

4. Collateral

Assets pledged

4.1 The carrying amount of assets pledged as collateral under repurchase agreements is as follows:

	The Group		The Bank	
	2021	2020	2021	2020
Bonds	**237,375**	85,015	**225,472**	73,080
Bills	**32,416**	41,035	**32,416**	41,330
Total	**269,791**	126,050	**257,888**	114,410

4.2 As at 31 December 2021, the Group and the Bank have no pledged bonds to credit derivative transaction (31 December 2020: Nil) .

Collateral accepted

In the resale agreement, the Group can sell pledged assets or transfer them in other transactions when the counterparty is not in breach of the contract. As at 31 December 2021, the fair value of pledged assets available for sale or convertible is RMB9,254 million (31 December 2020: RMB1,976 million).

5. Redemption commitment of certificate treasury bonds and saving treasury bonds

The Group entrusted by the MOF as its agent issues certificate treasury bonds and saving treasury bonds. Holders of certificate treasury bonds and saving treasury bonds can require advance redemption, and the Group has the obligation to execute the redemption responsibility. Redemption amount for the certificate treasury bonds and saving treasury bonds includes principal and interest payable till redemption date.

As of 31 December 2021 and 31 December 2020, the cumulative principal balances of the certificate treasury bonds and saving treasury bonds which are issued by the Group under trust prior to maturity and not been paid are as follows:

	The Group and the Bank	
	2021	2020
Certificate treasury bonds and saving treasury bonds	**2,532**	2,682

The Group believes the Group's redemption amount of these certificate treasury bonds and saving treasury bonds is not significant before their maturity.

6. Fiduciary Business

	The Group		The Bank	
	2021	2020	2021	2020
Fiduciary loans	**181,653**	223,035	**181,653**	223,035
Fiduciary wealth management products	**1,746,548**	1,447,569	**429,831**	777,775
Fiduciary investments	**-**	73	**-**	73

Fiduciary loans are loans that depositor designated specific third party as the loan party, and related credit risk of the loan is borne by depositors who designated borrowers.

Fiduciary wealth management products refer to a kind of service that the entrusted Group is responsible for the operation and management of customer assets. The investment risk of fiduciary wealth management products is borne by the trustor.

Fiduciary investments refers to a kind of service that the entrusted Group engaged in capital operation, investment management, investment advisory and other investment services based on the principal-agent relationship. The investment risk of fiduciary investment is borne by the trustor.

XI. Financial risk management

1. Overview

The Group is exposed to various types of risks due to its financing businesses including banking business. The Group identifies, assesses and monitors various risks on an on-going basis. The most significant types of risk to which the Group is exposed are credit risk, market risk, liquidity risk and operation risk, country risk, bank account interest rate risk, reputation risk, strategic risk, information technology risk.

The Group's risk management objectives are to achieve a proper balance between risks and benefits and run business safely and prudently under reasonable level of risk.

2. Risk management framework

Risk management is the basic safeguard of survival and development of commercial banks. The Group has taken risk management as one of its core competitiveness, formulated development strategy focus on business operation as well as risk management, established pre-during-post events risk control system with a core of risk asset management, and improved the risk management and operation instructions for various businesses; completed the mechanism of risk responsibilities and punishment, implemented credit business operation responsibilities, established risk fund for credit post personnel, enhanced risk constraints; including credit risk, market risk, liquidity risk, operational risk and other risks into the scope of risk management and continuously improve the risk management mechanism to wholly-owned and holding subsidiaries; Further defined the specific responsibilities of board of directors, board of supervisors, senior management and operation executives in respect of risk management, formed a defined, clear and effective overall risk management system. In daily risk management work, the Group's business sector, risk management department and internal audit department build up the "three defences"; they perform their respective functions and work together to achieve the objective of risk management. Among them, operation institutions and business sector form the first line of defences to conduct risk management according to the risk management rules and policies. Operation institutions take precautions against all the business and operating risk, while business sector is in-charge of making its risk management policy, evaluating the effectiveness of risk management regularly and taking corrective actions if necessary. The risk management department is the second line of defences, which is responsible for the constitution of the Group's risk management strategy, policy, regulations and process, and supervision of the execution. Meanwhile, the risk management department is responsible for the identification, evaluation and supervision of the risk that the Group faces, assessing the Group's risk condition periodically, taking measures for continuously improvement, pushing forward the outspread of overall risk management work. The internal audit department is the third line of defences. It is responsible for all process audits, continuously providing independent and prospective audit and supervision with emphasis.

3. Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The Group's major credit risks come from loans and receivables (enterprises and personal credit loans), treasury operations (including debt investment) and off-balance sheet related credit risk exposures. The Group manages and controls credit risk according to the following processes: customer investigation before granting of credit limits, credit review and approval and post-disbursement loan monitoring and collection.

The Group establish the risk management department, which is responsible for organizing, implementing the credit risk management strategies and policies of the Group, it is also responsible for making basic rules for the Group risk management affairs, in addition, it is also professionally managing, evaluating, guiding the general operation of the Group risk management together with inspecting and supervising the activities mentioned above. As the leading party, the risk management department formulates unified standards, responsible for the credit management on the whole. All the actions taken are to ensure the overall credit risk under control. The Group set up risk management department and professional risk management desk in all the three major lines called enterprise financial line, retail financial line and investment banking and financial markets line. Each of the risk departments is responsible for the credit management in its own line or professional operating department, and it is also responsible for making detailed regulation and operating rules and approving projects within the approving authority. The Group also sets up several specialized committees such as Credit Approval Committee and Credit Accountability Committee. The first one is responsible for the examination and approval of the loans within the authority. The other one is responsible for determining the responsibility of related loans.

The Group has formulated a whole set of credit policies on approval process and management procedure, and implemented throughout the Group. The credit management procedure for corporate and personal loans can be classified as credit investigation, credit examination, credit approval, credit disbursement, and post disbursement monitoring and recovery process. In addition, the Group issued Due Diligence of Credit approval to clarify the duties of different positions, to effectively control the credit risk, and to strengthen compliance of credit business.

In accordance with the discriminative credit policy of "protecting, controlling, and compressing", the Group set up detailed rules for the implementation of credit policy, which has intensified the credit support for the real economy and optimized credit resources allocation. The Group preferentially develops credit businesses for industries which comply with national policy orientation, develop rapidly and have broad market prospects (including infrastructures, people's livelihood, strategic emerging industries and modern agriculture); actively practices green credit principle, preferentially supports green and environment friendly industry with obvious social benefits, mature technology application and commercial operation; supports short-term cycle and people's livelihood consumption industry like medical care, education, tourism and communication.

The Group has established a customer credit rating system which comprehensively and systematically investigated various factors and variation trends that influence customer solvency in future; disclosed and evaluated customers' credit risks and capabilities based on qualitative and quantitative analysis. Credit rating results become an important foundation to draw up credit service polices, adjust and optimize client structure, as well as identify credit service of individual customer. According to new Basel Capital Accord and relevant guides of CBRC, the Group developed and established customer internal rating system and has been continuously optimizing the model and system. Meanwhile, the related results of internal rating has continuously entered into various risk management areas including authorization management, industry access, limit management, economic capital measurement and asset impairment calculation. Since the credit risk weighted assets ("CRWA") measurement system was completed and launched, the Group had the capacity to measure CRWA using internal rating method. As the new capital accords related projects were completed successively, the Group got promoted in capacity of identification, measurement and control of credit risk.

The Group developed risk warning system, applying big data technology to fully integrate both internal and external risk information and analysing as per certain rules so as to form a warning indicator. With customers' potential risks disclosed in time by monitoring the indicator, the active push, tracking, feedback and report generating by level of warning indicator can be achieved and the timeliness and accuracy of risk warning can be improved effectively. The risk warning system realized the online posting of warning information and carried out system hard control over processes including warning adjustment, cancellation etc. and provided basic guarantee for credit management.

The Group accurately identified risks conditions of credit asset, reasonably reflected the income after risk adjustment to guide capital allocation optimization in operation institutions and allocation of credit resources to strengthen risk awareness in operation institutions. Therefore, Credit Asset Risks Classification Implementation

Method and Credit Asset Risks Classification Implementation Standards and others have been established to make sure branches adjust credit asset risks classification according to real conditions of projects. Based on 5 levels classified by CBRC, the Group has classified its credit asset risks into 9 levels as level 1(normal), level 2(normal), level 3(normal), level 1(attention), level 2(attention), level 3(attention), sublevel, doubtful and loss. The Group has various management policies to each level.

In 2020, the COVID-19 pandemic has caused a certain impact on China's overall economic operation and affected enterprises' normal operation differently, which has in turn affected the asset quality of the Group's credit assets to a certain extent. Despite the situation caused by the pandemic, the Group provided relief support for customers affected by the epidemic in accordance with government regulations. The Group has also further strengthened risk monitoring, increased the frequency of risk inspections, and performed risk tracking in respect of customers affected by the pandemic. Based on the intelligent risk control platform, the Group enhances the application of big data analysis in its risk management to proactively respond to changes in the external environment, and takes forward-looking risk control measures to effectively resolve hidden risks and prevent the accumulation of non-performing loans.

Risks arising from credit commitments are similar to risks of loans and advances to customers in substance. Therefore, requirements for application, post-loan management and pledge and guarantees are the same with those in loans and advances to customers. According to substanceover-form principle, the Group includes the non-standard credit loans in the comprehensive risk management system and manages them by comparing to traditional loans. The Group provides uniform credit, carries out general control on risks, executes uniform credit policy in nationwide, carries out whole-process responsibilities management by comparing to traditional loans, implements risk classification and provides risk reserves.

ECL measurement

Stage of financial asset risks

The Group adopted a three-stage ECL model for the impairment of financial assets. The model is summarised as follows:

• Financial assets that have not increased significantly since the initial recognition or have a low credit risk at the reporting date are included in stage 1, and the Group continuously monitors its credit risk;

• Financial assets that have a significant increase (excluding the low credit risk of such financial instruments at the reporting date), but without objective impairment evidence are included in stage 2. Criteria of the Group's significant increase in credit risk, see Significant increase in credit risk;

• Financial assets with objective evidence of impairment at the reporting date are included in stage 3. The Group's definition of credit impairment and default, see Definition of asset defaulted and credit-impaired.

• Financial assets classified in stage 1 make provisions for ECL caused by defaults that may occur within 12 months after the reporting date, and the financial assets classified in the stage 2 and 3 make provisions for the entire lifetime ECL; calculation of the interest income of financial assets classified in stage 1 and 2 is based on the total carrying value of the assets, and interest income of the financial assets classified in stage 3 is calculated based on the net amount after deducting provisions for credit losses. Inputs, assumptions and estimation techniques utilised in ECL measurement, see Measurement of ECL – Explanation of inputs, assumptions and estimation techniques.

• The Group takes into account forward-looking information when measuring ECLs. For a description of how the Group considers forward-looking information into the ECL model, please refer to Forward-looking information incorporated in the ECL model;

• Purchased or originated credit-impaired (POCI) financial assets refer to financial assets with credit impairment at initial recognition. Loss provision of these assets are lifetime ECLs.

The key judgements and assumptions adopted by the Group when measuring the are as follows:

Significant increase in credit risk

The Group identifies whether the credit risk has increased significantly by comparing default risk at the reporting date with the risk of default on the day of initial recognition. Main factors include: 1. The PD of impairment losses, e.g. the internal credit rating of corporate loans declined by 3 levels or more, and the external credit rating of bond investment declined by 3 levels or more in principle. 2. Other significant increase in credit risk. Generally, if the credit business is overdue for over 30 days, it should be considered a significant increase in credit risk. The Group reviews whether the evaluation criteria are applicable to the current situation on a regular basis.

After the outbreak of the COVID-19 pandemic, the Group provided relief support for customers affected by the pandemic in accordance with government regulations. For customers who apply for loan relief, the Group strictly follows policy requirements related to deferred payment of principal and interest and regulates customers' eligibility. For customers who are eligible for loan relief, the Group provides support measures such as loan extensions, deferred interest payment, and adjustments to the repayment plans. The Group also evaluates whether the credit risk of such customers has increased significantly based on actual circumstances.

Definition of asset defaulted and credit-impaired

The Group carefully considers whether different standards represent client defaults. When a financial asset meets one or more of the following conditions, the Group recognizes the financial asset as defaulted, and the standard is consistent with the definition of the credit-impaired:

(1) Quantitative criteria:

• Payment overdue for more than 90 days. If the borrower violates the prescribed overdraft limit or the re-approved overdraft limit is less than the current balance, the overdraft will be deemed to be overdue.

(2) Qualitative criteria:

• Any loan to the debtor ceases to bear interest or accrue interest is included in the off-balance sheet accounting;

• After the occurrence of the credit relationship, due to the deterioration of the financial situation of the debtor, the Group wrote off the loan or has made a certain proportion of loan loss provisions;

• The Group sells the loan and assumes a certain percentage of the book loss;

• Due to the deterioration of the financial situation of the debtor, the Group agreed to restructure and make non-commercial adjustments to the terms of the loan contract, including but not limited to the following: (a) The contract term changes lead to a decline in the scale of the debt; (b) the debtor is unable to repay the loan; (c) extension due to the debtor's inability to repay;

• The Group classifies the debtor as a bankrupt enterprise or a similar status;

• The debtor filed for bankruptcy, or has gone bankrupt, or is in a similar state of protection, and thus will not perform or postpone the settlement of the debts of the Group;

• Other circumstances identified by the Group that may result in the debtor not being able to fully repay the debt.

The above criteria apply to all financial instruments of the Group and are consistent with the definition of default used in internal credit risk management. The definition of default has been consistently applied to the model of Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) in the Group's ECL calculation process.

Measurement of ECL – Explanation of inputs, assumptions and estimation techniques

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different financial assets according to its current risk stage with ECL of 12 months or the entire lifetime respectively. The expected credit losses taken by the Group are obtained by Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), and discounted by discount factors. Definitions are as follows:

• PD refers to the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

• The exposure to default risk refers to the amount that the Group should be repaid in the event of default in the next 12 months or throughout the remaining period;

• LGD is the Group's estimation regarding the extent of the EAD.

The estimates for each risk parameter are as follows:

• Estimation of PD: For non-retail credit assets, the PD is obtained through the main benchmark mapping of internal rating and the macroeconomic forward-looking adjustment is applied to obtain the applicable PD; for retail credit assets, it is based on PD of division of pool, and the macroeconomic forward-looking adjustment is conducted to obtain the applicable PD; for bond assets, the PD is mapped to the main benchmark mainly through external rating, and the applicable PD is obtained through macroeconomic forward-looking adjustment; PD for the entire lifetime of more than 12 months is estimated by a 12M PD and a forward-looking adjustment factor;

• Estimation of EAD: The EAD of financial assets in the first and third stages is the amortised cost; the EAD of financial assets in the second stage is the amortised cost and the cash discount of capital recovered in the following years;

• Estimation of LGD: For non-retail credit assets, it uses the LGD after mitigation, and a macroeconomic forward-looking adjustment is made to obtain the LGD applicable under the new standard; for retail credit assets, it is based on LGD of division of pool, and a macroeconomic forward-looking adjustment is conducted to obtain the LGD applicable under the new standard; for the loss without historical data collection and write-off of data assets, it is based on peer experience and regulatory factors, combined with expert's judgement.

The ECL is multiplied by the above estimated PD, EAD and LGD, and discounted to the reporting date. The discount rate used in the ECL calculation is the initial actual effective interest rate.

The Group monitors and reviews assumptions related to the calculation of ECL on a regular basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated in the ECL model

Risk parameters related to the calculation of ECL incorporates forward-looking information. The macroeconomic indicators considered by the Group include GDP growth rate, year-on-year growth of CPI , year-on-year growth of M2 monetary supply, cumulative year-on-year growth of fixed asset investment completion value, year-on-year growth of total cumulative value of retail sales of social consumer goods, year-on-year growth of cumulative value of real estate development investment, and the year-on-year growth of per capita disposable income of urban residents. The macroeconomic forward-looking adjustment factors are determined based on the historical situation of these macroeconomic indicators and the predicted values for the coming year. Considering that the changes in the future macro economy may differ from the estimations, the Group reviews and monitors the appropriateness of the estimation on a regular basis. In 2021, the Group maintains a conservative approach towards future economic forecasts when evaluating expected credit losses. The forward-looking information used has taken full account of the impact of COVID-19 on the macro economy and the banking sector.

3.1 Concentration of credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's portfolio of financial instrument is diversified along geographic, industry and product sectors.

The Group mainly operates the lending and guarantee business in the PRC mainland only. Since there are different economic development characteristics in the different regions in China, the characteristics of credit risks are also different.

For the geographical and industrial concentration of the loans and advances to customers please refer to Note VII, 6.

3.2 Maximum exposure to credit risk

Despite any usable collateral, and other credit enhancement measures, the maximum credit risk exposure that the Group and the Bank can afford on balance sheet date is the related financial assets (including derivative instruments and deducted equity instruments) plus the amount of off-balance sheet book value in Note X, 2. As at 31 December 2021, the maximum credit risk exposure of the Group amounted to RMB9,464,758 million (31 December 2020: RMB8,791,696 million); the maximum credit risk exposure of the Bank amounted to RMB9,206,278 million (31 December 2020: RMB8,556,258 million).

Credit exposure

Loans and advances to customers

	The Group				
	2021				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**4,285,080**	**34,070**	**1,180**	**-**	**4,320,330**
Medium risk	**-**	**60,128**	**7,857**	**-**	**67,985**
High risk	**-**	**-**	**49,017**	**-**	**49,017**
Total carrying amount	**4,285,080**	**94,198**	**58,054**	**-**	**4,437,332**
Allowance for impairment losses	**(81,935)**	**(14,080)**	**(33,862)**	**-**	**(129,877)**
Total	**4,203,145**	**80,118**	**24,192**	**-**	**4,307,455**

	The Group				
	2020				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	3,861,722	6,903	821	-	3,869,446
Medium risk	-	45,350	9,455	-	54,805
High risk	-	-	49,774	-	49,774
Total carrying amount	3,861,722	52,253	60,050	-	3,974,025
Allowance for impairment losses	(68,662)	(7,485)	(31,921)	-	(108,068)
Total	3,793,060	44,768	28,129	-	3,865,957

The Group classifies asset risk characteristics according to the quality of assets. "Low risk" means that the borrower can fulfill the contract, and there are not enough reasons to suspect that the principal and interest of the loan cannot be repaid in full on time; "Medium risk" means that the borrower is currently able to repay the principal and interest of the loan, but there are some factors that may adversely affect the repayment; "High risk" means that the borrower's repayment ability has obvious problems and loan principal and interest cannot be repaid in full by relying on normal business income. Even if the guarantee is enforced, losses may be incurred. The above maximum credit risk exposure information for loans and advances does not include loans and advances that are measured at fair value through profit or loss.

Off-balance sheet items

	The Group				
	2021				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**1,581,783**	**3,305**	**638**	**-**	**1,585,726**
Medium risk	**-**	**3,273**	**-**	**-**	**3,273**
High risk	**-**	**-**	**22**	**-**	**22**
Total carrying amount	**1,581,783**	**6,578**	**660**	**-**	**1,589,021**
Allowance for impairment losses	**(3,947)**	**(126)**	**(10)**	**-**	**(4,083)**
Total	**1,577,836**	**6,452**	**650**	**-**	**1,584,938**

	The Group				
	2020				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	1,542,315	4,177	1,252	-	1,547,744
Medium risk	-	1,892	-	-	1,892
High risk	-	-	1,044	-	1,044
Total carrying amount	1,542,315	6,069	2,296	-	1,550,680
Allowance for impairment losses	(4,214)	(614)	(569)	-	(5,397)
Total	1,538,101	5,455	1,727	-	1,545,283

Financial investments

	The Group				
	2021				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**2,056,871**	**10,226**	**-**	**-**	**2,067,097**
Medium risk	**-**	**18,353**	**2,018**	**-**	**20,371**
High risk	**-**	**-**	**40,503**	**-**	**40,503**
Total carrying amount	**2,056,871**	**28,579**	**42,521**	**-**	**2,127,971**
Allowance for impairment losses	**(8,390)**	**(6,671)**	**(27,256)**	**-**	**(42,317)**
Total	**2,048,481**	**21,908**	**15,265**	**-**	**2,085,654**

	The Group				
	2020				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	2,036,218	9,442	-	-	2,045,660
Medium risk	-	22,059	12,371	-	34,430
High risk	-	-	17,911	-	17,911
Total carrying amount	2,036,218	31,501	30,282	-	2,098,001
Allowance for impairment losses	(14,162)	(3,420)	(13,920)	-	(31,502)
Total	2,022,056	28,081	16,362	-	2,066,499

The Group classifies the credit ratings of financial assets included in the ECL measurement as "low risk", "medium risk" and "high risk" according to the characteristics of risk levels. "Low risk" means that the assets are of good quality, the possibility of future default is low, and it is less affected by external unfavourable factors; "medium risk" means the asset has certain solvency, but the persistent significant instability or poor commercial, financial or economic conditions may reduce its solvency; and "high risk" means the existence of unfavourable factors that have a material impact on solvency, a higher risk of default or assets that meet the definition of default by the Group.

Deposits with banks and other financial institutions

	The Group				
	2021				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**562,275**	**-**	**-**	**-**	**562,275**
Medium risk	**-**	**-**	**-**	**-**	**-**
High risk	**-**	**-**	**9**	**-**	**9**
Total carrying amount	**562,275**	**-**	**9**	**-**	**562,284**
Allowance for impairment losses	**(3,071)**	**-**	**(9)**	**-**	**(3,080)**
Total	**559,204**	**-**	**-**	**-**	**559,204**

	The Group				
	2020				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	412,419	-	-	-	412,419
Medium risk	-	-	-	-	-
High risk	-	-	25	-	25
Total carrying amount	412,419	-	25	-	412,444
Allowance for impairment losses	(1,923)	-	(25)	-	(1,948)
Total	410,496	-	-	-	410,496

The Group classifies risk characteristics of deposits with banks and other financial institutions based on asset entry and internal rating changes. "low risk" means that the issuer's initial internal rating is above the entry level, there are no reasons to suspect that the financial investment is expected to default; "medium risk" means that although the issuer's internal rating is reduced to a certain extent, but there are not enough reasons to suspect that the financial investment is expected to default; "high risk" means that there are obvious problems may cause a default, or the financial investment indeed is defaulted.

3.3 Analysis of exposure to credit risk of the Group about loans and advances to customers, inter-bank placements, investments and finance lease receivables

As at 31 December 2021, the credit risk stages of financial instruments are as follows:

	The Group							
	Gross carrying amount				Allowance for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Measured at amortised cost:								
Cash and balances with Central Bank	**447,446**	-	-	**447,446**	-	-	-	-
Deposits with banks and other financial institutions	**66,649**	-	**9**	**66,658**	**(398)**	-	**(9)**	**(407)**
Placements with banks and other financial institutions	**353,248**	-	-	**353,248**	**(1,426)**	-	-	**(1,426)**
Financial assets purchased under resale agreements	**142,378**	-	-	**142,378**	**(1,247)**	-	-	**(1,247)**
Loans and advances to customers								
- Corporate loans and advances	**2,112,243**	**76,080**	**38,600**	**2,226,923**	**(72,114)**	**(11,259)**	**(17,806)**	**(101,179)**
- Personal loans and advances	**1,849,111**	**17,529**	**19,413**	**1,886,053**	**(9,821)**	**(2,821)**	**(16,056)**	**(28,698)**
Financial investments	**1,574,039**	**27,154**	**42,154**	**1,643,347**	**(8,390)**	**(6,671)**	**(27,256)**	**(42,317)**
Finance lease receivables	**103,709**	**742**	**4,411**	**108,862**	**(1,461)**	**(201)**	**(3,243)**	**(4,905)**
Financial assets, Others	**38,739**	**20**	**538**	**39,297**	**(1,406)**	**(2)**	**(533)**	**(1,941)**
Total	**6,687,562**	**121,525**	**105,125**	**6,914,212**	**(96,263)**	**(20,954)**	**(64,903)**	**(182,120)**

	The Group							
	Gross carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Fair value through other comprehensive income:								
Loans and advances to customers								
- Corporate loans and advances	**323,726**	**589**	**41**	**324,356**	**(1,008)**	**(3)**	**(21)**	**(1,032)**
Other debt investments	**482,832**	**1,425**	**367**	**484,624**	**(752)**	**(233)**	**(1,313)**	**(2,298)**
Total	**806,558**	**2,014**	**408**	**808,980**	**(1,760)**	**(236)**	**(1,334)**	**(3,330)**
Credit commitments	**1,581,783**	**6,578**	**660**	**1,589,021**	**(3,947)**	**(126)**	**(10)**	**(4,083)**

As at 31 December 2020, the credit risk stages of financial instruments are as follows:

	The Group							
	Gross carrying amount				Allowance for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Measured at amortised cost:								
Cash and balances with Central Bank	411,147	-	-	411,147	-	-	-	-
Deposits with banks and other financial institutions	95,528	-	16	95,544	(321)	-	(16)	(337)
Placements with banks and other financial institutions	192,561	-	9	192,570	(622)	-	(9)	(631)
Financial assets purchased under resale agreements	124,330	-	-	124,330	(980)	-	-	(980)
Loans and advances to customers								
- Corporate loans and advances	1,963,313	42,567	41,751	2,047,631	(60,239)	(6,171)	(19,037)	(85,447)
- Personal loans and advances	1,690,748	9,672	18,271	1,718,691	(8,423)	(1,314)	(12,884)	(22,621)
Financial investments	1,524,446	28,497	28,690	1,581,633	(14,162)	(3,420)	(13,920)	(31,502)
Finance lease receivables	100,583	1,845	3,445	105,873	(1,894)	(556)	(2,807)	(5,257)
Financial assets, Others	54,466	287	2,020	56,773	(1,452)	(41)	(1,729)	(3,222)
Total	6,157,122	82,868	94,202	6,334,192	(88,093)	(11,502)	(50,402)	(149,997)

	The Group							
	Gross carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Fair value through other comprehensive income:								
Loans and advances to customers								
- Corporate loans and advances	207,661	14	28	207,703	(576)	-	(17)	(593)
Other debt investments	511,772	3,004	1,592	516,368	(593)	(591)	(2,904)	(4,088)
Total	719,433	3,018	1,620	724,071	(1,169)	(591)	(2,921)	(4,681)
Credit commitments	1,542,315	6,069	2,296	1,550,680	(4,214)	(614)	(569)	(5,397)

3.3.1 Loans and advances to customers

As at 31 Dememeber 2021, loans and advances to customers were analysed by types of security as follows, excluding loans and advances measured at fair value through profit or loss:

	31 December 2021		31 December 2020	
	The Group	The Bank	The Group	The Bank
Stage 1				
Unsecured loans	**1,166,567**	**1,116,826**	1,040,036	1,006,540
Guaranteed loans	**821,906**	**821,906**	772,877	772,877
Collateralised loans	**2,296,607**	**2,296,607**	2,048,809	2,048,809
- Secured by mortgage	**1,669,855**	**1,669,855**	1,528,590	1,528,590
- Secured by collaterals	**626,752**	**626,752**	520,219	520,219
Subtotal	**4,285,080**	**4,235,339**	3,861,722	3,828,226
Stage 2				
Unsecured loans	**16,175**	**15,432**	10,895	10,493
Guaranteed loans	**37,747**	**37,747**	14,297	14,297
Collateralised loans	**40,276**	**40,276**	27,061	27,061
- Secured by mortgage	**30,318**	**30,318**	24,639	24,639
- Secured by collaterals	**9,958**	**9,958**	2,422	2,422
Subtotal	**94,198**	**93,455**	52,253	51,851
Stage 3				
Unsecured loans	**13,675**	**12,547**	13,615	12,659
Guaranteed loans	**18,436**	**18,436**	25,448	25,448
Collateralised loans	**25,943**	**24,543**	20,987	20,539
- Secured by mortgage	**25,096**	**23,696**	20,123	19,675
- Secured by collaterals	**847**	**847**	864	864
Subtotal	**58,054**	**55,526**	60,050	58,646
Total	**4,437,332**	**4,384,320**	3,974,025	3,938,723
Fair value of collateral held against credit-impaired loans	**12,622**	**12,622**	10,377	10,377

The above collateral mainly includes land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

3.3.2 Deposits with banks and other financial institutions

Deposits with banks and other financial institutions include balances with banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreements of which counterparties are banks and non-bank financial institutions.

	2021		2020	
	The Group	The Bank	The Group	The Bank
Occurred credit impaired	**9**	**9**	25	25
Less: allowances for impairment losses	**(9)**	**(9)**	(25)	(25)
Subtotal	**-**	**-**	-	-
Neither past due nor credit-impaired				
- Grade A to AAA	**309,623**	**313,179**	264,654	263,630
- Grade B to BBB	**1,282**	**1,282**	609	609
- Unrated	**250,591**	**250,592**	146,108	146,108
Total	**561,496**	**565,053**	411,371	410,347
Interest accrued	**779**	**890**	1,048	1,148
Less: allowances for impairment losses	**(3,071)**	**(3,067)**	(1,923)	(1,912)
Subtotal	**559,204**	**562,876**	410,496	409,583
Total	**559,204**	**562,876**	410,496	409,583

Deposits with banks and other financial institutions are analysed above according to the Group and the Bank's internal credit rating. Exposure limits are set for trading counterparties of banks and non-bank financial institutions.

3.3.3 Distribution of investments analysed by rating

The ratings are obtained from Standard & Poor's ratings, or major rating agencies where the issuers of the debt securities are located. The investments include debt investments in Financial investments.

	The Group					
	2021					
	Unrated	AAA	AA	A	Lower than A	Total
Occurred credit impaired						
- Other corporates	**25,716**	**-**	**2,436**	**227**	**13,264**	**41,643**
- Banks and non-bank financial institutions.	**21**	**857**	**-**	**-**	**-**	**878**
Total	**25,737**	**857**	**2,436**	**227**	**13,264**	**42,521**
Allowance for impairment losses						**(27,256)**
Subtotal						**15,265**
Overdue nor credit impaired						
- Other corporates	**8,689**	**-**	**178**	**-**	**-**	**8,867**
Allowance for impairment losses						**(961)**
Subtotal						**7,906**
Neither overdue nor credit impaired						
- Government	**890,965**	**216,165**	**-**	**-**	**-**	**1,107,130**
- Policy banks	**42,625**	**-**	**-**	**325**	**-**	**42,950**
- Banking and non-banking financial institution	**88,478**	**123,624**	**20,962**	**6,648**	**1,189**	**240,901**
- Other corporates	**303,447**	**411,515**	**232,381**	**6,876**	**22,059**	**976,278**
Total	**1,325,515**	**751,304**	**253,343**	**13,849**	**23,248**	**2,367,259**
Allowance for impairment losses						**(14,100)**
Subtotal						**2,353,159**
Total						**2,376,330**

	2020					
	Unrated	AAA	AA	A	Lower than A	Total
Occurred credit impaired						
- Other corporates	21,223	643	1,676	-	5,032	28,574
- Banks and non-bank financial institutions.	940	857	-	-	-	1,797
Total	22,163	1,500	1,676	-	5,032	30,371
Allowance for impairment losses						(13,920)
Subtotal						16,451
Overdue nor credit impaired						
- Other corporates	8,114	-	-	-	-	8,114
Allowance for impairment losses						(1,031)
Subtotal						7,083
Neither overdue nor credit impaired						
- Government	801,859	174,206,	-	687	-	976,752
- Policy banks	22,844	-	-	916	-	23,760
- Banking and non-banking financial institution	125,360	115,865	13,220	8,244	1,665	264,354
- Other corporates	396,654	398,871	203,734	13,252	40,080	1,052,591
Total	1,346,717	688,942	216,954	23,099	41,745	2,317,457
Allowance for impairment losses						(16,551)
Subtotal						2,300,906
Total						2,324,440

3.4 Collateral and other credit enhancements

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. The pledge rate depends on the credit information, operation and management, and financial position of pledgers, the condition of collateral, the market price, the pledged periods, and the convertibility of collateral. In addition, the Collateral Guideline of the Group set an upper limit of the pledged rate. Furthermore, the Group classifies and manages collateral by the difficulty of appraisal and management, the stability of market price and the convertibility of collateral. Following are the main types of collateral:

- For reverse repurchase agreements, collateral mainly includes bills, loans and securities;

- For commercial loans, collateral mainly includes land, properties, equipment and shares, etc;

- For retail loans, collateral mainly includes properties.

The management will monitor the market value of the collateral, ask the borrowers to increase collateral if necessary according to the agreements and monitor the changes in the market value of the collateral when reviewing the adequacy of impairment.

3.5 Rescheduled loans

Rescheduled loans refer to the loan projects generated by the the Group to re-determine the terms of the loan at the discretion of the borrower who is unable to repay the loan according to the original loan terms. If conditions permit, the Group will seek to reschedule the loan instead of obtaining ownership of the collateral. The Group assessed the rescheduled loans as impaired loans manner when rescheduling. As at 31 December 2021, the carrying amount of the Group's rescheduled loans was RMB5,823 million. (As at 31 December 2020, the amount is RMB3,840 million.)

4. Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's proprietary and customer driven business. The Group's market risk management objective is to control the market risk within a reasonable scope in order to achieve the optimal risk adjusted benefit.

According to the Group's market risk management structure, market risk management is critical for the management of the Group's assets and liabilities. Any major events should be reported to the Asset and Liability Management Committee for review and then authorized by President of the Bank. The planning and financial department is responsible for implementing the Group's asset and liability management policy, analysing and monitoring the implementation status of each type of indicators.

For daily control and management of treasury business, the risk management department of the treasure center built up mid-stage risk control system to carry out an implanting risk management and report to the risk management department of the Group.

4.1 Interest rate risk

The interest rate risk of the Group includes repricing risk, yield curve risk, benchmark risk and optional risk, among which repricing risk is the main risk. It is the risk arising from the mismatch between the agreed maturity date (fixed interest rate day) and the repricing date (floating interest rate) of interest bearing assets and interest payment liabilities. Currently, the Group has fully carried out the internal capital transfer pricing. The Group determined the transfer pricing by different products and terms, and gradually centralized the interest rate risk to the Head Office, so as to improve the efficiency of management and control the interest rate risk.

For the interest risk management of bank accounts, the Group mainly evaluates the interest rate risk of balance sheet through gap analysis. The Group dynamically monitors and controls the interest rate sensitive gap of balance sheet through information systems like assets-liabilities management system, and simply calculates the interest rate sensitivity affected by revenue and economic value on the basis of gap analysis. The revenue analysis emphasizes on the effect of the interest rate fluctuation on short-term income, while the economic value analysis emphasizes on the effect of the interest rate fluctuation on present value of net cash flow.

For the interest risk management of transaction accounts, the Group mainly achieves the real-time monitoring of the interest rate risk of the trading accounts through the quota system, the use of financial transactions and analysis system and the scientific exposure measurement models. According to regulatory requirement, the Group has strengthened the management of market risk measurement models, standardized the developing, testing and commissioning process, and built on regular evaluation mechanisms to ensure the accuracy of measurement models. The Group applies the on-line trading and analysis system to timely measure and control the interest rate risk exposure of transaction accounts, which provides effective technical support to control the interest rate risk of transaction accounts.

At the balance sheet date, an analysis of contractual repricing date or maturity date, whichever is earlier, of the financial assets and financial liabilities are as follows:

	The Group					
	2021					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	**430,986**	**-**	**-**	**-**	**16,460**	**447,446**
Deposits with banks and other financial institutions	**57,789**	**8,096**	**366**	**-**	**-**	**66,251**
Placements with banks and other financial institutions	**162,124**	**174,634**	**15,064**	**-**	**-**	**351,822**
Derivative financial assets	**-**	**-**	**-**	**-**	**34,460**	**34,460**
Financial assets purchased under resale agreements	**141,131**	**-**	**-**	**-**	**-**	**141,131**
Loans and advances to customers	**2,795,661**	**1,261,348**	**188,032**	**65,265**	**-**	**4,310,306**
Financial investments:						
Trading assets	**47,426**	**39,284**	**117,633**	**77,651**	**627,800**	**909,794**
Debt investments	**127,006**	**259,953**	**669,580**	**544,491**	**-**	**1,601,030**
Other debt investments	**80,257**	**67,030**	**250,482**	**86,855**	**-**	**484,624**
Other equity investments	**-**	**-**	**-**	**-**	**3,148**	**3,148**
Finance lease receivables	**40,130**	**48,580**	**13,965**	**1,282**	**-**	**103,957**
Other assets	**-**	**1,692**	**1,025**	**-**	**34,639**	**37,356**
Total financial assets	**3,882,510**	**1,860,617**	**1,256,147**	**775,544**	**716,507**	**8,491,325**
Financial liabilities:						
Borrowing from Central Bank	**18,805**	**76,972**	**-**	**-**	**-**	**95,777**
Deposits from banks and other financial institutions	**1,394,768**	**316,111**	**-**	**-**	**-**	**1,710,879**
Placements from banks and other financial institutions	**81,226**	**71,699**	**19,658**	**1,195**	**-**	**173,778**
Trading liabilities	**12,011**	**-**	**-**	**-**	**35,819**	**47,830**
Derivative financial liabilities	**-**	**-**	**-**	**-**	**38,847**	**38,847**
Financial assets sold under repurchase agreements	**244,010**	**21,566**	**-**	**-**	**-**	**265,576**
Deposits from customers	**2,738,365**	**731,617**	**884,823**	**200**	**743**	**4,355,748**
Debt securities issued	**339,504**	**494,153**	**237,666**	**48,793**	**-**	**1,120,116**
Lease liabilities	**606**	**1,729**	**5,573**	**1,145**	**-**	**9,053**
Other liabilities	**-**	**-**	**-**	**-**	**35,907**	**35,907**
Total financial liabilities	**4,829,295**	**1,713,847**	**1,147,720**	**51,333**	**111,316**	**7,853,511**
Net position	**(946,785)**	**146,770**	**108,427**	**724,211**	**605,191**	**637,814**

	2020					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	406,191	-	-	-	4,956	411,147
Deposits with banks and other financial institutions	80,966	14,039	202	-	-	95,207
Placements with banks and other financial institutions	101,230	89,558	1,151	-	-	191,939
Derivative financial assets	-	-	-	-	59,396	59,396
Financial assets purchased under resale agreements	122,357	993	-	-	-	123,350
Loans and advances to customers	2,688,978	978,655	134,731	64,957	-	3,867,321
Financial investments:						
Trading assets	50,666	48,489	117,020	25,072	582,680	823,927
Debt investments	161,696	173,957	758,727	455,751	-	1,550,131
Other debt investments	108,938	63,264	235,320	108,846	-	516,368
Other equity investments	-	-	-	-	2,388	2,388
Finance lease receivables	15,443	54,777	29,533	863	-	100,616
Other assets	373	3,505	315	-	46,719	50,912
Total financial assets	3,736,838	1,427,237	1,276,999	655,489	696,139	7,792,702
Financial liabilities:						
Borrowing from Central Bank	36,655	253,743	-	-	-	290,398
Deposits from banks and other financial institutions	1,163,967	323,112	-	-	-	1,487,079
Placements from banks and other financial institutions	88,602	72,865	14,675	4,029	-	180,171
Trading liabilities	932	-	-	-	15,130	16,062
Derivative financial liabilities	-	-	-	-	61,513	61,513
Financial assets sold under repurchase agreements	99,358	24,209	-	-	-	123,567
Deposits from customers	2,576,935	535,237	969,812	-	2,258	4,084,242
Debt securities issued	227,918	537,319	180,126	2,030	-	947,393
Other liabilities	-	-	-	-	26,848	26,848
Total financial liabilities	4,194,367	1,746,485	1,164,613	6,059	105,749	7,217,273
Net position	(457,529)	(319,248)	112,386	649,430	590,390	575,429

The following tables illustrate the potential impact of a parallel upward or downward shift of 100 basis points in all currencies' yield curves on the Group's net interest income and other comprehensive income, based on the Group's positions of financial assets and financial liabilities at the balance sheet date.

	The Group			
	2021		2020	
	Net interest income (decrease) increase	Other comprehensive income (decrease) increase	Net interest income (decrease) increase	Other comprehensive income (decrease) increase
+100 basis points	**(9,953)**	**(11,765)**	(7,019)	(12,288)
- 100 basis points	**9,953**	**12,389**	7,019	13,146

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged.

The sensitivity analysis on other comprehensive income is the effect on changes of fixed rate debt instruments at fair value through other comprehensive income at the period end after adjusting in accordance with the reasonably possible changes in interest rates.

The above prediction assumes that all yield curves of assets and liabilities, except demand deposit, shift upward or downward parallel. Therefore, it does not reflect the potential impact of non-parallel shift in yield curves. The prediction also assumes that all positions are held to maturity. The Group anticipates that the amount of sensitivity analysis is insignificant if a position is not held to maturity.

The assumption does not represent the Group's capital and interest rate risk management policy. Therefore, the above analysis may differ from the actual situation.

In addition, the impact of interest rate fluctuation is only for illustrating purpose, showing the anticipated net interest income and other comprehensive income of the Group under the current interest rate risk situation, and such impact has not taken into account the potential interest rate risk control activities carried out by the management.

4.2 Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain businesses denominated in USD or other currencies. RMB is the functional currency. The exchange rate for RMB converting to USD or other foreign currencies is regulated by the PBOC.

The Group is mainly exposed to currency risk resulting from currency mismatches of assets and liabilities, foreign currency transactions and foreign currency capital, etc.

The capital operation department of the Bank centrally manages the currency risk. The currency risk that arises from all types of foreign exchange transactions at the branch level should be centralized to head office to manage the risk exposure and squares positions through the core business system.

The currency risk exposure between foreign currencies is managed on the basis of "overnight position limit" and "day time self-trading positions". The positions are centralized to the capital operation department in a timely way and managed centrally. This kind of position is relatively small compared to the Group's asset scale and is controllable.

Regarding the currency risk exposure between RMB and foreign currencies, the Group is mainly exposed to currency risk resulting from the comprehensive positions of the RMB market maker and the position of the foreign currency capital. As an active RMB market maker, the Group controls the position limit properly. The comprehensive positions of the market maker are managed close to zero and the overnight positions are kept at low level.

The following tables are the structure analysis of the relevant financial assets and financial liabilities by currency.

	The Group			
	2021			
	RMB	USD equivalent to RMB	Other currencies equivalent to RMB	Total
Financial assets:				
Cash and balances with Central Bank	**437,742**	**9,553**	**151**	**447,446**
Deposits with banks and other financial institutions	**34,123**	**19,856**	**12,272**	**66,251**
Placements with banks and other financial institutions	**261,467**	**83,078**	**7,277**	**351,822**
Derivative financial assets	**30,570**	**3,770**	**120**	**34,460**
Financial assets purchased under resale agreements	**137,070**	**4,061**	**-**	**141,131**
Loans and advances to customers	**4,155,647**	**105,695**	**48,964**	**4,310,306**
Financial investments:				
Trading assets	**893,608**	**16,083**	**103**	**909,794**
Debt investments	**1,560,783**	**37,724**	**2,523**	**1,601,030**
Other debt investments	**425,810**	**57,858**	**956**	**484,624**
Other equity investments	**3,087**	**61**	**-**	**3,148**
Finance lease receivables	**103,506**	**451**	**-**	**103,957**
Other assets	**36,605**	**352**	**399**	**37,356**
Total financial assets	**8,080,018**	**338,542**	**72,765**	**8,491,325**
Financial liabilities:				
Borrowing from Central Bank	**95,777**	**-**	**-**	**95,777**
Deposits from banks and other financial institutions	**1,595,969**	**109,891**	**5,019**	**1,710,879**
Placements from banks and other financial institutions	**127,632**	**38,726**	**7,420**	**173,778**
Trading liabilities	**47,830**	**-**	**-**	**47,830**
Derivative financial liabilities	**35,425**	**3,017**	**405**	**38,847**
Financial assets sold under repurchase agreements	**258,893**	**6,683**	**-**	**265,576**
Deposits from customers	**4,177,900**	**163,840**	**14,008**	**4,355,748**
Debt securities issued	**1,087,451**	**27,265**	**5,400**	**1,120,116**
Leasing liabilities	**8,449**	**377**	**227**	**9,053**
Other liabilities	**35,772**	**84**	**51**	**35,907**
Total financial liabilities	**7,471,098**	**349,883**	**32,530**	**7,853,511**
Net position	**608,920**	**(11,341)**	**40,235**	**637,814**

	2020			
	RMB	USD equivalent to RMB	Other currencies equivalent to RMB	Total
Financial assets:				
Cash and balances with Central Bank	402,618	8,378	151	411,147
Deposits with banks and other financial institutions	38,056	56,913	238	95,207
Placements with banks and other financial institutions	158,942	32,741	256	191,939
Derivative financial assets	51,471	7,911	14	59,396
Financial assets purchased under resale agreements	122,646	704	-	123,350
Loans and advances to customers	3,721,039	86,496	59,786	3,867,321
Financial investments:				
Trading assets	797,980	25,854	93	823,927
Debt investments	1,506,665	40,018	3,448	1,550,131
Other debt investments	440,906	74,701	761	516,368
Other equity investments	2,327	61	-	2,388
Finance lease receivables	99,680	936	-	100,616
Other assets	49,811	1,005	96	50,912
Total financial assets	7,392,141	335,718	64,843	7,792,702
Financial liabilities:				
Borrowing from Central Bank	290,398	-	-	290,398
Deposits from banks and other financial institutions	1,374,364	107,331	5,384	1,487,079
Placements from banks and other financial institutions	111,375	65,456	3,340	180,171
Trading liabilities	16,062	-	-	16,062
Derivative financial liabilities	52,383	9,084	46	61,513
Financial assets sold under repurchase agreements	111,348	12,211	8	123,567
Deposits from customers	3,900,364	154,772	29,106	4,084,242
Debt securities issued	911,145	21,354	14,894	947,393
Other liabilities	26,675	86	87	26,848
Total financial liabilities	6,794,114	370,294	52,865	7,217,273
Net position	598,027	(34,576)	11,978	575,429

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against all other currencies by 5% on the foreign exchange gains or losses:

	The Group	
	2021	2020
	Foreign exchange increase(decrease)	Foreign exchange increase(decrease)
5% appreciation	**1,131**	1,231
5% depreciation	**(1,131)**	(1,231)

The above sensitivity analysis is measured on the basis that all assets and liabilities have a static currency risk structure. The relevant assumptions are:

(1) The exchange rate sensitivity represents the exchange gains or losses arisen from a 5% change of the closing exchange rates (middle price) of the different foreign currencies against RMB at the balance sheet date;

(2) The exchange rate changes of different foreign currencies against RMB move in the same direction simultaneously.

The aforesaid effect on foreign exchange gains or loss is based on the assumption that the Group's net positions of foreign exchange sensitivity and foreign exchange derivative instruments at the end of the reporting period remain unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures and appropriate use of derivative instruments, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ from the actual situation.

4.3 Other price risk

Other price risk mainly derives from equity investment, held-for-trading precious metals investment and other bonds and derivatives linked to commodity price.

The Group considers that the market risk of commodity price or stock price from portfolio is insignificant.

5. Liquidity risk

Liquidity risk refers to the risk of being unable to acquire sufficient funds in time or failing to acquire sufficient funds at a reasonable cost to meet repayment obligations for asset growth or other business. The Group's liquidity risk mainly derives from advanced or concertrated withdrawal, principal-guaranteed wealth management products redemption, deferred loan repayment and mismatches of assets and liabilities.

The assets and liabilities management committee of the Group monitors and manages the liquidity risk of the Group, ensuring effective liquidity management. The committee will determine the liquidity risk management strategy, the monitoring indicators and the alarming index, regularly analyse and discuss the liquidity risk assessment report submitted, and determine the liquidity risk management measures.

The financial planning department is responsible for: drafting liquidity risk management policies and measures; monitoring different types of liquidity ratios and exposure indicators. The planning and financial department monitors the liquidity risk ratios monthly by reviewing the assets' and liabilities' structure. If there are any ratios close to or over the alarming limits, the department has to investigate the reasons and make recommendations to adjust the assets' and liabilities' structure accordingly; analysing the liquidity risk and reporting to the assets and liabilities management committee regularly; and daily operation of liquidity management, establishment of a cash position forecast system at the Bank level in order to meet the cash payment needs and assure the liquidity for the business development requirements.

The Group regularly monitors the surplus reserve ratio, liquidity ratio, liquidity coverage ratio, net stable fund ratio, ratio of dependence on interbank liabilities and sets alarming and tolerance limits for each ratio. The Group also prepares general liquidity analysis report based on liquidity indicators recorded and net cash flow position of assets and liabilities, incorporating the consideration of macro economy and interbank liquidity status. The report is submitted to the assets and liabilities management committee for assessment. The assessment report will be submitted together with credit risk, liquidity risk and market risk to the risk management committee for the analysis of the Group's overall risk assessment to determine the management strategy accordingly.

5.1 Undiscounted contractual cash flows classified by the maturity date of contracts

The following tables are the structure analysis of non-derivative financial assets and financial liabilities by contractual maturities at the balance sheet date. The amounts disclosed in each term are the undiscounted contractual cash flows.

	The Group							
	2021							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with Central Bank	**447,446**	-	-	-	-	-	-	**447,446**
Deposits with banks and other financial institutions	**50,597**	**2,055**	**5,238**	**8,272**	**366**	-	-	**66,528**
Placements with banks and other financial institutions	-	**116,023**	**48,837**	**178,771**	**15,670**	-	-	**359,301**
Financial assets purchased under resale agreements	-	**141,956**	**513**	-	-	-	-	**142,469**
Loans and advances to customers	-	**606,703**	**337,844**	**1,184,665**	**1,327,719**	**2,242,833**	**66,476**	**5,766,240**
Financial investments:								
Trading assets	**589,920**	**4,268**	**14,574**	**48,094**	**147,537**	**57,571**	**98,845**	**960,809**
Debt investments	-	**12,516**	**54,241**	**285,198**	**746,133**	**892,603**	**19,147**	**2,009,838**
Other debt investments	-	**7,903**	**28,284**	**73,652**	**294,363**	**141,213**	**6,493**	**551,908**
Other equity investments	-	-	-	-	-	-	**3,148**	**3,148**
Financial lease receivables	-	**3,543**	**10,442**	**34,803**	**61,534**	**7,226**	**2,498**	**120,046**
Other non-derivative financial assets	**29,545**	**80**	**628**	**2,936**	**1,756**	**2,159**	**252**	**37,356**
Total non-derivative financial assets	**1,117,508**	**895,047**	**500,601**	**1,816,391**	**2,595,078**	**3,343,605**	**196,859**	**10,465,089**
Non-derivative financial liabilities:								
Borrowing from Central Bank	-	**12,354**	**6,486**	**78,664**	-	-	-	**97,504**
Deposits from banks and other financial institutions	**932,457**	**188,868**	**273,769**	**318,605**	-	-	-	**1,713,699**
Placements from banks and other financial institutions		**61,401**	**27,731**	**69,137**	**20,692**	**1,226**	-	**180,187**
Trading liabilities	**36,320**	**11,663**	**14**	**97**	**2**	-	**186**	**48,282**
Financial assets sold under repurchase agreements	-	**231,451**	**12,609**	**21,566**	-	-	-	**265,626**
Deposits from customers	**753**	**2,499,998**	**244,141**	**737,207**	**982,867**	**231**	-	**4,465,197**
Debt securities issued	-	**180,488**	**152,868**	**502,086**	**283,732**	**66,993**	-	**1,186,167**
Lease liabilities	-	**212**	**421**	**1,844**	**6,011**	**1,296**	-	**9,784**
Other non-derivative financial liabilities	**23,715**	**214**	**2,129**	**5,552**	**3,804**	**1,035**	**265**	**36,714**
Total non-derivative financial liabilities	**993,245**	**3,186,649**	**720,168**	**1,734,758**	**1,297,108**	**70,781**	**451**	**8,003,160**
Net position	**124,263**	**(2,291,602)**	**(219,567)**	**81,633**	**1,297,970**	**3,272,824**	**196,408**	**2,461,929**

	2020							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with Central Bank	411,147	-	-	-	-	-	-	411,147
Deposits with banks and other financial institutions	73,603	4,114	3,272	14,363	202	-	-	95,554
Placements with banks and other financial institutions	53	69,316	32,040	91,354	1,252	-	-	194,015
Financial assets purchased under resale agreements	-	121,913	506	1,001	-	-	-	123,420
Loans and advances to customers	-	561,675	256,378	1,027,759	1,222,118	2,086,767	55,793	5,210,490
Trading assets	541,907	14,090	14,945	53,185	142,582	18,792	85,975	871,476
Debt investments	-	26,142	74,679	201,903	846,133	693,967	35,058	1,877,882
Other debt investments	-	24,044	45,234	67,664	282,187	161,225	1,247	581,601
Other equity investments	-	-	-	-	-	-	2,388	2,388
Financial lease receivables	-	3,240	9,088	30,561	64,575	6,751	2,504	116,719
Other non-derivative financial assets	41,449	159	724	5,176	3,383	220	5	51,116
Total non-derivative financial assets	1,068,159	824,693	436,866	1,492,966	2,562,432	2,967,722	182,970	9,535,808
Non-derivative financial liabilities:								
Borrowing from Central Bank	-	30,065	5,627	258,139	-	-	-	293,831
Deposits from banks and other financial institutions	734,981	241,543	188,486	327,354	-	-	-	1,492,364
Placements from banks and other financial institutions	-	51,964	36,677	72,923	14,732	4,029	-	180,325
Trading liabilities	16,195	682	12	50	-	-	304	17,243
Financial assets sold under repurchase agreements	-	79,595	19,789	24,215	-	-	-	123,599
Deposits from customers	2,258	316,356	2,240,041	576,311	1,052,113	-	-	4,187,079
Debt securities issued	-	113,770	114,789	504,988	138,909	121,630	-	994,086
Other non-derivative financial liabilities	5,553	766	1,217	2,836	6,704	543	10,399	28,018
Total non-derivative financial liabilities	758,987	834,741	2,606,638	1,766,816	1,212,458	126,202	10,703	7,316,545
Net position	309,172	(10,048)	(2,169,772)	(273,850)	1,349,974	2,841,520	172,267	2,219,263

5.2 Liquidity risk analysis of derivative instruments

(1) Derivatives settled on a net basis

Derivatives that were settled on a net basis by the Group include: interest rate derivatives, exchange rate derivatives, credit derivatives and precious metal derivatives, etc. The tables below set forth the Group's net derivative financial instruments positions by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows:

	The Group					
	2021					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	**(25)**	**(72)**	**(280)**	**(2,034)**	**(68)**	**(2,479)**
Exchange rate derivatives	**(100)**	**(233)**	**(234)**	**-**	**-**	**(567)**
Other derivatives	**(285)**	**(110)**	**12**	**(18)**	**-**	**(401)**
Total	**(410)**	**(415)**	**(502)**	**(2,052)**	**(68)**	**(3,447)**

	2020					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	20	42	24	(84)	(287)	(285)
Exchange rate derivatives	(265)	183	(1,593)	38	-	(1,637)
Other derivatives	(198)	(12)	(172)	(66)	-	(448)
Total	(443)	213	(1,741)	(112)	(287)	(2,370)

(2) Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis refer to exchange rate derivatives. The tables below set forth the Group's positions by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows:

	The Group					
	2021					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
- Cash inflow	**237,055**	**165,529**	**377,976**	**92,439**	**-**	**872,999**
- Cash outflow	**(237,804)**	**(165,732)**	**(374,900)**	**(91,677)**	**-**	**(870,113)**
Total	**(749)**	**(203)**	**3,076**	**762**	**-**	**2,886**

	2020					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
- Cash inflow	489,362	493,225	896,814	75,483	476	1,955,360
- Cash outflow	(490,163)	(493,305)	(900,205)	(76,009)	(558)	(1,960,240)
Total	(801)	(80)	(3,391)	(526)	(82)	(4,880)

5.3 Liquidity risk analysis of off-balance sheet items

The Group's off-balance sheet items mainly include credit card commitments, letters of credit, letters of guarantee and bank acceptances. The tables below set forth the liquidity of the off-balance sheet items:

	The Group							
	2021				2020			
	Less than 1 year	1-5 years	Over 5 years	Total	Less than 1 year	1-5 years	Over 5 years	Total
Credit card commitments	**466,625**	**-**	**-**	**466,625**	444,176	-	-	444,176
Letters of credit	**157,505**	**847**	**-**	**158,352**	148,217	248	-	148,465
Letters of guarantee	**66,624**	**38,254**	**2,034**	**106,912**	74,225	32,234	2,102	108,561
Bank acceptances	**835,418**	**-**	**-**	**835,418**	822,341	-	-	822,341
Irrevocable loan commitments	**11,236**	**5,383**	**5,095**	**21,714**	6,271	12,766	8,100	27,137
Total	**1,537,408**	**44,484**	**7,129**	**1,589,021**	1,495,230	45,248	10,202	1,550,680

6. Capital management

During the reporting period, the Group had conscientiously implemented the capital management policy according to the regulations of China Banking Regulatory Commission Administrative Measures for the Capital of Commercial Banks (for Trial Implementation). The Group will ensure capital adequacy ratio and the overall strategic development match with risk preference and risk management capabilities, in order to achieve healthy, sustainable and rapid development.

In 2021, the Group implemented capital intensive operation and management to continuously improve and optimize risk-weighted asset amount allocation and governing system: oriented by risk-weighted asset yields, the Group makes overall arrangements in operation institutions, risk-weighted assets scale of business lines to reasonably adjust industry structure and promote capital allocation.

According to related guidelines of CBRC, "Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)" and other regulations, the Group and the Bank monitor the capital adequacy and capital application in real time.

	The Group	
	2021	2020
Net core tier 1 capital	**598,556**	528,452
Net tier 1 capital	**684,555**	614,394
Net capital	**878,172**	762,803
Total risk weighted assets	**6,102,620**	5,663,756
Core tier 1 capital adequacy ratio	**9.81%**	9.33%
Tier 1 capital adequacy ratio	**11.22%**	10.85%
Capital adequacy ratio	**14.39%**	13.47%

(1) The scope of consolidation for the purpose of calculating the Group's Capital Adequacy Ratio includes domestic and overseas operating units and other financial subsidiaries specified in the capital rules.

(2) The Group's core tier 1 capital includes ordinary shares, equity components of convertible bonds, the capital reserve (subject to regulatory limitations), surplus reserve, general reserve, retained earnings, non-controlling interests (to the extent permitted in the core tier 1 capital under the Regulation), and other qualified capital instruments.

(3) The Group's core tier 1 capital supervision deductions include the net amount of goodwill after deduction of related deferred tax liabilities and the net amount of other intangible assets (excluding land use rights) after deduction of related net deferred tax liabilities.

(4) The Group's other tier 1 capital includes preference shares and non-controlling interests to the extent permitted by the capital rules.

(5) The Group's tier 2 capital includes: tier 2 capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and non-controlling interests to the extent permitted by the capital rules.

(6) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets. The Group adopts risk weighting approach, standardized approach and basic indicator approach to measure Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets respectively.

7. Fair value of financial instruments

7.1 Method of fair value recognition

Part of the financial assets and financial liabilities of the Group is measured at fair value. Fair value are measured through appropriate method and parameters, and regularly reviewed by the Board of Directors to keep its applicability. The Group determined and disclosed the fair value of financial instruments based on:

Level 1 inputs: Unadjusted public quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: All parameters that have a significant impact on the valuation results are market information that can be directly or indirectly observable with the utilisation of valuation techniques; and

Level 3 inputs: Part of the parameters that have a significant impact on the valuation results are market information that are not observable with the utilisation of valuation techniques.

When recognizing the fair value of the financial instrument, to those financial instruments which can obtain unadjusted price of same assets and liabilities in the active market, the Group regards the unadjusted price in the active market as the best evidence of fair value. And then the Group recognizes the fair value and classifies it to level 1. The financial instruments of the Group divided into the first level include equity securities and public funds listed on the exchange.

If the parameters of the estimation are observable and acquirable in the active market, such financial instruments (including equity instrument and derivative financial instrument) should be classified to level 2. Financial instruments classified as level 2 by the Group were mainly bond investment, bill business, foreign exchange forwards and swaps, interest rate swaps, foreign exchange options and precious metal contracts, etc. In terms of the fair value of RMB bonds, the Group mainly adopted the valuation results issued by China Central Depository & Clearing Co., Ltd. or China Securities Depository and Clearing Corporation Limited according to the different bond exchange markets; the fair value of foreign currency bonds was based on the valuation results published by Bloomberg; bill business was discounted by a discounted cash flow model which uses the interbank lending rate as a benchmark to adjust the spread based on credit risk and liquidity to build an interest rate curve; non-derivative financial instruments and some derivative financial instruments (including interest rate swaps, foreign exchange forwards, etc.) that cannot obtain quotes from active markets were valued using a cash flow discount model which includes main parameters such as recent transaction price, relevant yield curve, exchange rate, early compensation rate and counterparty credit spread; and option derivative valuation valued using the Black-Scholes option pricing model which includes the relevant yield curve, exchange rate, volatility, and counterparty credit spread etc.. All significant valuation parameters are based on observable market information.

7.2 Financial assets and financial liabilities at fair value on recurring basis

For financial assets and financial liabilities at fair value on recurring basis, three levels of fair value measurement are analysed as follows:

	The Group							
	2021				2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:								
Trading assets	**247,695**	**630,332**	**31,767**	**909,794**	281,048	510,036	32,843	823,927
Other debt investments	**-**	**479,850**	**4,774**	**484,624**	-	513,762	2,606	516,368
Other equity investments	**853**	**-**	**2,295**	**3,148**	595	-	1,793	2,388
Loans and advances to customers								
At fair value through profit or loss	**-**	**2,851**	**-**	**2,851**	-	1,364	-	1,364
At fair value through other comprehensive income	**-**	**324,356**	**-**	**324,356**	-	207,703	-	207,703
Derivative financial assets	**-**	**34,460**	**-**	**34,460**	-	59,396	-	59,396
Total	**248,548**	**1,471,849**	**38,836**	**1,759,233**	281,643	1,292,261	37,242	1,611,146
Financial liabilities:								
Trading liabilities	**5,616**	**42,026**	**188**	**47,830**	972	14,786	304	16,062
Derivative financial liabilities	**-**	**38,847**	**-**	**38,847**	-	61,513	-	61,513
Total	**5,616**	**80,873**	**188**	**86,677**	972	76,299	304	77,575

In 2021 and 2020, the Group did not transfer the fair value of financial instruments from level 1 and level 2 to level 3, nor did it transfer the fair value of financial instruments from level 1 to level 2.

Movement in level 3 financial instruments measured at fair value:

	The Group				
	Trading assets	Other debt investment	Other equity investment	Trading liabilities	Tatal
At 1 January 2021	**32,843**	**2,606**	**1,793**	**(304)**	**36,938**
Gains or losses					
- in profit or loss	**(1,619)**	**356**	**-**	**-**	**(1,263)**
- in other comprehensive income	**-**	**(860)**	**-**	**-**	**(860)**
Purchase	**12,708**	**3,270**	**502**	**-**	**16,480**
Sold and settle	**(12,165)**	**(598)**	**-**	**116**	**(12,647)**
At 31 December 2021	**31,767**	**4,774**	**2,295**	**(188)**	**38,648**
Unrealized gains or losses as at 31 December 2021 included in profit or loss for assets held at 31 December 2021	**(366)**	**-**	**-**	**-**	**(366)**

	Trading assets	Other debt investment	Other equity investment	Trading liabilities	Tatal
At 1 January 2020	21,908	5,638	1,213	-	28,759
Gains or losses					
- in profit or loss	(76)	(345)	-	-	(421)
- in other comprehensive income	-	232	-	-	232
Purchase	18,306	556	580	(304)	19,138
Sold and settle	(7,295)	(3,475)	-	-	(10,770)
At 31 December 2020	32,843	2,606	1,793	(304)	36,938
Unrealized gains or losses as at 31 December 2020 included in profit or loss for assets held at 31 December 2020	(53)	-	-	-	(53)

Information of Level 3 financial instruments:

	The Group	
Items	Fair value on 31 December 2021	Value Tech
Trading assets		
- Equity investments	**17,553**	Net asset value method
- Trust beneficiary rights and asset management plans	**7,126**	Discounted cash flow method
- Debt	**2,123**	Discounted cash flow method
- Others	**4,965**	Discounted cash flow method
Other debt investments		
- Trust beneficiary rights and asset management plans	**2,580**	Discounted cash flow method
- Debt	**2,194**	Discounted cash flow method
Other equity investments	**2,295**	Net asset value method
Trading liabilities	**(188)**	Note
Total	**38,648**	

Items	Fair value on 31 December 2020	Value Tech
Trading assets		
- Trust beneficiary rights and asset management plans	11,215	Discounted cash flow method
- Equity investments	11,089	Net asset value method
- Debt	1,741	Discounted cash flow method
- Others	8,798	Discounted cash flow method
Other debt investments		
- Trust beneficiary rights and asset management plans	2,556	Discounted cash flow method
- Debt	50	Discounted cash flow method
Other equity investments	1,793	Net asset value method
Trading liabilities	(304)	Note
Total	36,938	

Note: Trading liabilities are the equity of other share holders in the consolidated structured entity, and the fair value is the amount attributable to the investors of the structured entity calculated based on the net value of the structured entity.

7.3 Financial assets and liabilities measured not by fair value

All financial instruments are carried at amounts not materially different from their fair value not measured at fair value except as follows:

	The Group				
	2021				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets:					
Debt investments	**1,601,030**	**1,619,389**	**-**	**986,451**	**632,938**
Total	**1,601,030**	**1,619,389**	**-**	**986,451**	**632,938**
Financial liabilities:					
Debt securities issued	**1,120,116**	**1,132,713**	**-**	**1,132,713**	**-**
Total	**1,120,116**	**1,132,713**	**-**	**1,132,713**	**-**

	2020				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets:					
Debt investments	1,550,131	1,563,127	-	904,055	659,072
Total	1,550,131	1,563,127	-	904,055	659,072
Financial liabilities:					
Debt securities issued	947,393	949,491	-	949,491	-
Total	947,393	949,491	-	949,491	-

Quantitative information of level 2, 3 at fair value:

	The Group			
Items	Fair value at 31 December 2021	Fair value at 31 December 2020	Valuation Technique	Inputs
Debt investments	**1,619,389**	1,563,127	Discounted cash flow method	Yield rate of bonds,default rate, loss given default, discount rate
Debt securities issued	**1,132,713**	949,491	Discounted cash flow method	Yield rate of bonds

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

XII. Other significant events

1. Financial assets and financial liabilities measured at fair value

	The Group				
	2021				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	Provision for impairment losses for the year	Closing balance
Financial assets:					
Derivative financial assets	**59,396**	**(24,936)**	**-**	**-**	**34,460**
Loans and advances to customers measured at fair value through profit or loss	**1,364**	**1**	**-**	**-**	**2,851**
Loans and advances to customers measured at fair value through other comprehensive income	**207,703**	**-**	**9**	**(439)**	**324,356**
Trading assets	**823,927**	**4,422**	**-**	**-**	**909,794**
Other debt investments	**516,368**	**(255)**	**(1,231)**	**(356)**	**484,624**
Other equity investments	**2,388**	**-**	**(27)**	**-**	**3,148**
Total financial assets	**1,611,146**	**(20,768)**	**(1,249)**	**(795)**	**1,759,233**
Financial liabilities (1)	**(77,575)**	**22,368**	**-**	**-**	**(86,677)**

	The Bank				
	2021				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	Provision for impairment losses for the year	Closing balance
Financial assets:					
Derivative financial assets	**59,387**	**(24,927)**	**-**	**-**	**34,460**
Loans and advances to customers measured at fair value through profit or loss	**1,364**	**1**	**-**	**-**	**2,851**
Loans and advances to customers measured at fair value through other comprehensive income	**207,703**	**-**	**9**	**(439)**	**324,356**
Trading assets	**773,552**	**3,312**	**-**	**-**	**847,457**
Other debt investments	**514,919**	**(255)**	**(1,093)**	**(410)**	**484,758**
Other equity investments	**2,308**	**-**	**(27)**	**-**	**3,068**
Total financial assets	**1,559,233**	**(21,869)**	**(1,111)**	**(849)**	**1,696,950**
Financial liabilities (1)	**(76,226)**	**22,361**	**-**	**-**	**(80,754)**

(1) Financial liabilities include trading liabilities and derivative financial liabilities.

(2) The items of assets and liabilities listed on the above tables have no inevitable relationship.

2. Financial assets and financial liabilities denominated in foreign currencies

	The Group				
	2021				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	(Charge) reversal for impairment losses for the year	Closing balance
Cash and balances with Central Bank	**8,529**	**-**	**-**	**-**	**9,704**
Deposits with banks and other financial institutions	**57,151**	**-**	**-**	**-**	**32,128**
Placements with banks and other financial institutions	**32,997**	**-**	**-**	**-**	**90,355**
Derivative financial assets	**7,925**	**(4,035)**	**-**	**-**	**3,890**
Financial assets purchased under resale agreement	**704**	**-**	**-**	**-**	**4,061**
Loans and advances to customers	**146,282**	**-**	**-**	**1,007**	**154,659**
Financial investments:					
Trading assets	**25,947**	**(554)**	**-**	**-**	**16,186**
Debt investments	**43,466**	**-**	**-**	**44**	**40,247**
Other debt investments	**75,462**	**-**	**(829)**	**(215)**	**58,814**
Other equity investments	**61**	**-**	**57**	**-**	**61**
Finance lease receivables	**936**	**-**	**-**	**125**	**451**
Other financial assets	**1,101**	**-**	**-**	**-**	**751**
Total of financial assets	**400,561**	**(4,589)**	**(772)**	**961**	**411,307**
Financial liabilities (1)	**(423,159)**	**5,780**	**-**	**-**	**(382,413)**

	The Bank				
	2021				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	(Charge) reversal for impairment losses for the year	Closing balance
Cash and balances with Central Bank	**8,529**	-	-	-	**9,704**
Deposits with banks and other financial institutions	**57,151**	-	-	-	**31,419**
Placements with banks and other financial institutions	**32,997**	-	-	-	**90,355**
Derivative financial assets	**7,925**	**(4,035)**	-	-	**3,890**
Financial assets purchased under resale agreement	**704**	-	-	-	**4,061**
Loans and advances to customers	**146,282**	-	-	**1,007**	**154,659**
Financial investments:					
Trading assets	**25,947**	**(554)**	-	-	**16,186**
Debt investments	**43,466**	-	-	**44**	**40,247**
Other debt investments	**75,462**	-	**(829)**	**(215)**	**58,814**
Other equity investments	**61**	-	**57**	-	**61**
Other financial assets	**1,101**	-	-	-	**751**
Total of financial assets	**399,625**	**(4,589)**	**(772)**	**836**	**410,147**
Financial liabilities (1)	**(417,775)**	-	-	-	**(376,250)**

(1) Financial liabilities include Borrowing from Central Bank, Deposits from banks and other financial institutions, Placements from banks and other financial institutions, Trading liabilities, Derivative financial liabilities, Financial assets sold under repurchase agreements, Deposits from customers and Debt securities issued, etc.

(2) The items of assets and liabilities listed on the above tables have no inevitable relationship.

3. Transfer of financial assets

3.1 Assets-securitized

The Group conducts asset-backed securities transactions during normal operations. The Group sells part of its financial assets to the special purpose trust established by the Group as an originating institution and then the special purpose trust issues asset-backed securities to investors. The Group determines whether it combines the special purpose trust based on whether it has power over such special purpose trust and whether it is involved in related activities of the special purpose trust to enjoy variable returns, and whether the Group has the ability to use its power over the special purpose trust to affect its returns.

Once a special purpose trust is established, it shall be distinguished from other property for which the Group has not set up a trust. When the Group is dissolved according to law, revoked according to law, and declared bankrupt, if the Group is the sole beneficiary, the special purpose trust shall be terminated and the trust property shall be deemed as the liquidation property; if the Group is not the sole beneficiary, the special purpose trust shall survive and the trust property shall not be deemed as the liquidation property; however, the trust beneficial rights held by the Group is its liquidation property.

In the course of the transfer of the aforesaid financial assets, the Group has not recognized the gains or losses since the transferring consideration is same as the book value of the transferred financial assets. Subsequently, the Group as a financial asset service institution will charge a certain service fee.

The Group analyses and judges if the relevant financial assets transferred to be derecognized based on the degree of transfer of risk and return:

• When the Group transfers substantially all the risks (mainly include credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of ownership of the financial assets to other investors in the course of the transfer of the underlying financial assets, the Group derecognizes the transferred financial assets. The Group has RMB71,856 million securitized financial assets in 2021 (2020: RMB30,151 million). Meanwhile, the Group subscribed for a certain percentage of asset-backed securities. As at 31 December 2021, the above asset-backed securities held by the Group amounted to RMB448 million (31 December 2020: RMB4,447 million).

• In 2021, the Group's transferred assets include financial assets with carrying amount of RMB21,457 million (2020: RMB17,344 million), where the Group neither transferred nor retained substantially all the risks (mainly include the credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of the ownership, and retained the control and has continuing involvement in these financial assets. As at 31 December 2021, the Group continued to recognize the financial assets with carrying amount of RMB12,191 million (31 December 2020: RMB11,490 million) based on its extent of continuing involvement in the assets, and recognized assets and liabilities with continuing involvement as other assets and other liabilities.

3.2 Repurchase agreements

Repurchase agreements refer to agreements made by the Group and the counter-parities that financial assets (or financial assets that share the same substance) are settled a fixed price of repurchasing when they are sold at a fixed date. Due to the fixed repurchasing price, the Group shoulders almost all the credit and market risks and benefit of the assets. The sold financial assets (cannot be used within the period) should not be recognized in the financial statement, but should be regarded as guarantees because the Group retains all the risks and returns. Besides, the Group recognizes the financial liabilities by the price received. In these trading, the counter-parties' right to the Group is not limited within the transferred financial assets.

As at 31 December 2021 and 31 December 2020, the Group conducted trading of bonds and bills under repurchase agreements. The price of selling these financial assets is called financial assets sold under repurchase agreements price (Note VII, 19).

Included in the repurchase agreement, the book value of the financial assets which had been transferred but continued to be recognized by the Group and relevant liabilities are as follows:

	The Group			
Item	2021		2020	
	Bond	Bill	Bond	Bill
Assets book value	**237,375**	**32,416**	85,015	41,330
Liabilities book value	**233,230**	**32,190**	82,358	41,035

XIII. Comparative figures

Certain comparative figures have been re-presented by the Group to meet the presentation of the financial reporting.

XIV. Non-adjusting events after balance sheet date

In January 2022, with the approval of China Banking and Insurance Regulatory Commission and the People's Bank of China, the Bank issued a total of RMB25 billion of tier 2 capital bonds in the National inter-bank bond market. The maturity of the bonds is 10 years, and the issuer is entitled to redemption at the end of the fifth year with a coupon rate of 3.45%.

In March 2022, with the approval of China Banking and Insurance Regulatory Commission and the People's Bank of China, the Bank issued a total of RMB40 billion of financial bonds in the National inter-bank bond market with a maturity of 3 years, among which: the issue size of variety one is 10 billion with a coupon rate of 3.00%, while the issue size of variety two is RMB30 billion with a coupon rate of 2.96%.

As at the approval date of the financial statements, there is no material post balance sheet date events which should be disclosed by the Group, except for the above contents and dividend distribution. For details of dividend distribution, see Note VII, 32.

XV. Financial statements approved

The financial statements were approved by the Board of Directors of the Bank on 24 March 2022.

Supplementary Financial Information

I. Breakdown of non-recurring profit or loss

The following table is in accordance with the requirement of Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No.1 - Non-recurring Profit or Loss (2008) (ZJHGG [2008] No.43) issued by China Securities Regulatory Commission.

	The Group	
	2021	2020
Gains and losses on the disposal of non-current assets	**(6)**	3
Government grants recognized in profit or loss	**613**	510
Net non-operating income and expenses in addition to the above	**107**	89
Subtotal	**714**	602
Impact on income tax expenses	**(210)**	(168)
Total	**504**	434
Total non-recurring profit or loss attributable to ordinary shareholders of the Bank	**474**	408
Total non-recurring profit or loss attributable to non-controlling interests	**30**	26
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	**77,946**	63,669

Non-recurring profit or loss refers to the profit or loss not related to normal business or the profit or loss which is related to normal business but affects the user of financial statements to make correct judgement for the Bank's financial position and financial performance because of its distinctiveness and non-recurring. Considering the nature of its normal business, Industrial Bank Co., Ltd. (hereinafter referred to as "the Group") does not include "Trading assets, Debt investments, Other debt investments and Other equity investments" in non-recurring profit or loss.

II. Return on net assets ("ROE") and earnings per share ("EPS")

The related data is calculated in accordance with the provisions in the Rule No.9 for the Preparation of Information Disclosure of Companies with Public Offering – the Calculation and Disclosure of ROE and EPS (revised in 2010). In the related period, basic EPS is calculated by dividing net profit by weighted average ordinary shares issued.

2021	The Group	
	Weighted average ROE(%)	Basic EPS(RMB)
Net profit attributable to ordinary shareholders of the Bank	**13.94**	**3.77**
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	**13.86**	**3.75**

2020	Weighted average ROE(%)	Basic EPS(RMB)
Net profit attributable to ordinary shareholders of the Bank	12.62	3.08
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	12.54	3.06

When calculating the earnings per share, the current net profit attributed to ordinary shareholders did not include preference shares dividends and perpetual bonds interests announced of insurance during the year ended 31 December 2021 and 31 December 2020. The conversion characteristic of preference shares enables the existence or ownership of ordinary shares to be issued. As at 31 December 2021 and 31 December 2020, there was no trigger event for the conversion of shares, and the conversion characteristics of preference shares had no impact on the calculation of the basic and diluted earnings per share for the above period.

On 27 December 2021, the Group issued convertible bonds, the convertible characteristics of which resulted in the contingent existence of convertible ordinary shares of the Group. The convertible bond was issued on 27 December 2021, so the issue of the convertible bond is non-dilutive to earnings per share (2020: Nil).

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